MUSIC IS UNIVERSAL

Annual Report 2021

UNIVERSAL

UNIVERSAL MUSIC GROUP

CONTENTS

This copy of the annual report of Universal Music Group N.V. for the year 2021 is not in the ESEF-format as specified by the European Commission in Regulatory Technical Standard on ESEF (Regulation (EU) 2019/815). The ESEF reporting package can be found on our website

ABOUT UMG

FOREWORD

WE ARE UNIVERSAL

I am honored to write Universal Music Group's inaugural annual letter to shareholders.

This year's successful public listing on the Euronext Amsterdam establishes UMG as a freestanding company capable of charting our own destiny for the first time in our long, distinguished history.

In addition to our listing, UMG's stand-out year featured unprecedented creative and commercial success, a solidified position as the world's leading music-based entertainment company and record financial results.

We reached new levels of success in 2021 across our operating companies and territories, driving total revenue growth of 17%, operating profit growth of 15% and adjusted EBITDA[1] growth of 21% (all in constant currency).

At the same time, against the challenging backdrop of a pandemic that stretched into its third year, UMG achieved so much for our recording artists and songwriters to bring music that helps people everywhere weather the storm. UMG, consistent with our desire to give back and help those in need, worked to address this crisis by assisting music professionals – including our recording artists and songwriters, both past and present – affected by the pandemic.

We supported initiatives aimed at addressing the pandemic's economic and social impact on recording artists, songwriters and the broader music community through MusiCares in the US and Help Musicians UK, among others. Our partnership with the Music Health Alliance in the US helped more than 300 of our recording artists and songwriters and their families save millions of dollars in healthcare costs, and in some cases allowed them to receive lifesaving medical treatments.

We also launched our All Together Now Foundation in the US to contribute both funds and volunteer efforts to key areas of need, such as housing, education, health and wellness, natural disaster relief, and the environment. UMG's employee-driven Task Force for Meaningful Change continued its groundbreaking work, supporting more than 140 organizations around the world. Last year, it focused on supporting education, especially supporting students from marginalized communities in areas such as mental health and wellness.

Through their collective ingenuity and entrepreneurial drive, our employees ensured that UMG remained at the top of the music business by introducing the world's greatest artists to fans worldwide and generating increased consumer demand for music in new and powerful ways.

Consider these 2021 highlights, among so many others around the world:

- On Spotify, UMG had 4 of the Top 5 global artists with Taylor Swift, BTS, Drake and Justin Bieber. Olivia Rodrigo's *"drivers license"* was the most-streamed song and *"SOUR"* was the most-streamed album.

1 as defined in the Appendix to the Annual Report

- Apple Music named The Weeknd its Global Artist of the Year, H.E.R. as Songwriter of the Year, and Olivia Rodrigo not only as Breakthrough Artist of the Year but *"drivers license"* and *"SOUR"* as Song and Album of the year.
- Deezer's Top 4 global albums were The Weeknd's *"After Hours"*, along with those by Olivia Rodrigo, Billie Eilish and Justin Bieber. The No. 1 Song was The Weeknd's *"Blinding Lights"*
- In the US, the world's largest music market, Billboard's year-end charts showed UMG had 8 of the Top 10 artists, and all of the Top 6, with Drake at No. 1, followed by Olivia Rodrigo, The Weeknd, Taylor Swift, Morgan Wallen and Ariana Grande; 7 of the Top 10 albums, including all Top 5; and 3 of the Top 5 Singles.
- Universal Music Publishing Group represented 4 of the Top 5 Hot 100 Songs on Billboard's Year-End Chart (and 7 of the Top 10).

Artists today have more opportunities and choices than ever before when it comes to with whom they partner to release music and develop their careers. It's also harder than ever for artists to break through the noise. Yet, this past year, our results demonstrated once again that partnering with UMG dramatically increases the odds for artists in countries around the world to achieve global success.

For our artists, "success" is not limited to recorded music and music publishing. We've built a continuum of services and resources–in merchandise, brand management, sponsorships, ecommerce, and film & television to name just a few—that enable us to partner with artists at any stage of their careers.

I've experienced many transformational shifts over the course of my career: changes in format from vinyl to cassette to CD; partnering with Apple on downloads; championing the launch of Spotify's streaming service; forging the industry's first partnership with Facebook to open social media. Change is a constant. By adapting our business models, promoting competition, and creating a healthier ecosystem for music and artists, we've always come out stronger.

This is an exhilarating time for artists and for fans and the music they love. The entire music ecosystem is growing—by genre, by geography, by platform, by consumer demand. Improved connectivity and growing smartphone penetration have pushed streaming to record levels. And the very definition of music consumption has evolved and deepened. Music is a vital ingredient in a wide range of media: feature-length films, television, short-form video on social networks, "fit-tech," health/wellness apps, NFTs and blockchain innovations, gaming and the new frontiers of the metaverse.

I believe we're at the very beginning of a new wave of growth. When I consider the addressable market for music, I see opportunities in categories we are only just beginning to monetize—social media, fitness, physical and mental health, gaming, Web3, smart audio devices, the connected car. Some of these are already contributing meaningful revenue — and all show enormous potential.

When you consider what we have assembled—thanks to our artists, our leaders, our networks, our expertise, our capital, our global footprint, our vast catalogue of songs and recordings — the conclusion is unmistakable: Universal Music Group is truly a category of one.

SIR LUCIAN GRAINGE, CHAIRMAN AND CEO,
UNIVERSAL MUSIC GROUP

MISSION

MUSIC IS INFLUENTIAL

Influencers Top 10*




		FOLLOWERS
#01	CRISTIANO RONALDO	517,000,000
#02	JUSTIN BIEBER	455,000,000
#03	ARIANA GRANDE	429,000,000
#04	SELENA GOMEZ	425,000,000
#05	TAYLOR SWIFT	361,000,000
#06	DWAYNE JOHNSON	342,000,000
#07	KATY PERRY	338,000,000
#08	KYLIE JENNER	333,000,000
#09	RIHANNA	332,000,000
#10	KIM KARDASHIAN	319,000,000

UMG Artists

Source: Visual Capitalist, May 2021, https://www.visualcapitalist.com/worlds-top-50-influencers-across-social-media-platforms/

MORE MUSIC TO MORE PEOPLE

Music unites us. It's a force for good that transcends borders and boundaries. That's why at Universal Music Group we're all about shaping culture through the power of artistry. We deploy knowledge and innovation to help fans connect with the artists and music they love and in ways they want.

Digital technology is transforming life. We embrace this transformation and pioneer new services, platforms and business models to get more music to more people in more ways. Our culture of innovation means we harness change to empower innovators and create new commercial and artistic opportunities. We build on our rich history, with an unmatched catalog of songs and recordings, to support today's hottest artists and songwriters and write new chapters in the chronicles of music.

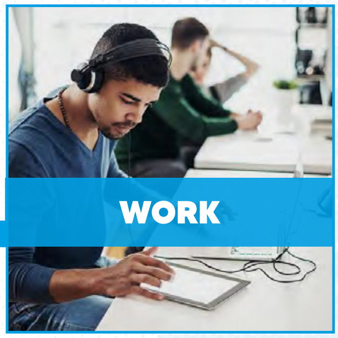
We are a "category of one" – no other company can rival our excellence in recorded music, music publishing, music merchandising and music-based visual entertainment. And we continue to drive new developments across the dynamic and diverse music industry. With operations in more than 60 territories around the globe, we're the universal home for artists, songwriters, innovators and iconic labels.

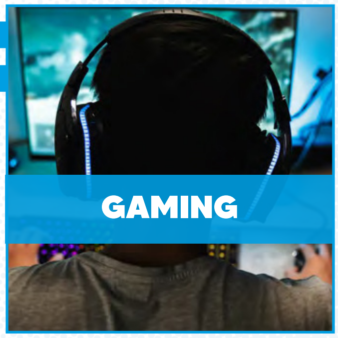
'OUR GOAL IS UNCHANGING: TO CREATE OPPORTUNITIES FOR ARTISTS TO BRING THEIR MUSIC TO THE WORLD.'

SIR LUCIAN GRAINGE, CHAIRMAN AND CEO, UNIVERSAL MUSIC GROUP.

VISION

MUSIC IS THE SOUNDTRACK TO OUR LIVES





PUTTING ARTISTS FIRST

Artists and songwriters are at the heart of everything we do at Universal Music Group. Focused on their long-term development, our company is built to serve their unique needs throughout their careers. Successfully producing and marketing music requires a significant upfront investment and an ongoing collaboration. Universal Music Group invests more in developing talent, and does so with greater expertise, than any other music company. This investment combined with our excellence in marketing and promoting artists globally means we consistently lead the industry in breaking new artists.

Putting artists first every step of the way sets us apart. We turn art into hits and hits into careers. By building a continuum of services and resources for artists, we've designed UMG so we can partner with artists at each stage of their careers to provide them with all the services and resources they need. We start by identifying the artists with whom we want to partner and presenting them with a world of opportunities to accelerate their careers. We remain by their side with customized campaigns and promotion, platform-integrated targeted marketing, top-tier data and insights and global reach with local activation. We work side-by-side with them long-term to build and sustain their careers through continuous engagement, improving lifetime fan value, and enabling unique access to synchronization, brand partnerships, licensing opportunities and eCommerce capabilities to monetize fandom.

Our artist-centric approach gives us an unrivalled track record in artist development and commercial success. This is reflected in eight of the top-ten global artists in 2021 being part of our UMG family. Our success in strategically expanding our artists' revenue streams beyond traditional recorded music and into film, television, theater, merchandise and sponsorship has resulted in iconic artists including John Legend, Andrea Bocelli and Aerosmith recently signing or re-signing with us.

'UMG HAS A TOP TIER NETWORK OF LABELS, ADVANCED CAPABILITIES AND TALENT RESOURCES TO SEEK, DISCOVER AND BREAK ARTISTS AROUND THE WORLD, BUT ALSO TO SUSTAIN AND BUILD LONGEVITY FOR ARTISTS AND THEIR CATALOGS THROUGHOUT THEIR CAREERS,'

FRANK BRIEGMANN, UNIVERSAL MUSIC'S CHAIRMAN & CEO OF CENTRAL EUROPE & DEUTSCHE GRAMMOPHON.

PROFILE

WE ARE A CATEGORY OF ONE

#1

RECORDED MUSIC

>3 MILLION RECORDINGS

#2

MUSIC PUBLISHING

NEARLY **4 MILLION** OWNED & ADMINISTERED TITLES

#1

MUSIC MERCHANDISING

>250 ARTISTS / BRANDS

#1

MUSIC BASED VISUAL ENTERTAINMENT

10,000S OF HOURS OF VIDEOS

>4 TRILLION MINUTES OF CUMULATIVE WATCH TIME OF UMG CONTENT ON YOUTUBE

WE HAVE A RICH HISTORY AND HAVE BUILT AN IRREPLACEABLE CATALOGUE OF SONGS AND RECORDINGS

GLOBAL PRESENCE COVERING **200** MARKETS

6 OF THE WORLD'S TOP 10 INFLUENCERS (TO DATE)

8 OF THE TOP 10 GLOBAL ARTISTS (2021 IFPI)

4 OF THE TOP 5 GLOBAL ARTISTS ON SPOTIFY (2021)

8 OF THE TOP 10 ARTISTS IN THE US, INCLUDING ALL OF THE TOP SIX (2021 – BILLBOARD)

7 OF THE TOP 10 ARTISTS IN THE UK (2021 – OCC DATA)

WE TURN ART INTO HITS AND HITS INTO CAREERS

SUPPORT THE ACT

- State-of-the-art studios
- World-class collaborators
- Cutting-edge visual art and video creative services
- Artist financial support, including significant upfront investment
- Career planning

CREATE A HIT

- Highly customized campaigns and promotion
- Platform-integrated, targeted marketing
- Top-tier data and insights
- Ability to deliver global reach with coordinated local activation

BUILD AND SUSTAIN A CAREER

- Continuous engagement building lifetime fan value
- Unique access to synch, brand partnerships and licensing opportunities
- eCommerce capabilities monetize fandom, leveraging merchandise & product development expertise

FINANCIAL KEY FIGURES 2021

UMG RESULTS
(in € millions)

YEAR ENDED DECEMBER 31

REVENUE	
2021	8,504
2020	7,432
YoY	+ 14.4%
constant	+ 17.0%

Operating Profit	
2021	1,399
2020	1,221
YoY	+ 14.6%
constant	+ 15.4%

EBITDA[1]	
2021	1,686
2020	1,487
YoY	+ 13.4%
constant	+ 14.7%

EBITDA margin[1]	
2021	19.8%
2020	20.0%
YoY	- 0.2pp

Adjusted EBITDA[1]	
2021	1,788
2020	1,497
YoY	+ 19.4%
constant	+ 20.9%

Adjusted EBITDA margin[1]	
2021	21.0%
2020	20.1%
YoY	+ 0.9pp

NOTE
% YoY indicates % change year-over-year;
% constant indicates % change year-over-year adjusted for constant currency.

1 as defined in the Appendix to the Annual Report

FINANCIAL KEY FIGURES 2021

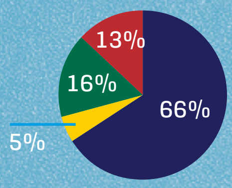
RESULTS PER BUSINESS SEGMENT
(in € millions)

YEAR ENDED DECEMBER 31

RECORDED MUSIC
(in € millions)

REVENUE

2021	6,822
2020	5,967
YoY	+ 14.3%
constant	+ 16.9%



- Subscription and Streaming Revenue
- Downloads and Other Digital Revenue
- Physical Revenue
- License and Other Revenue

MUSIC PUBLISHING
(in € millions)

REVENUE

2021	1,335
2020	1,186
YoY	+ 12.6%
constant	+ 15.0%

MERCHANDISING AND OTHER
(in € millions)

REVENUE

2021	363
2020	292
YoY	+ 24.3%
constant	+ 27.4%

NOTE
% YoY indicates % change year-over-year;
% constant indicates % change year-over-year adjusted for constant currency.

NOTE
Segment revenue is stated prior to elimination of intersegment transactions.

KEY CONSOLIDATED FINANCIAL DATA FOR THE LAST THREE YEARS

	Year ended December 31,		
	2021	2020	2019
Consolidated data			
Revenues	8,504	7,432	7,159
EBITDA (a)	1,686	1,487	1,267
Adjusted EBITDA (a)	1,788	1,497	1,272
Operating profit	1,399	1,221	1,039
Net Profit attributable to equity holders of the parent	886	1,366	972
Adjusted net profit (a)	1,271	1,028	976
Net Cash Position/(Financial Net Debt) (a)	(2,010)	(1,868)	993
Net cash provided by operating activities before income tax paid[1]	1,395	1,133	1,130
Free Cash Flow (a)	638	(158)	485
Dividends paid by UMG N.V. to its shareholders	(785)	(283)	(1,002)
Per share data			
Weighted average number of shares outstanding	1,813	1,813	n/a
Earnings attributable to UMG N.V. shareowners per share	0.49	0.75	n/a
Adjusted net profit per share (a)	0.70	0.57	n/a

1 2020 Restated amounts are presented in Note 2.6 of the Annual Consolidated Financial Statements

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

(a) non-IFRS measures as defined in the Appendix to the Annual Report.

TIMELINE

FEBRUARY

- Launch of **Virgin Music Label & Artist Services**, delivering premium and flexible artist and label services to the industry's most dynamic entrepreneurs and independent talent worldwide.
- Global agreement with short-form video app **TikTok** covering recorded music and music publishing.

MARCH

- UK singer-songwriter **Holly Humberstone** signed for recorded music and music publishing. In December 2021, she was named the winner of the prestigious BRITs Rising Star Award.

JUNE

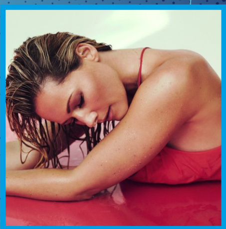
- Expansive, multifaceted global agreement with **Snap Inc.** to allow Snapchat's users to incorporate UMG's catalog of recorded music and content into creative tools, including Sounds and augmented reality Lenses.

JULY

- Exclusive global agreement with Indian music superstar and entrepreneur **Badshah**.

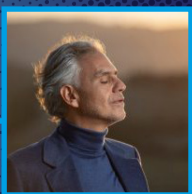
AUGUST

- Worldwide alliance with **Aerosmith**, the best-selling American hard rock band of all time, spanning the iconic group's entire discography, merchandise and audio-video projects.



SEPTEMBER

- Distribution of 60% of UMG's shares to **Vivendi** shareholders and listing of UMG shares on the Euronext Amsterdam.
- Innovative partnership with digital therapeutics company **MedRhythms** offering prescription music to patients. Marks UMG's first deal in the medical arena.
- Long-term extension of hugely successful partnership with Germany's most successful musical artist, **Helene Fischer**.



OCTOBER

- Exclusive and expanded global recording agreement with record-breaking tenor **Andrea Bocelli**; Bocelli signs directly to UMG for first time, after more than 25 years of collaboration.
- Global licensing and distribution deal with **BTS**, the top-selling recording act in the world in 2020; Builds on UMG's existing distribution of BTS's Japanese language content.

NOVEMBER

- Exclusive, global publishing agreement with Grammy Award-winning recording artist and songwriter **Lionel Richie**.
- Superstar artist **John Legend** signs a new deal to move to UMG for the next chapter of his career.

DECEMBER

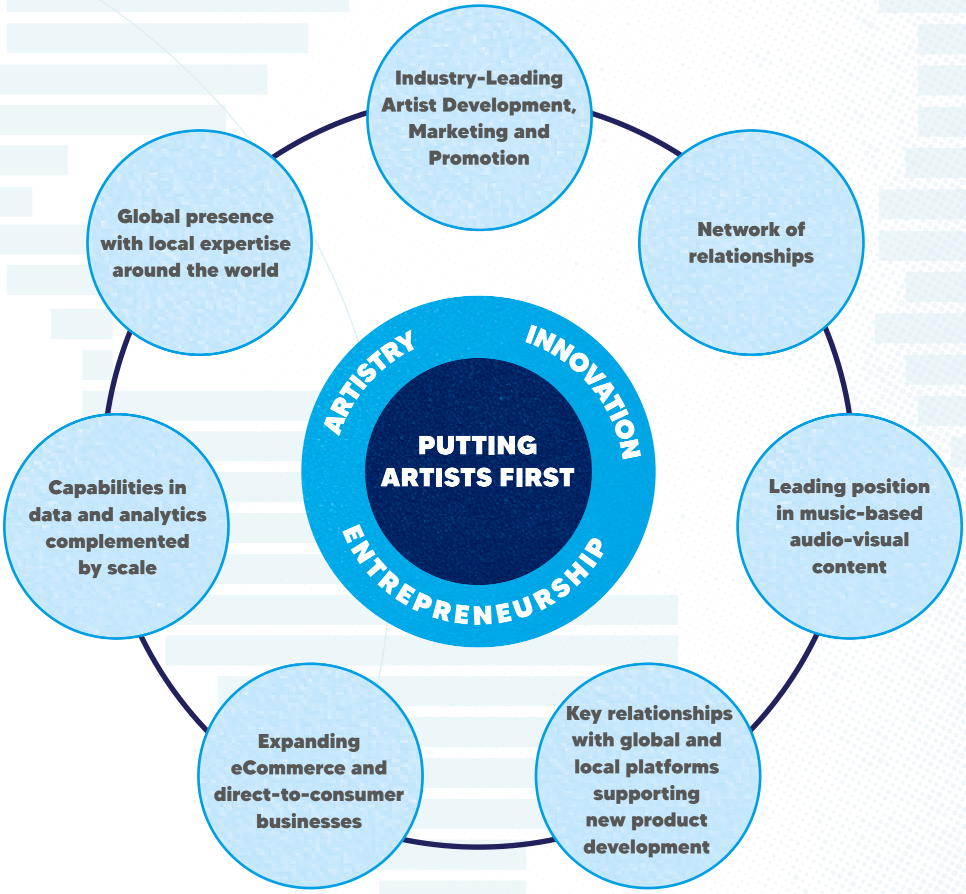
- Inclusion in the **Euronext's AEX Index**, comprised of the Euronext Amsterdam's 25 largest listed companies ranked by free-float adjusted market capitalization and liquidity.
- Music Publishing agreement with Banijay reinforces UMPG's foothold as the publisher of choice for film and TV studios.

HOW UMG ADDS VALUE

INPUT

HUMAN	CONTENT	SOCIAL	FINANCIAL

ADDED VALUE



OUTPUT
VALUE CREATION FOR

ARTISTS & SONGWRITERS	FANS	BUSINESS PARTNERS	SHAREHOLDERS

OUTCOME & IMPACT

ENVIRONMENTAL · **SOCIAL** · **GOVERNANCE**

INPUT

HUMAN
- Total headcount: **9,505**
- Offices in **60 countries**
- Covering **200+ markets**
- Deeply experienced, inventive and entrepreneurial creative leadership

CONTENT
- **> 3 million** recordings
- **± 4 million** owned and administrated titles
- **> 250** artists / brands in merchandising
- **10,000s hours** of video's

SOCIAL
- World leader in music-based entertainment
- Hundreds of DSP partnerships
- Partnerships with industry organizations, government agencies and collection societies
- Investing in new music markets to sign and develop local artists

FINANCIAL
- Royalty advance payments, net of recoupments: **€364 million**
- Catalogue investments: **€388 million**
- SG&A: **€2,502 million**

ADDED VALUE

PUTTING ARTISTS FIRST

ARTISTRY · INNOVATION · ENTREPRENEURSHIP

OUTPUT VALUE CREATION FOR

ARTISTS & SONGWRITERS
- Content creation in state-of-the-art studios
- Highly customized marketing campaigns and promotion
- Protecting artists' IP and rights
- Delivering global reach with coordinated local activation
- Continuous engagement building lifetime fan value
- Unique access to synch, brand partnerships and licensing opportunities
- eCommerce capabilities monetize fandom, leveraging merch & product development expertise
- Leveraging new technology and partnerships to fuel artistic creativity and commercial potential
- Helping artists elevate their presence and stand out in a sea of content
- Long-term career development

FANS
- Fulfilling music content demand for all consumers and audiences
- Promoting music from all genres
- Protecting decades of catalog and heritage
- Product innovation, premium products for super fans and extending cultural legacy of artist projects
- Connecting artists to fans
- Creating new fan experiences through project innovation
- Preserving and moving culture
- Supporting charitable efforts

BUSINESS PARTNERS
- Enabling platform partners to grow their businesses by offering the world's most sought-after content
- Leveraging new innovative new technologies to expand the addressable market for artists
- Partnering with independent labels and entrepreneurs
- Early-stage venture partnerships and mentoring for music start-ups
- Supporting growth of new music markets around the world
- Licensing music for use in other forms of content

SHAREHOLDERS
- 2021 Revenue: **€8,504 million**
- Operating Profit: **€1,399 million**
- Adjusted EBITDA[1]: **€1,788 million**
- Net cash provided by operating activities before income tax paid: **€1,395 million**
- Free Cash Flow[1]: **€638 million**
- 2021 Dividend: €363 million interim + €363 million proposed= **€725 million** (Subject to shareholder approval of final dividend)

OUTCOME & IMPACT

1 as defined in the Appendix to the Annual Report

STAKEHOLDER ANALYSIS

To create sustainable value for our stakeholders, we actively engage with them to inform them about our direction and strategic choices. We value the input they provide and build constructive, long-term relationships to enable ongoing dialogue. This helps us map and prioritize areas that are of high importance to our stakeholders, as well as provides insights into the areas in which we can have a positive impact within our business and operations. We then focus on these material areas and proactively communicate our position and performance on them.

1. Artists
2. Fans
3. Employees
4. Shareholders

ENGAGING WITH OUR STAKEHOLDERS

Engaging closely with our key stakeholder groups is a critical part of being a successful, responsible business. We engage with our stakeholders in various ways, formally and informally, depending on their needs and interests.

- How we engage with them
- Main interests
- Our response and impact

1. Artists

How we engage with them

- Our recording artists and songwriters are the center of everything we do.
- The teams at each of our labels and divisions maintain a close relationship with the artist community.
- We engage with our artists directly, through our A&R staff, and also indirectly through their lawyers and managers.
- As trusted partners, we provide a wide range of services including marketing, promotion, distribution, tour support, e-commerce, film & television, and so much more, to support their careers.

Main interest

- Investing in long-term career development
- Sharing their body of work with fans
- Fair compensation
- Building a sustainable career
- Direct fan engagement
- Enabling creative opportunities for artists to expand their audience reach

Our response and impact

- We partner with the broadest set of global, regional local distribution partners to help artists share their work with a growing audience of fans around the world.
- We work to achieve fair compensation for music content with our distribution partners, and through government and industry organizations.
- We help drive experimentation in new technologies which drive greater consumption of music content and allow fans to experience music in new ways.
- We help our artists engage with their fans through social media, livestreaming events, pop-up shops and other in-person experiences.

2. Fans

How we engage with them

- Accessibility to their favorite artists
- Premium orientated products for super fans
- Create new experiences and opportunities for fans to engage and experience their favorite artists and music
- Enhance direct relationship to create stronger bonds between artist and fan
- Listen and meet fan demands for product

Main interest

- Access to artist content from the widest possible range of licensed partners
- Creating accessible commercial and collectable products that satisfy fan demand
- Ensure fans feel directly connected to their favorite artists
- Offering fans premium products and experiences
- Supporting artist creativity

Our response and impact

- We invest in A&R to ensure fans have new music and products from their favorite artists.
- We help fans engage with their favorite artists through social media, livestreaming events, pop-up shops and other in-person experiences.
- We engage with innovation and technology to evolve both the fan experience and the creative process.
- We partner with the broadest set of global, regional local distribution partners and retailers to help artists share their work with fans around the world.
- We help facilitate direct-to-artist sales through ecommerce and merchandising opportunities.
- We utilize our production, manufacturing and distribution capabilities to create premium and deluxe products for fans.

3. Employees

How we engage with them

- Maintain a healthy employee relations environment
- Assess employee experience, feedback and career and performance conversations
- Various formal and informal channels to engage employees and encourage open communication
- Digital platforms are available to employees for resources and to get questions answered quickly
- Promote continuous learning and development through mentoring and targeted development programs with an emphasis on sustaining a culture of innovation, inclusion, and wellbeing
- Engage formally through employee forums, such as townhalls, community conversations and employee resource groups created to strengthen engagement, retention and belonging
- Respond to employees' needs during COVID-19 by providing work from home allowance, expanding remote pay policies, and supporting flexible work arrangements
- The Company pays for employees to receive COVID-19 testing, COVID-19 related time-off, and associated healthcare expenses

Main interest

- Establish a Future of Work Sharepoint site to provide resources for coping with the challenges of COVID-19, including health and safety, effectively working from home and individual wellbeing
- Manager and employee training programs to support working in a hybrid environment
- Support employees' overall wellbeing
- Provide our businesses with access to talent globally and tools to engage and enhance retention
- Build development opportunities for our people to thrive and grow
- Support a culture of entrepreneurs, tapping into innovation, creativity and artistry across the Company
- Strengthen representation, inclusion, equity and belonging across the globe to drive change in our industry and our communities
- Deliver noteworthy experiences, competitive pay practices and progressive benefits designed to inspire and engage our employees starting day one

Our response and impact

- We undertake ongoing investment in developing our people
- We recognize great work through fair and competitive rewards
- We focus on building an inclusive and supportive culture where all employees feel safe, seen, heard, respected, and connected
- We are a global company collaborating on common concerns which include learning, diversity and inclusion, engagement, retention, and wellbeing
- We care for our people through various initiatives, recognizing that a healthy and resilient workforce is key to supporting our business growth and success

4. Shareholders

How we engage with them

- Investor meetings and teleconferences
- Interim and annual reports
- Quarterly financial results presentations
- Capital Markets Day
- Annual General Meetings
- Press releases
- Reporting via corporate website
- Dedicated email address for inbound queries and distributing announcements

Main interests

- Company strategy
- Content investments and capital allocation
- Revenue growth drivers and margin development
- Competition
- ESG

Our response and impact

- Our reporting includes focused messaging on the strategy and growth drivers across all areas of business.
- Our reporting contains details on our content investments and our strategy around these investments.
- Our annual report contains details on our competitive landscape as well as our ESG strategy and metrics.

BOARD REPORT

INTRODUCTION

BUSINESS PROFILE

A WORLD LEADER IN MUSIC-BASED ENTERTAINMENT

UNIVERSAL MUSIC GROUP (UMG) is a world leader in music-based entertainment. We have global reach with a local presence in more than 60 territories covering 200 markets. Everything we do revolves around supporting artists and bringing fans the world's best music. Our three core business segments work in synergy to lead the dynamic and ever-changing global music market, including:

Our **RECORDED MUSIC BUSINESS** is dedicated to discovering and developing recording artists and marketing, promoting, distributing, selling and licensing the music they create. Showcasing an impressive roster of recording artists, a catalog of timeless performers and a diverse range of labels, our Recorded Music business is the partner of choice for artists, innovators and entrepreneurs around the globe.

UNIVERSAL MUSIC PUBLISHING GROUP (UMPG) is committed to acquiring and administering rights to musical compositions and licensing them for use in multiple formats. As one of the world's largest and fastest-growing music publishing companies, UMPG has a catalog with nearly four million owned and administered titles and enjoys partnerships with many of the world's top songwriters and artists.

Bravado, our **MERCHANDISING BUSINESS**, represents the merchandising rights of artists and entertainment brands and properties. Providing an end-to-end merchandising ecosystem, Bravado offers services including sales, licensing, branding, marketing, eCommerce and creative resources for its clients and innovative experiences for fans worldwide.

LABELS

MULTI-LABEL STRUCTURE FUELS ENTREPRENEURSHIP AND EXCELLENCE

UMG is home to many of the world's most iconic labels. Our multi-label structure empowers entrepreneurship, artistry and diversity. UMG encompasses a collection of world-class labels created and led by visionary entrepreneurs. Our shared passion for discovering recording artists and songwriters with the talent and potential to make it to the top is at the core of who we are and what we do. Each one of these dynamic labels has a common belief: that an artist they discover and develop will change and drive culture.

This approach produces a host of benefits. Our collection of dynamic enterprises enables us to effectively cover the music market across all genres and styles, with each label having its own unique culture and history. Decentralized talent-spotting across UMG, employing each label's distinctive identity and creative vision, means we can, in the aggregate, attract the widest variety of top talent.

Healthy competition drives innovation and evolution

We believe that operating multiple major frontline labels in markets around the world yields significant benefits. This is why we have developed, acquired and revitalized our label brands and continue to invest in all of them.

Our multiple label structure creates a degree of competition even among UMG labels. We believe that this healthy competition drives innovation and creativity and keeps our labels continuously evolving to stay on the cutting edge of industry trends.

Another benefit of our multiple label structure is that it alleviates short-term performance pressure on any individual label. The knowledge that the different UMG labels will collectively have a continuous flow of new content means each individual label can take a more long-term approach to artist development.

Leveraging mutual benefits

The multiple label structure gives each label the freedom to create and innovate, while enjoying the benefits of being part of UMG as a whole. This is because at UMG, we negotiate with platform partners, aggregate data and analytics, share best practices and centralize certain back-office functions at a company-wide level. It's an organizational win-win: the overarching multi-label structure enables UMG to benefit from its scale, while still operating with the spirit of a quick-moving, innovative, entrepreneurial company.

RECORDED MUSIC

RECORD-SETTING YEAR

UMG's recorded music business discovers and develops artists; supports the creation of audio and audio-visual content by recording artists; and markets, distributes, sells and licenses this content across a broad range of formats and platforms. UMG owns and administers the copyright to the audio and audio-visual recordings created by recording artists signed to UMG's iconic labels. We generate revenue through the physical sales of this content in formats such as CDs and vinyl records, and from its distribution to music streaming and subscription platforms. Our recorded music content is also distributed to consumers through multiple other platforms and forms, including films, television and video games.

Strength in diversity

UMG is a leading recorded music company. Our roster of recording artists constitutes a diverse portfolio of global superstars as well as the most successful local artists around the world. Artists signed to UMG as part of our recorded music business span all genres and generations and include many of the greatest artists of all time. UMG is home to the world's premier record labels and groups, 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. We are also home to the world's most iconic studio facilities, including Capitol Studios and Abbey Road.

Our recorded music business also includes Virgin Music Label & Artist Services, through which we offer premium and flexible independent label and artist services to entrepreneurs and 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, services and technology, fosters long-term partnerships provides a propitious path to success for entrepreneurs, and independent labels and artists.

In addition to artistic diversity, our recorded music business is geographically diverse. We operate in more territories and markets than any other recorded music company. Through our diverse range of labels, we have offices in more than 60 territories, covering 200 markets. This geographical spread helps create diversified revenue streams. In 2021, North America accounted for 50% of our recorded music revenue, with Europe at 30%, Asia 13%, Latin America 3% and the rest of the world at 4%.

Due to our extraordinarily diverse roster of artists, we are not reliant on one artist or even a small number of artists.

Diversified revenue streams

Our recorded music business has diversified revenue streams derived from three main sources, including:

- **DIGITAL:** We enter into agreements with digital music services to make our music and audio-visual content available for access in digital formats, such as streaming and downloads. Our music is streamed on an ad-supported and paid subscription basis through streaming services. Fans are also able to purchase downloads of our music by album or individual tracks through download services. Our music content is also consumed through social media, gaming and digital fitness platforms, among other emerging digital formats that we are working to further monetize. We partner with both well-established and emerging digital music services to provide ever-greater access to our music in new and different ways.

- **PHYSICAL:** Our physical recorded music products, including CDs, vinyl, cassette tapes, DVDs and Blu-Ray discs, are sold through retailers and wholesalers both in-store and online. We also sell our products directly to customers via our UMG websites, and via artist channels.

- **LICENSING AND OTHER:** We enter 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. As a rightsholder, consistent with local law, we also receive royalties when 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. We also partner with artists to develop their activities outside the traditional recorded music business, and generate revenue through participation in these expanded rights, including sponsorship, fan clubs, artist websites, touring, concert promotion, ticketing and artist and brand management. We also develop and produce music-based audio-visual content, such as music documentaries, feature films, theatrical musical productions, music-based television series and reality shows, which are then licensed for broadcast.

Growth across all major recorded music revenue streams in 2021

UMG achieved growth across its major recorded music revenue streams in 2021. Recorded music revenue in 2021 was €6,822 million, up 14.3% compared to 2020, and up 16.9% in constant currency. Subscription and streaming revenue grew 16.9%, 19.8% in constant currency, with strong growth in both subscription and ad-supported streaming revenues. Ad-supported streaming saw especially robust growth thanks to the ongoing improvement in ad-based monetization and new and enhanced deals in social media.

Physical revenue grew by 18.6%, or 21.2% in constant currency, driven largely by strong vinyl demand.

License and other revenue improved 15.5%, or 16.5% in constant currency, due to improvements in broadcast and neighboring rights collections, audio-visual production income and synchronization, live and brand deals.

From up-and-coming local talents to established global icons

Our recorded music business operates in more territories and markets than any other recorded music company. The breadth and depth of our artist roster is unrivalled. We're the destination of choice for the world's most successful stars and a magnet for up-and-coming artists. With a roster featuring legends, global hitmakers, regional stars and breakthrough artists, our artists span generations, genres, languages, continents and cultures.

UMG's best-selling artists include global superstars such as J Balvin, Jon Batiste, 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, Lil Baby, Post Malone, Shawn Mendes, Kacey Musgraves, Katy Perry, Olivia Rodrigo, Chris Stapleton, Taylor Swift, Carrie Underwood and The Weeknd. Our roster of artists also includes hugely successful local artists such as Celeste, Glass Animals and Stormzy in the UK, Angèle in France, Stromae in Belgium, Capital Bra and Helene Fischer in Germany, King & Prince in Japan, and Karol G and Sebastián Yatra in Latin America.

2021 was another chart-topping year for our recorded music business. UMG had four of the Top 5 global artists on Spotify in 2021 with Taylor Swift, BTS, Drake and Justin Bieber. UMG artist Olivia Rodrigo had 2021's most streamed song on the platform with *"drivers license"* and the most streamed album with *"SOUR"* Apple Music named The Weeknd the 2021 Global Artist of the Year. Olivia Rodrigo was awarded the title of Breakthrough Artist of the Year, while her *"drivers license"* and *"SOUR"* won respectively Song and Album of the Year.

UMG represented the Top 4 global albums on Deezer in 2021, with The Weeknd's *"After Hours"* at No 1, followed by Olivia Rodrigo, Billie Eilish and Justin Bieber. The Weeknd also had 2021's No. 1 Song with *"Blinding Lights."*

Our recorded music artists also topped the 2021 year-end US Billboard charts, with UMG representing eight of the Top 10 artists and all of the top six, including Drake at No. 1, followed by Olivia Rodrigo, The Weeknd, Taylor Swift, Morgan Wallen and Ariana Grande. UMG also had seven of the Top 10 albums for the year, including all the Top 5 (from Morgan Wallen, Olivia Rodrigo, Pop Smoke, Taylor Swift and Drake) and three of the Top 5 singles.

Albums released by UMG and its family of labels occupied the No. 1 spot on the Billboard 200 for 38 weeks in 2021, setting a new chart record for the most weeks spent at No. 1 by a single company in a calendar year since MRC began tracking weekly album sales in 1991. This surpassed the previous record of 36 weeks — a mark UMG itself set in 2020.

According to the Official Charts Company, UMG had seven of the Top 10 artists in the UK in 2021, with Taylor Swift, Drake and ABBA in the Top 5. We also topped charts in Germany, where Nathan Evans' *"Wellerman"* was the No. 1 single of 2021 and ABBA's *"Voyage"* and Helene Fischer's *"Rausch"* were the top two albums, according to GFK.

UMG had the most streamed album on Spotify France in 2021 with DAMSO's *"QALF Infinity"*. We also had the top two most streamed artists in The Netherlands, with Justin Bieber at No. 1 and local hip-hop artist Kevin at No. 2.

In Japan, BTS was the top-selling artist on Billboard Japan's 2021 chart and had the No. 1 album with *"BTS, THE BEST"*.

Catalog of timeless superstars

Our track record in identifying and partnering with the world's best artists has given us the industry-leading catalog of recordings and songs. These include 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, Sting, U2, Amy Winehouse and Stevie Wonder. This diverse catalog gives UMG strong and reliable revenue from sales of prior years' releases. Catalog sales (defined as content older than three years) accounted for 58% of recorded music digital and physical revenue in 2021, while frontline product (content less than three years old) accounted for 42% of recorded music digital and physical revenue.

Growing share of subscription and advertising-based streaming models

UMG has helped drive the recorded music industry's transition to paid subscription and advertising-based streaming models from a physical and digital ownership model. Our revenues in 2021 reflect this shift, with streaming and subscription revenue accounting for 66% of UMG's 2021 recorded music revenues.

We generate subscription and streaming revenues through partnerships that enable UMG's content to be distributed by global, regional and local digital service providers, including Spotify, Apple Music, YouTube, Amazon, Tencent Music Entertainment and NetEase. We also generate subscription and streaming revenues through social media platform partners spanning Meta, SNAP and Tik Tok, through digital fitness partners Peloton and Equinox+, among many others, and through other emerging digital music consumption models.

MUSIC PUBLISHING

IT ALL STARTS WITH A SONG

Universal Music Publishing Group (UMPG) is UMG's global music publishing business and is home to the world's greatest songwriters and song catalog. We're recognized as one of the largest and fastest-growing music publishing companies worldwide. Our core activity involves acquiring and administering rights to musical compositions and licensing them for use in different formats. We license musical compositions for use in sound recordings, films, television, advertisements, video games, concerts and other public performances and for use in printed sheet music and song folios. Our vast catalog of original music and arrangements has incredible breadth and diversity. We enjoy longstanding relationships with leading film and television studios, global brands and digital service providers who use our music and arrangements in their content and products.

Providing songwriters best-in-class service

Songwriters come first at UMPG. We're committed to offering them best-in-class service to maximize royalty streams in the modern-day music industry. To achieve this, we deploy the hands-on expertise of the best people in the industry, along with cutting-edge technology, to maximize value for our songwriters both commercially and creatively. We combine global reach and a local presence, with teams of local representatives operating in 41 countries. These teams focus on discovering, signing and developing, local, regional and global talent and creating unique opportunities for success. This physical presence is vital in maintaining relationships with collection societies worldwide to ensure all generated income is accounted for and collected on behalf of songwriters and copyright holders. As part of the world's largest music company, we're uniquely positioned to develop collaborative strategies between publishing and recorded music. All with one aim: to add value for our songwriters.

Multiple revenue streams

Our music publishing operations derive revenue from five main sources:

- **PERFORMANCE:** The rightsholder receives revenues when the musical composition is performed publicly through broadcasting of music on television or radio, and during a live performance at a concert or other venues such as nightclubs, bars, restaurants, hotels and retailers.

- **DIGITAL:** The rightsholder receives revenues when musical compositions are distributed through audio and visual streaming services, download services, social networks and other digital music services.

- **MECHANICAL:** The rightsholder receives revenues for 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.

• **OTHER:** The rightsholder receives revenues for use of the musical composition in sheet music and other uses.

Strong growth for music publishing

Music Publishing revenue amounted to €1,335 million in 2021, up 12.6% year-on-year, or 15.0% in constant currency. The overall increase in music publishing revenue was driven primarily by the continued growth of subscription and streaming. Revenue also benefited in 2021 from a strong improvement in synchronization. Performance revenue experienced the delayed negative impact of the 2020 COVID-related slowdown.

Global leader in music publishing

We are a global leader in publishing with a vast catalog containing nearly four million owned and administered copyrights. With more than nearly 850 employees operating at 51 offices in 41 countries, we have global scope with a local focus.

2021 was a chart-busting year for our music publishing business. UMPG artist Bad Bunny was Spotify's most-streamed global artist for the year. We also had three of the Top 5 of Spotify's 2021 most streamed songs globally: *"Montero"* by Lil Nas X (UMPG writers: Take a Daytrip, Omer Fedi, Roy Lenzo), *"Stay"* by Kid LAROI featuring Justin Bieber (UMPG writers: Omer Fedi, Blake Slatkin), *"Levitating"* by Dua Lipa (UMPG writers: Dua Lipa and DaBaby).

We ended 2021 with the top four songs on the US Billboard Year-End Chart: Dua Lipa's *"Levitating"* (UMPG writers: Dua Lipa and DaBaby), *"Save Your Tears"* by The Weeknd featuring Ariana Grande (UMPG writers: Ariana Grande, Dahaela), *"Blinding Lights"* by The Weeknd (UMPG writer: DaHeala), *"Mood"* by 24kGolden featuring Iann Dior (UMPG writers: Omer Fedi, Blake Slatkin, Iann Dior). Billboard also named UMPG artist Adele's *"30"* as the top selling album of 2021 in the US.

UMPG won the title of "Publisher of the Year" at five leading awards competitions in 2021: Music Week Awards, SESAC Pop Music Awards, ASCAP Rhythm & Soul Music Awards, BMI Latin Awards and The Music Network Awards. We remain the global publisher of choice for film and TV studios, and in 2021 secured landmark new deals with Banijay and Moonbug Entertainment.

2021 also saw some of the world's greatest songwriters and artists sign with UMPG. They included Holly Humberstone, Clairo, Louis Bell, Tommy Brown, Cirkut, Julia Michaels, Nicholas Britell, Feid, Horacio Palencia, Carla Morrison, Scotty McCreery, DMA's and Cimafunk.

Illustrious catalog with unrivalled depth and breadth

UMG is home to the greatest songwriters in history. We have a global catalog containing nearly four million owned and administered copyrights.

Our unrivalled catalog is a rich mosaic of songs spanning myriad eras, generations, genres and languages. We take a portfolio approach to growing and managing our catalog. This means we have a mix of songwriters from around the world, with works in our catalog representing every genre – from country to Latin to pop to urban to K-pop and J-pop. Our catalog is filled with evergreen songs spanning the spectrum from *"Like a Rolling Stone"* to *"Every Breath You Take"* and from *"All I Want for Christmas"* to *"Staying Alive"*. This combines to create an ever-evolving portfolio that is unmatched in terms of its richness and diversity.

Our music publishing catalog includes 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, Drake, 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, Harry Styles, Taylor Swift, SZA, Shania Twain, Justin Timberlake, U2, Keith Urban, Jack White, and Zedd.

The catalog has been further expanded in 2021 to include songs written by global icons whose works represent the most timeless and important songs in history. The year saw a number of key signings. Grammy Award-winning recording artist and songwriter Lionel Richie signed an exclusive, global publishing agreement with UMPG in 2021. The deal encompasses songs written throughout Richie's solo career, including super hits *"Hello", "Lady", "Dancing on the Ceiling"* and *"All Night Long"*.

In February 2022, UMPG announced the 2021 acquisition of 17-time Grammy Award winner Sting's career catalog of music.

This historic, comprehensive worldwide agreement for the catalog of one of the most commercially successful and critically-acclaimed songwriters of the last half-century encompasses the entirety of both Sting's solo works as well as those with The Police, including *"Roxanne", "Every Breath You Take", "Shape Of My Heart", "If I Ever Lose My Faith In You", "Fields Of Gold", "Desert Rose", "Message in a Bottle", "Englishman in New York"* and *"Every Little Thing She Does Is Magic"*, among countless other global hits.

UMPG becomes the worldwide home of Sting's extensive songwriting legacy, uniting his song catalog with his recorded music catalog under Universal Music Group with this agreement. UMG has been Sting's label home for his entire career through A&M, Interscope and Cherrytree Records. Together, UMPG and UMG will work with Sting to further build and expand his vast audience reach, strengthen the impact and influence of his timeless works, and continue supporting future music releases.

Maximizing transparency for songwriters

We deploy cutting-edge technology and expert administration services to benefit our songwriters.

UMPG Window is our highly advanced platform and technology through which our 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.

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 our songwriters and clients.

Partnering with top film and TV content studios

We believe we are a leading publisher in the film and television business. Our film and TV partners include Warner Bros., NBC Universal, Disney, HBO, MGM, Banijay, Paramount, Lionsgate, Viacom, and STX, among others.

This leading position means we represent some of the world's most iconic film and TV theme songs. With the unstoppable rise of video content, major content publishers from gaming to TV to motion pictures turn to us to help them build the soundtracks for their projects. For example, we facilitated the collaboration with Billie Eilish and MGM for the theme of the new James Bond film and H.E.R.'s project with Warner Bros. Pictures to co-write and record *"Fight For You"* for the film *"Judas and The Black Messiah"* which went on to win the 2021 Academy Award for Best Original Song.

MERCHANDISING

BRINGING ARTISTIC VISION TO LIFE

Bravado is UMG's merchandising business that creates products and events that reflect and reinforce an artist's brand and identity. We are a leading, global, 360-degree full-service merchandise company that develops and markets high-quality licensed merchandise to a worldwide audience. Our artists and brands have access to a unique end-to-end merchandising ecosystem that brings together creative design, production, and distribution. We work closely with new and established clients to create innovative products that are carefully tailored to the brand or artist. Our products are sold through selected retail outlets and Web-based stores, both directly and through third parties, and on live tours. By tapping into UMG's global network, we can offer a comprehensive range of services, including sales, licensing, branding, marketing, eCommerce and creative resources. Our focus is on building connections between fans and artists by creating and developing innovative cultural and retail experiences for fans worldwide. We hold the leading position worldwide in music merchandising with a portfolio spanning more than 250 artists and brands.

Our merchandising revenues are derived from four main sources:

- **TOURING INCOME:** Sales of physical merchandise products directly to consumers at venues during tours. This also includes concession income, which is the sale of physical merchandise products directly to consumers at concessions within venues. The right to sell at concession is not limited to specific tours, but usually encompasses all events at the venue.
- **RETAIL:** Sales of physical merchandising products to wholesalers and retailers.
- **LICENSING:** Fees received from third party licensees to use our merchandising rights in products sold by or sub-licensed by the licensee.
- **ECOMMERCE/DIRECT-TO-CONSUMER:** Sales of physical merchandise product through an online Direct-to-Consumer channel. This also includes VIP events and fan clubs, which is the sale of premium experiences and exclusive access through a Direct-to-Consumer channel.

Growth in retail and touring-related merchandising revenues

Merchandising and Other revenue grew to €363 million, up 24.3%, or 27.4% in constant currency, as retail revenues grew and touring-related merchandising revenue, which was impacted by a COVID-related shut down in live touring in 2020, began to return.

Roster of clients with the greatest names in music

Bravado signs agreements with clients that provide for usage rights of the client's name and likeness across product categories and distribution channels. Clients receive in return a royalty or a share of the proceeds for all items sold. Our roster of clients includes some of the biggest names in music. We provide merchandising services for leading artists including 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. A number of Bravado artists are also signed across other UMG businesses, allowing for synergies and increased opportunities for artists.

Award-winning creative services

Bravado has an in-house creative development team that designs products that dovetail with the client's vision and spark connections with fans. Our creative team sits at the intersection between art, music and fashion. They identify key trends in all three areas and create compelling products and experiences that are in tune with today's culture. As part of a world leading music-based entertainment company, we're uniquely positioned to create fresh and exciting products that mirror an artist's brand and identity.

In 2021, we further expanded our portfolio and partnered with leading artists and brands to develop innovative merchandising solutions. Bravado entered into a licensing deal with IKONICK, the leading digital art brand, to develop unique products including canvas art and related NFTs. Through this agreement, Bravado and IKONICK will expand the commercial and creative opportunities in the online art market across Bravado's global roster.

2021 saw Bravado enter into a collaboration with Ajax and Adidas for a release of the 2021/2022 Ajax third kit. This iconic kit has been developed in partnership with the Bob Marley family. It is a tribute to the Ajax fans and the love shared by the club and its fans for reggae legend Bob Marley and his evergreen song *"Three Little Birds"*. This collaboration is a perfect illustration of building brands and legacies that live on beyond the music.

Branding and marketing services

At Bravado, we leverage our branding and marketing expertise to help artists develop their global reach. Our global marketing teams start with the artist's vision and develop a brand building strategy that brings the vision to life. The brand vision is at the heart of everything we do – from retailer sell-in programs and experiential consumer events – to tour and direct-to-consumer experiences and the merchandise designs. This total marketing approach ensures our artists' vision and brand equity are developed, nurtured and grown with each new collection and campaign.

In 2021, Bravado entered into a unique exclusive worldwide partnership with the Spice Girls, the biggest selling girl group in history. Within the multi-year agreement, we provide the band with a 360-degree service encompassing merchandising, direct-to-consumer products and campaigns, touring, brand and retail licensing and distribution.

Global Retail

We have developed the most extensive global distribution network in the industry. Our success lies in our strong direct relationships in the retail sector and our ability to curate a mix of products and experiences. Our global and in-market local teams work in close collaboration to ensure we manage our brands consistently and effectively across all markets and countries. The localized approach means our activities are tailored to each individual market to achieve maximum reach and results.

In 2021, we launched a global holiday campaign for Black Friday and Cyber Monday. It featured new and exclusive merchandise from more than 50 artists including The Beastie Boys, Lady Gaga, Bob Marley, The Rolling Stones and Yungblud. Using UMG's innovative recommendation engine, the campaign presented a Holiday Gift Guide that helped fans find the perfect gift by showing new merchandise, past favorites and one-of-a-kind items and unique holiday bundles from artists participating in the campaign.

Licensing

Our licensing services extend the scale and scope of our brands into categories beyond apparel and traditional consumer products. We leverage dynamic partnerships across a range of platforms and categories from footwear and accessories to gaming and spirits. By working closely within an extensive global network of best-in-class licensees to develop dynamic brand partnerships that maximize reach without diluting the brand.

The industry once again recognized Bravado's excellence in licensing in 2021. Bravado picked up the title of Best Music or Celebrity Licensed Property at the 2021 Licensing Awards. We won this accolade for our work for The Rolling Stones. Through our licensing activities, we partner with the world's biggest artists to help underpin, expand and safeguard their ongoing rich legacy.

Consumer Experience

Through surprise pop-ups and other unique events, we connect fans and their favorite artists more directly and create unforgettable moments that maximize customer engagement.

In 2021, we partnered with the iconic band Queen to open a dedicated experiential pop-up shop in London's Carnaby Street. The shop hosted a line-up of music releases, fashion collaborations and lifestyle products centered around monthly themes relating to Music, Art & Design and Magic. The 'Queen The Greatest' store took visitors on a journey over two floors, from 70s thrift store (Freddie and Roger once had a stall in Kensington Market), 80s iconic live performances, 90s record stores, 00s DVD homage and on through to 2010s tech concepts. The shop featured exclusive collaborations with fashion brands such as Champion, Wrangler and Johnny Hoxton and the proceeds from an exclusive Freddie Mercury T-shirt went to the Mercury Phoenix Trust. It's a compelling example of a total consumer experience where fans can immerse themselves in the music, style and spirit of one of the world's most iconic and beloved bands.

BOARD REPORT

STRATEGY

DRIVING GROWTH BY PUTTING ARTISTS FIRST

Putting artists first. It's how we achieve long-term growth and success. That's why our artist-centric approach forms the foundation of our global strategy. Everything we do revolves around discovering, developing, breaking, retaining and advancing the careers of recording artists and songwriters with the potential for lasting success. Our strategy to sign the most promising artists, build relationships with established artists, invest in new music and local artists, expand eCommerce, spur innovation and serves as our roadmap to continued and persistent growth. Our strategic course is set by our additional commitment to help the artist and fan communities in which we do business (see chapter "Non-Financial Information").

Building valued relationships with artists

Leveraging our industry-leading A&R, marketing and promotion capabilities enables us to sign talented recording artists and songwriters with whom we work to build successful careers, as well as to enhance the enduring value of our catalog across genres and geographies.

In 2021, our breakthrough artist Olivia Rodrigo took the world by storm. Having signed her in 2020, we released her debut single *"drivers license"* in 2021 and it soared to the top of the charts. Her first album, *Sour*, debuted at No. 1 on the Billboard 200 album chart. Rodrigo ended 2021 on a high note, with Spotify announcing that *Sour* was its most streamed album of the year and *"drivers license"* was the most streamed song for 2021. Apple Music named Rodrigo the Breakthrough Artist of the Year and her *"drivers license"* and *"SOUR"* as Song and Album of the Year, respectively.

Established artists also turn to UMG to help further elevate their careers. In 2021, for example, UMG's Republic Records announced that it had signed superstar John Legend to help chart the next chapter of his storied career. We also entered into a worldwide alliance with Aerosmith, the best-selling American hard rock band of all time. The partnership spans the group's entire discography, merchandise and audio-video projects.

Strategically, one of our highest priorities is the retention and expansion of relationships with artists with whom we have partnered for many years. We do this through focused efforts, resources and expertise – especially in value-added services such as merchandising, branding and sponsorship, film and television production and eCommerce, among others.

In 2021, we expanded our relationship with a number of key artists. K-pop sensation BTS, with whom UMG had an existing relationship centered around the band's Japanese-language content, announced a new global distribution and marketing deal with UMG's Geffen Records and Ingrooves, an arrangement that now also covers their Korean and English-language content. We are deploying our synergized expertise and global resources to propel the band's stature even further, through distribution, marketing and creative support.

The scope of these partnerships reflects our value proposition to artists, and we plan to continue to expand these relationships as an avenue for the continued growth of our business.

Tapping into the power of our network of relationships

The power of our network of relationships is another key differentiator and one that is instrumental to our ability to build the finest roster of artists, songwriters and other creative partners. We are proud to be the first choice for a range of industry leaders, including music and entertainment companies, artist representatives and consumer brands. These partnerships, which might involve any of a range of activities from music distribution to publishing administration and beyond, dovetail with our “Artists First” approach: we tap into these relationships to broaden opportunities for our current artists and identify new artist talent to expand the scope of our A&R capability.

In recorded music, we have deep, long-term partnerships with independent record labels including Concord, Roc Nation, Big Machine, HYBE and Quality Control, in addition to the hundreds of independent labels and artists around the world who work with UMG’s Virgin Music Artist & Label Services. These relationships are mutually beneficial, capitalizing on UMG’s global infrastructure to empower artists by helping them reach the broadest set of music fans.

Among music publishers, we have positioned ourselves as a leading rights administrator for the world’s most prominent film and TV studios, including HBO, Lionsgate, MGM, NBC Universal, Paramount, Viacom, Walt Disney, Warner Bros., as well as Banijay, STX and many more.

Through our relationships, we also partner with dozens of the world’s leading brands to further engage our artists and fans and to help our partners authentically and strategically build their brands. We’ve entered into multi-year global sponsorships with top brands, including Citibank, Lenovo, Marriott, Microsoft and Pokémon.

In 2021, we focused on creating consumer product partnerships between our artists and high-profile brands, such as Burton and the National Football League.

Establishing direct fan relationships through eCommerce and direct-to-consumer businesses

We have significant opportunities to utilize our vast amount of consumer data and insights to expand our eCommerce and direct-to-consumer businesses across all of our business segments. By advancing our direct-to-consumer business, we enhance direct relationships with fans, empower unique experiences and bolster our proprietary data.

Given the billions of touchpoints we have globally with music fans across digital services and platforms, we are uniquely positioned to understand music fans and their tastes. Music superfans have historically had propensity to spend more on the artists they love than the average customer. In part, this continues today through their purchases of physical media, including surging sales of vinyl records and artist merchandise. However, with paid subscription services becoming the dominant form of music consumption, we have seen the digital spend differences between superfans and average customers flatten. As with physical merchandise, these superfans have shown a willingness to continue to spend on digital music experiences and we are strategically expanding our direct-to-consumer efforts into areas including non-fungible tokens (NFTs), digital goods and other virtual products to meet this growing demand.

We follow a holistic direct-to-consumer strategy that not only complements partner platforms, but optimally serves fans and grows direct audience connections. Our approach is focused on reaching fans with compelling eCommerce opportunities, wherever they engage with our artists, from specialty websites to massively scaled partner platforms.

Our approach encompasses five key areas, including:

1. **EXPANDED ECOMMERCE ECOSYSTEM:** Reaching fans through frequently visited websites and other platforms.

2. **PRODUCT DESIGN AND DEVELOPMENT:** Creating best-in-class music merchandise to drive and fulfill demand.

3. **DROP TACTICS:** Elevated experiences around product drops to capture audience and build artist-fan engagement.

4. **MARKETING STRATEGY:** Globally coordinated media plans to reach existing fans and appeal to new consumers.

5. **AUDIENCE DEVELOPMENT:** Building long-term relationships with music fans, generating loyalty and increasing the lifetime value of a consumer.

The elements of this strategy are dynamic. Whether it's pricing, supply chain or audience outreach, we actively review and respond to new data and insights, as well as technological advancements.

Supporting innovation and expanding into new product offerings

At UMG, we promote innovation across the digital ecosystem through partnerships in new product categories and active engagement to support our partners' evolution.

Our strategy is to maximize opportunities for introducing new products, services and revenue streams across segments spanning voice, fitness, social media, gaming, livestreaming, brand partnerships and other categories.

- **VOICE:** UMG is a pioneer in the field of voice. Since serving as a launch partner for Amazon's voice-activated music service in 2016, we have played a key role in expanding voice-activated music to hundreds of millions of smart speakers around the world via Amazon, Apple, Google and other partners.

In 2021, the reach of "voice" was extended further through Apple's launch of the Apple Music Voice Plan, licensed by UMG and designed around the capabilities of the company's Siri voice platform and associated connected devices.

- **HEALTH & FITNESS:** Beginning in 2017 with our Peloton partnership, we have led the industry in crafting new licensing models for integrating music within the thriving health and fitness category.

In 2021, we announced licensing our music catalog to Equinox+, a digital fitness app that is a joint venture between Equinox and SoulCycle, which enables users to workout at home to hits by UMG artists. UMG also became the exclusive music partner to Liteboxer, a home-fitness boxing company. In addition to these partnerships, we further expanded our position in the FitTech space in 2021, including deals with Barry's Bootcamp, Calm, CLMBR, Muru Health, SATS, STEEZY, Stryde and Zygo.

In a first-of-its-kind partnership, UMG and MedRhythms, a digital therapeutics company, announced a prescription music offering for patients that harnesses UMG's expansive music catalog for MedRhythms' proprietary treatment to help restore physical functions that patients lost to neurologic disease or injury. The music therapy treatment is currently being studied in a multi-site, randomized controlled pivotal trial with chronic stroke survivors at the top US rehabilitation hospitals and received Breakthrough Device designation from the US Food and Drug Administration (FDA) for its potential to provide a more effective treatment for life-threatening or irreversibly debilitating conditions.

- **SOCIAL MEDIA:** Starting with our landmark 2017 commercial partnership with Facebook, we accelerated our leadership position through innovative new agreements with additional social media players. Our success in the social media segment is reflected in the fact that UMG's artists are regularly the most-followed recording artists across social media platforms like Facebook, Instagram and Twitter - and among the most followed public figures in all categories - as demonstrated on the website www.visualcapitalist.com.

In 2021, global agreements with TikTok and Snap Inc. further expanded our social media partnership portfolio. UMG and Snap Inc. entered into a global agreement that allows Snapchat's users to incorporate our catalog of recorded music and content into that platform's creative tools, like Sounds and augmented reality Lenses. This comprehensive deal marks a milestone in the further monetization of social media engagement between fans and artists. It's a compelling example of a robust relationship that benefits an entire ecosystem: Snap Inc., UMG, fans, and artists.

UMG also entered into a global agreement with short-form video app TikTok that significantly expands and enhances our strategic relationship. It enables TikTok users to employ clips from our full catalog of music, at the same time as it provides us with new tools, access to valuable data leading to a deeper engagement with fans and better understanding of consumer trends. It's an outstanding example of a relationship that powerfully promotes the development of new innovative experiences and helps create deeper bonds between fans and artists.

These agreements enhance our strategy of monetizing social engagement and deepening relationships between fans and artists.

- **GAMING:** We are actively harnessing mass audience engagement in the game segment as we advance strategic engagement of the metaverse opportunity that is developing in the gaming space. Our innovative projects in this sector in 2021 included Post Malone's headlining performance in the Pokémon 25 event.

In another example from 2021, Ariana Grande appeared in Fortnite for the "Rift Tour", an immersive three-day event that attracted millions of fans worldwide. In addition to the playable Ariana Grande-inspired "skin" – an avatar that gamers can use for their character's appearance – Fortnite released other Ariana Grande-inspired items to use during the "Rift Tour."

- **LIVESTREAMING:** UMG responded quickly to marketplace developments and expanded its livestreaming capability. We have successfully carried out more than a thousand livestream music events with dozens of partners since the onset of the COVID-19 pandemic, providing a great benefit to our artists and songwriters and other partners at a time when other live music activities were severely curtailed. Our focus on developing opportunities in this category is reflected in our co-venture with Big Hit Entertainment and YG Entertainment in 2021. One objective of this collaboration is to expand VenewLive, a livestreaming platform that uses digital technology to provide immersive concert experiences.

Driving growth by investing in new music markets and signing local artists

As demonstrated by the global explosion of reggaeton from Latin America and the popularity of K-pop far beyond Asia, the next big global hit could come from anywhere in the world. As a result, local A&R is essential to a successful global strategy. We deploy our international resources to bring talented local artists to the world's attention.

The diversification of the music industry revenues across more countries and regions elevates the importance of fostering local talent.

At UMG, we're committed to providing artists and labels of all sizes with different opportunities, services and routes into the global music market. This in turn increases our success and visibility across all major markets and continents.

Our A&R teams sign and identify artists with the potential to grow from local success to regional and eventually international success. 62% of UMG's physical & digital recorded music revenues came from local repertoires in their own countries. Our expansion strategy in the Africa, Asia, Europe and MENA (Middle East & North Africa) regions continued to produce positive results in 2021. In particular, in 2021, UMG strengthened its global presence through new activities and key partnerships in Israel, Cote D'Ivoire, Greater China, Benelux, South Africa, India, Brazil, Spain & Iberia, Mexico, Central Europe & Balkans and The Philippines.

UMG continued to play a leading role in India's music scene, which is growing at an accelerating rate due to the increasing penetration of smartphones, access to reliable high-speed, low-cost internet service and the proliferation of sophisticated and well-capitalized streaming partners. In 2021, we widened our reach in India by entering into an exclusive global agreement with Indian music superstar and entrepreneur Badshah. Universal Music India also launched new labels dedicated to releasing new music made in popular regional dialects across South Asia, with the launch of the VYRL Punjabi, Haryanvi and Bhojpuri labels.

We further expanded our strategic global/local approach by launching Universal Arabic Music (UAM), a newly created label dedicated to discovering, introducing and championing the artists, sounds and rich musical culture of the Middle East & North Africa region to audiences around the world.

Additionally in 2021, we significantly strengthened our recorded music operations within China, with the establishment of a multi-label structure. As the first major music company to establish multiple frontline label operations across China, UMG's move marks an acceleration of our local artist investment with the establishment of several distinct label brands – Republic Records China, EMI China, PolyGram Records China, Capitol Records China and Universal Music China.

Unlocking growth in digital streaming and subscription in newer markets

We are significantly increasing our digital footprint and promoting competition by effectively partnering with local digital platforms while expanding global streaming partnerships into new markets. In recent years, we have expanded our partnership network across India, Asia, Africa, Latin America and other strategically important, fast-growth markets.

In 2021, UMG and Boomplay, the leading Africa-based music streaming and download service, entered into an important licensing agreement to expand the license of UMG's global music catalog from 7 to 47 countries across the African continent. This agreement benefits African musicians and talent and enhances the listening experience across Africa.

In the short-form video space, we licensed Kuaishou, an important platform with a growing audience throughout China and around the world, and we were the first major music company to globally license Lotomif, a fast-growing platform throughout Brazil, as well as India and other parts of Asia.

Our total footprint of several hundred local, regional and global digital music service providers enables us to bring the music of UMG artists to consumers in every corner of the globe.

TECHNOLOGICAL ADVANCEMENTS AND NEW TRENDS

EMBRACING TECHNOLOGICAL TRANSFORMATION

The world is undergoing a profound technological transformation and the music industry is playing a pivotal role in this development. At UMG, our ability to adapt and incorporate technological advancements and associated consumer trends into our offerings and operations is paramount to our success. New technologies play an important role both behind the scenes in the music creation, product development, infrastructure, and artist services spaces, as well as in our engagement with user-facing partner platforms and product offerings.

The music industry has grown significantly in recent years. This growth has been driven primarily by a dramatic increase in the number of paid subscribers of digital streaming services. While physical sales remain significant in some markets - including collectable formats like vinyl, which enjoys a recent resurgence - we've seen a clear shift in music consumption from an ownership model, with consumers buying CDs or downloads, to an access model that features subscription and ad-supported streaming formats. We believe streaming will continue to revolutionize the music experience for consumers and propel ongoing transformation of our industry in the coming years.

Leveraging technology for new monetization formats

We have established numerous strong partnerships in subscription-based and ad-supported streaming with the aim of enabling our artists to monetize their work and create deeper engagement with their fans in these categories. The rise of subscription and ad-supported models enables UMG to monetize legal music consumption in markets previously dominated by piracy. This far-reaching monetization helps us fulfil our Artists First approach by helping artists achieve fair compensation for their work, while enjoying unsurpassed global distribution.

Growing opportunities through expanded connectivity

Even with the robust growth in recent years, we believe streaming is still in the early stages of global penetration. There remains a substantial opportunity for further expansion in tandem with the growth in the scale and number of streaming services, including in established streaming markets that have room for significant growth of both subscription and ad-supported streaming. This trend is furthermore driven by continuing expansion and upgrading of internet infrastructure, ongoing technological innovations across devices and formats such as voice-controlled speakers and connected cars, intersections with social media and gaming, and audio-visual product evolutions, all of which is deepening fans' engagement with and consumption of music.

The ever-expanding scope of consumer choices in entertainment means there is increasing competition for attention. However, music benefits from the shift to "always on-line" consumption of media because it can extend into many components of consumer lifestyles, while becoming more personalized. For example, music can be customized for individual listener preferences during fitness activities, gaming, studying, working from home, family gatherings and sleep. Enabling this further is a combination of data processing and back- and front-end technologies, such as systems that analyze and identify musical features of songs or that learn listener preferences and adapt the music or make intelligent recommendations.

Connectivity has also enabled growth in online concerts. Improved technologies allow for low latency, high-resolution streams of live or scheduled pre-recorded artist performances to reach a large number of simultaneous viewers.

Harnessing technological advancements to drive market growth

We harness technological advancements to stimulate market growth in two ways. First, we are leveraging format innovation to create new opportunities for our artists. Secondly, we're aiming to expand the current addressable market by capitalizing on the proliferation of connected devices.

We believe new technological advancements in the areas of social media, digital health/fitness and gaming offer exciting new market opportunities. Other potential areas for future growth include music products and experiences developed for metaverse and Web3 platforms. These range from streaming within metaverse services, to digital merch, collectibles, and fan-oriented NFT products.

And, just as smartphones dramatically expanded access to music and fueled an increase in music streaming, we expect that the on-going evolution of Smart Audio Devices, including 'wearables' (smart watches), 'hearables' (earbuds), Smart TVs, and Connected Cars, may also increase engagement and consumption.

More consumers are using more devices to listen to music. We believe that the use of multiple devices is expanding listening hours by bringing music into more facets of consumers' lives. The different consumption modes these devices enable are also thought to be broadening the range of music to which consumers are exposed, and diversifying and deepening consumers' relationship with music.

Smart speakers enable consumers to easily access music through voice activation and are fueling further growth in streaming, facilitiating conversion of more casual listeners into paid subscribers.

Partnering with digital service providers

UMG holds a strong position in the digital music ecosystem thanks to our track record of pioneering new deals, major partnerships and key technology agreements. We work closely with digital service providers worldwide and are the largest supplier of content to most of the digital music service providers. As such, our artist content serves as a key driver of customer acquisition and retention for all these platforms.

Promoting development of a thriving global market

We play 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. We have agreements with several hundred global, regional and local digital service providers around the world, and actively support the proliferation of innovative new ways these services engage consumers and connect our artists with their fans and new audiences. This includes in high-growth BRIC countries (Brazil, Russia, India and China), Latin America, Africa, the Middle East, Eastern Europe and Southeast Asia. These partnerships leverage technological advancements to make music more accessible to fans around the world.

CREATING VALUE THROUGH INNOVATION AND R&D

Innovation is intrinsic to everything we do at UMG. Our unmatched commitment to lead in collaborative development of new services, platforms and business models for the delivery of music and related content empowers innovators and taps into new commercial and artistic opportunities. We harness technological innovation to drive market growth. Our aim is always to create new opportunities for our artists. Through our expansive social media alliances and groundbreaking partnerships across the industry, we enable our artists to monetize their work and build deeper engagement with their fans. We view innovation as central to our approach to bring more music to more people around the world.

Device innovation brings more music into our lives

At UMG, we've helped propel the expansion of voice-activated music. We've been at the forefront of developments in this field, serving as a launch partner for the Amazon Echo music service in 2016. Building on these advancements, we expect the existing addressable streaming market to be expanded through the penetration of Smart Audio Devices – "wearables" (smart watches) and "hearables" (earbuds) – Smart TVs and Connected Cars. These developments may increase engagement and consumption and support new listening behaviors, creating a powerful driver for customer acquisition and retention. The 2021 launch of the new Apple Voice Plan, which is licensed by UMG and designed around the capabilities of the Siri voice platform and associated connected devices, is one important recent example. It is now available in 17 countries, further expanding access to music on voice-activated devices, enlarging the category which also includes Amazon's and Google's voice platforms.

Leveraging new formats to create new opportunities

We have seen consumption of short-form music and music-based video content grow rapidly in recent years, driven by the growth of global social video applications. These platforms enable incremental consumption of music appealing to diverse, and often younger, audiences. They give artists creative new ways to reconfigure the path to fan engagement. Short-form and music-based video content has also become increasingly popular on social media platforms such as Facebook, Instagram, Snapchat, TikTok and YouTube. This further illustrates the growing number of potential ways artists can leverage these platforms to gain exposure and deepen connections with their fans.

UMG is an industry leader in creating social media alliances and developing innovative partnerships. We've played a pioneering role in forging relationships in this space. We unlocked the monetization opportunity for licensed music in the social sphere through a landmark partnership with Facebook in 2017. This made us the first major music company to license our catalog for videos and social features across Facebook and Instagram.

Further advancing our network of social platform alliances, in 2021, we established an expanded strategic partnership with TikTok. This global agreement delivers equitable compensation for UMG's recording artists and songwriters, and significantly broadens and enhances our existing relationship. It promotes the development of new innovative experiences and elevates our capabilities to create deeper bonds between fans and the artists and music they love. With this agreement, which covers recorded music from artists at UMG's labels and songwriters with Universal Music Publishing Group (UMPG), TikTok users are now able to incorporate clips from our full catalog of music. It also provides us with new tools and access to extremely valuable data. This in turn facilitates even deeper engagement with music fans and a better understanding of consumer trends.

2021 also saw us enter into an expansive, multifaceted global agreement with Snap Inc. Thanks to this partnership, Snapchat users can now incorporate UMG's catalog of recorded music and content into creative tools, including Sounds and augmented reality Lenses. This alliance marks another important step forward in ongoing efforts to evolve and monetize social media engagement between fans and artists.

We are also playing a pioneering role in partnership with emerging social services. In 2021, we became the first major music company to globally license Lomotif, one of the fastest growing video-sharing social networking platforms. 2021 also saw us enter into a global agreement with Kuaishou. These alliances with emerging social services demonstrate our commitment to expand our social media portfolio with innovative entrepreneurs that further extend engagement and monetization opportunities for our artists with fans around the world.

Operationalizing data and analytics at an industry-leading scale

A crucial aspect of our focus on innovation is the high priority we place on operationalizing data and analytics at an industry-leading scale to promote the interests of our artists. We have made ongoing strategic investments in data and analytics over the past several years, including building a world-class analytics infrastructure based on cloud technology.

Our data and analytics team comprises analysts, data scientists, and front-end/back-end coders who develop algorithms to help UMG identify talent faster and more efficiently than our competition. We have developed innovative methods to identify tracks that are popular among distinct audience clusters, and we can quickly detect viral moments (including those driven by social platforms such as TikTok). This lets us tailor our marketing initiatives to the target audience, which maximizes reach and conversion. Our data scientists have developed a proprietary marketing mix model and a framework for testing causal effects to help us both optimize our marketing mix and the creative content used to activate on these channels.

Putting data to work for artists

UMG conducts research and development in order to employ data that was previously unavailable. We harness data and analytics at an unparalleled scale to give our artists greater insight than ever before. By putting information to work for our artists, we help them track performance across platforms and territories and personalize marketing to target individual listeners. We leverage our own data in conjunction with inputs and metrics from key platforms to identify promising artists and help them break.

Our efforts in research and development have resulted in the launch of multiple apps providing artists with a unique global, 360-degree view of their audiences. This information helps artists make the right decisions and grow their fan bases. We launched Universal Music Artists in 2019. It is the first app that gives artists a global, personalized view of their audience across all major streaming services and social media platforms. It lets artists and their management see the location of their fans by country and city, which helps them plan tours and other engagements, identify tracks that work best with specific audiences and tailor their social posts to maximize engagement.

We are continually developing the Universal Music Artists application to ensure that it continues to deliver the most relevant market insights to our creative partners in an ever-changing environment. Towards the end of 2021, we launched a "newsfeed" feature that proactively surfaces up significant milestones in the lifecycle of a particular release. For example, artists and managers are now alerted when a track is added to a playlist, if consumption has spiked and in which location, or if a particular social post is generating notable engagement. The "newsfeed" acts as a continuously updated space to keep our artists' fingers on the pulse.

This app enables us to provide our artists with a unique service because we are the only organization able to provide a cross-platform and global view of the performance of an artist's recording, which in turn enables labels and artists to make informed commercial decisions and optimize the impact of marketing campaigns.

2021 saw the further roll-out of UMPG Window developed by Universal Music Publishing Group. It's a next-generation royalty portal that gives UMPG songwriters and clients instant access to clear, complete and real-time earnings and data. UMPG Windows demonstrates our commitment to building and delivering the best, most scalable system in music publishing. Our focus with innovation is always on creating resources that empower our songwriters and clients to easily access meaningful, usual and accurate data.

The Universal Music Artists app demonstrates how we deploy research and development to put artists first. With the data we collect across our extensive portfolio of partners, reinforced by data from our own direct connections with fans, we have billions of touchpoints with music consumers. No other music business, single platform or recorded music company has access to the unique combination of multiplatform and Direct-to-Consumer data that we have at UMG. The vast volume of data we acquire across multiple partners, augmented by data from our own direct engagement with fans, provides our artists with unparalleled global, market-wide context and insight.

Bringing recording artists into the metaverse

UMG has a strong track record of pioneering collaborations that establish an onramp for artists into the opportunities of the metaverse. In 2021, UMG and Genies, a leading avatar technology company, entered into a far-reaching global partnership to develop avatars and wearables for UMG's iconic artist roster. UMG and Genies work together to equip artists with official virtual identities for use in Web3 we address unfolding opportunities in the ever-evolving internet. This partnership gives artists a persistent virtual representation of themselves across the metaverse to engage with fans in expressive and authentic ways. In addition, UMG artists gain the opportunity to release exclusive avatar wearables for their fans to collect and use to outfit their own avatars in the metaverse.

Pioneering in digital goods and NFTs

UMG is actively innovating and experimenting in the field of digital goods and NFT. 2021 saw us break new ground in this space, dropping music-based NFTs from Eminem, Zedd, The Weeknd, and numerous other artists.

2021 also saw the innovative UMG label 10:22PM, a next-generation Web3 label that discovers and develops artists, intellectual property, brands and digital creators, announce the formation of KINGSHIP, consisting of NFT characters from Bored Ape Yacht Club, which is one of the most successful NFT projects to date. With this premiere exclusive agreement to create a metaverse group, 10:22PM will guide the group in developing and releasing new music, NFTs, community-based products, activations and experiences in the metaverse, embracing a new generation of artist, fan and community engagement.

10:22PM also entered into a collaboration with World of Women, one of the most successful art projects and its creator Yam Karkai, to launch a series of NFTs with recording artist Kendra Jae.

In 2021, leading digital art brand IKONICK entered into a licensing deal with UMG's Bravado to develop unique products including canvas art and associated NFTs.

UMG also became the first music company to sign a deal with NFT marketplace Curio. This collaboration to develop NFT collections featuring premium music-based assets will help us unlock unique digital experiences and is part of UMG's larger effort to usher in an innovative future of fandom, providing deeper connections with fans.

Seizing opportunities in spatial audio

In collaboration with our artists, we are making further improvements in the quality of our core products, and we are leading the migration to higher quality audio formats. We're building on our well-established tradition of excellence in music production - the world-famous Capitol and Abbey Road Studios are both centers of audio innovation - to provide this leadership in creating richer and more fully immersive music experiences. Our commitment is to provide artists with unsurpassed advanced production capability to enable state-of-the-art execution of higher-quality formats such as spatial audio. These higher-quality formats enable our artists to bring their music to the world in exciting new ways.

As a result of these efforts, more and more of our new releases and catalog are being made available in spatial audio. Collaborating through broad-based industry alliances covering all the components of the value chain, we're dedicated to providing music listeners with the highest quality of audio at home, in their cars and on their phones. We have existing alliances with Apple, Amazon, Dolby, Klipsch, Sonos, Mercedes, Tesla, Lucid, Harman/Kardon and Samsung. As an example of such alliances, in 2021, Abbey Road Studios and Bowers & Wilkens announced that they will expand their partnership to explore and enhance the in-car audio experience. The two brands are combining their expertise in the areas of machine learning and spatial audio to provide unparalleled sound quality.

Embracing entrepreneurs to accelerate the next wave of transformation

With a view to our industry's future, UMG continues to advance our role as industry leader in promoting entrepreneurship. We do this through a wide range of digital innovation programs, including Abbey Road Red and Capital360's gBeta Music-Tech. In addition, we drive innovation through a wide Accelerator Engagement Network. It's a growing program that in 2021 spanned 13 accelerator partners based in entrepreneurial centers around the world, including APX By Axel Springer and Porsche (Germany), Baita Accelerator (Brazil), Berkeley SkyDeck (US), Chinaccelerator (China), LeanSquare (Belgium), LINCC (France), MassChallenge Israel (Israel), MassChallenge Mexico (Mexico), Melbourne Accelerator Program (Australia), NYC Media Lab (US), SparkLabs Global Ventures (Korea), Startup Wise Guys (Estonia), and The Music Den (Canada).

Since its establishment in 2017, the Accelerator Engagement Network has nurtured and mentored more than 130 music-tech startups that have raised over $175 million in funding.

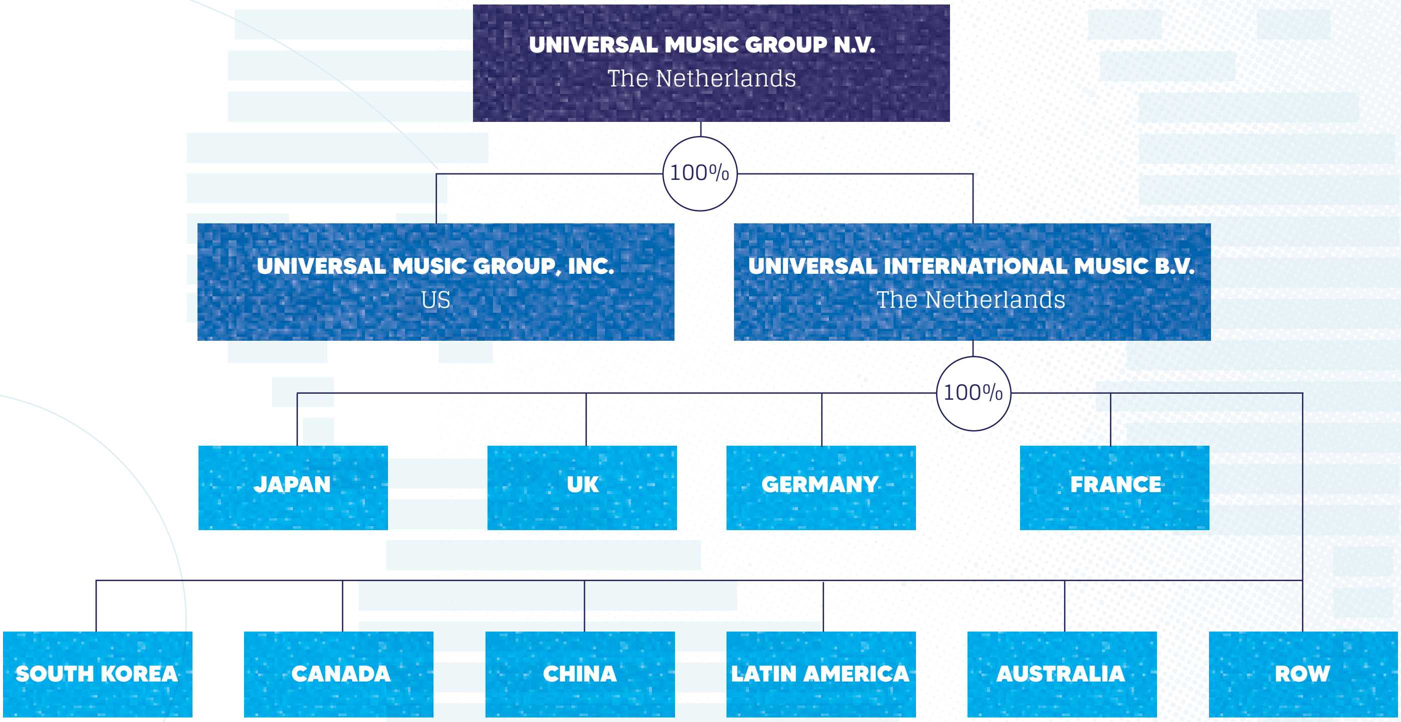
'WE BELIEVE THAT OUR LEADERSHIP IN INNOVATION IS AMONG THE FOREMOST FACTORS PLACING US AT THE FOREFRONT OF THE MUSIC INDUSTRY'S DYNAMIC TRANSFORMATION,' MICHAEL NASH, EXECUTIVE VICE PRESIDENT OF DIGITAL STRATEGY AT UNIVERSAL MUSIC GROUP

BOARD REPORT

ORGANIZATIONAL AND REPORTING STRUCTURE

ORGANIZATIONAL AND REPORTING STRUCTURE

The following structure chart illustrates the simplified structure of the Group as at December 31st, 2021.



Corporate Executives

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	62	Chairman & Chief Executive Officer
Philippe Flageul	57	Executive Vice President, Controller
Jody Gerson	61	Chairman & CEO for Universal Music Publishing Group
Jeffrey Harleston	61	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	65	Executive Vice President of Digital Strategy
Will Tanous	51	Executive Vice President, Chief Administrative Officer
Vincent Vallejo	61	Deputy Chief Executive Officer, Corporate

Set out below are brief summaries of the biographies of the members of the Corporate Executives:

Sir Lucian Grainge (Chairman and 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 Chief Executive Officer, 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 led a number of corporate initiatives related to the Company's listing on the Euronext NV in Amsterdam. Vallejo joined UMG in 2021 and has worked closely across UMG matters since he joined Vivendi in 1998, where he served 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, CergyPontoise, France.

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. 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.

BOARD REPORT
FINANCIAL REVIEW

1 EARNINGS ANALYSIS: GROUP AND BUSINESS SEGMENTS

1.1 Consolidated Statement of Profit or Loss

	Year ended December 31,	
(in millions of euros)	2021	2020
Revenues	**8,504**	**7,432**
Cost of revenues	(4,608)	(3,917)
Selling, general and administrative expenses	(2,502)	(2,285)
Income/(loss) from equity affiliates	5	(9)
Operating profit	**1,399**	**1,221**
Financial income	143	613
Financial expenses	(377)	(53)
	(234)	**560**
Profit before income taxes	**1,165**	**1,781**
Income taxes	(277)	(412)
Net profit	**888**	**1,369**
Of which:		
Net profit attributable to equity holders of the parent	*886*	*1,366*
Net profit attributable to non-controlling interests	*2*	*3*
Earnings per share (in euros)		
Basic, earnings for the period attributable to equity holders of the parent	0.49	0.75
Diluted earnings for the period attributable to equity holders of the parent	0.49	0.75
*Adjusted net profit**	1,271	1,028
Adjusted net profit per share (in euros) - basic*	0.70	0.57
Adjusted net profit per share (in euros) - diluted*	0.70	0.57

* non-IFRS measures as defined in the Appendix to the Annual Report

Reconciliation of Operating Profit to EBITDA and Adjusted EBITDA

	Year ended December 31,		
(in millions of euros)	2021	2020	% Change
Operating Profit	**1,399**	**1,221**	14.6%
Adjustments			
Amortization and depreciation expense	277	236	
Restructuring expenses	20	20	
(Income)/loss from equity affiliates	(5)	9	
(Gain)/loss on sale of assets	(2)	1	
Other non-recurring items	(3)	–	
EBITDA[1]	**1,686**	**1,487**	13.4%
Non-cash share-based compensation expense	79	10	
One time direct-listing related expenses	23	–	
Adjusted EBITDA[1]	**1,788**	**1,497**	19.4%

1 as defined in the Appendix to the Annual Report

1.2 Analysis of the Condensed Statement of Earnings

1.2.1 Revenues

In 2021, UMG's revenues of €8,504 million were up 14.4% compared to 2020 and up 17.0% at constant currency. This increase was driven by improvements across all divisions. Recorded Music grew 16.9% at constant currency compared to 2020, Publishing was up 15.0% and Merchandising and other grew by 27.4%.

For a detailed analysis of revenues by business segment, please refer to Section 1.3 below and to Note 3 to the Consolidated Financial Statements for the year ended December 31, 2021.

1.2.2 Operating results

	Year ended December 31,	
(in millions of euros)	2021	2020
Artist costs	3,800	3,283
Product costs	808	634
Cost of Revenues	**4,608**	**3,917**

Cost of Revenues grew by €691 million to €4,608 million in 2021 from €3,917 million in 2020 reflecting the increase in revenues. Cost of revenues as a percentage of revenues increased to 54.2% from 52.7% driven by revenue mix as a result of higher product costs driven by a greater proportion of merchandising revenues and physical sales, including higher vinyl sales when compared to 2020.

Artist costs increased by €517 million from €3,283 million in 2020 to €3,800 million in 2021 driven by the increase in sales. As a percentage of revenues, artists costs increased from 44.2% in 2020 to 44.7% in 2021.

Product costs increased by €174 million to €808 million in 2021 from €634 million in 2020 reflecting the growth in revenues. Product costs as a percentage of revenues increased to 9.5% from 8.5% driven by the change in mix of revenues and especially the greater proportion of merchandising and physical sales, including higher vinyl sales.

Selling, general and administrative expenses increased by €217 million to €2,502 million in 2021 from €2,285 million in 2020 but reduced as a percentage of revenues to 29.4% in 2021 from 30.7% in 2020 due to operating leverage. Selling, general and administrative expenses in 2021 included €102 million one-time direct-listing related expenses and non-cash share-based compensation expenses. In 2020, Selling, general and administrative expenses included €10 million share-based compensation expenses.

Operating profit was €1,399 million in 2021, compared to €1,221 million for 2020, an increase of €178 million (+14.6%) driven by the growth in revenues and despite the direct-listing related expenses and non-cash share-based compensation expenses noted above. As a percentage of revenues, operating profit improved to 16.5% in 2021 from 16.4% in 2020.

EBITDA increased by €199 million to €1,686 million in 2021 compared to €1,487 million in 2020 driven by the increase in revenues and despite certain non-cash share-based compensation and one time direct-listing related expenses noted above. EBITDA margin decreased by 0.2pp to 19.8% in 2021 compared to 20.0% in 2020.

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

Adjusted EBITDA was €1,788 million in 2021 up €291 million compared to €1,497 million in 2020. Adjusted EBITDA margin increased by 0.9pp to 21.0% in 2021 compared to 20.1% in 2020.

1.2.3 Financial results

Financial Income and Financial Expenses were a net expense of €234 million in 2021, compared to a net income of €560 million for 2020, a decrease of €794 million. For 2021, the revaluation of the investments in listed companies including Spotify and Tencent Music Entertainment was a net expense amount of -€315 million, compared to a net income of +€591 million for 2020, a decrease of €906 million. In 2021, UMG benefited from a €98m gain on disposal of Alamo Records.

1.2.4 Income taxes

For 2021, income taxes were a net expense of €277 million, compared to a net expense of €412 million for 2020. This decrease notably reflected the decrease in the deferred tax charge relating to the revaluation of the investments in listed companies including Spotify and Tencent Music Entertainment (€71 million, compared to -€143 million for 2020).

1.2.5 Non-controlling interests

For 2021, earnings attributable to non-controlling interests were €2 million, slightly lower than the €3 million for 2020.

1.2.6 Net profit attributable to equity holders of the parent

For 2021, net profit attributable to equity holders of the parent amounted to a profit of €886 million (or €0.49 per share - basic), compared to €1,366 million for 2020 (or €0.75 per share - basic), a decrease of €480 million. Earnings attributable to equity holders of the parent decreased by €480 million, reflecting:

- The variance in revaluation of the investments in Spotify and Tencent Music Entertainment (-€906 million).

partially offset by:

- The growth in EBITDA (+€199 million).
- The decrease in income taxes reported to net income (+€135 million), mainly due to the decrease in the deferred tax charge relating to the revaluation of the investments in Spotify and Tencent Music Entertainment.
- The gain on disposal of consolidated companies principally the gain on disposal of Alamo Records (+€98 million).

1.2.7 Adjusted net profit

Adjusted net profit in 2021 amounted to a profit of €1,271 million (or €0.70 per share - basic), compared to €1,028 million for 2020 (or €0.57 per share - basic), an increase of €243 million. Adjusted net profit increased by €243 million, including:

- The growth in Adjusted EBITDA (+€291 million).
- The increase in income taxes reported to adjusted net profit (-€64 million).

1.3 Analysis of revenues and operating results by business segment

(in millions of euros)	Year ended December 31, 2021	2020	% Change	% Change at constant currency
Revenues				
Recorded Music	6,822	5,967	14.3%	16.9%
Music Publishing	1,335	1,186	12.6%	15.0%
Merchandising & Other	363	292	24.3%	27.4%
Corporate Centre	-	-	-	-
Elimination of inter-segment transactions	(16)	(13)		
	8,504	**7,432**	**14.4%**	**17.0%**
EBITDA[1]				
Recorded Music	1,614	1,360	18.7%	20.4%
Music Publishing	307	269	14.1%	16.3%
Merchandising & Other	16	21	(23.8%)	(27.3%)
Corporate Centre	(251)	(163)		
Total UMG	**1,686**	**1,487**	**13.4%**	**14.7%**

1 as defined in the Appendix to the Annual Report

1.3.1 Recorded Music

(in millions of euros)	Year ended December 31, 2021	2020	% Change	% Change at constant currency
Subscriptions and streaming revenue	4,481	3,833	16.9%	19.8%
Downloads and other digital revenue	324	413	(21.5%)	(19.4%)
Physical revenue	1,121	945	18.6%	21.2%
License and other revenue	896	776	15.5%	16.5%
Recorded Music Revenues	**6,822**	**5,967**	**14.3%**	**16.9%**
EBITDA[1]	**1,614**	**1,360**		
EBITDA margin[1]	23.7%	22.8%		
Recorded music revenues by geographic area				
North America	3,392	2,941	15.3%	20.5%
Europe	2,020	1,789	12.9%	12.1%
Asia	896	801	11.9%	16.5%
Latin America	216	181	19.3%	20.7%
Rest of the world	298	255	16.9%	9.6%
	6,822	**5,967**	**14.3%**	**16.9%**

1 as defined in the Appendix to the Annual Report

In 2021, Recorded Music revenues were €6,822 million, up 14.3% compared to 2020, and up 16.9% in constant currency. Subscription and streaming revenue grew 16.9%, or 19.8% in constant currency, with strong growth in both subscription and ad-supported streaming revenues. Ad-supported streaming was particularly strong, due to the ongoing improvement in ad-based monetization and new and enhanced deals in social media. Physical revenue grew 18.6%, or 21.2% in constant currency, driven by strong vinyl demand as well as growth in direct-to-consumer sales. Downloads and other digital revenue fell 21.5%, or 19.4% in constant currency, on the continued decline in download sales. License and other revenue improved 15.5% or 16.5% in constant currency, as a result of improvements in broadcast and neighbouring rights collections, audio-visual production income and synchronization, live and brand deals. Top sellers for the year included new releases from Olivia Rodrigo, BTS, Justin Bieber, Morgan Wallen, ABBA and Taylor Swift as well as continued sales of The Weeknd and Billie Eilish. Top sellers in the prior-year included The Weeknd, Billie Eilish, Post Malone, Lil Baby, Pop Smoke and BTS.

Recorded Music EBITDA in 2021 of €1,614 million was up €254 million from €1,360 million in 2020 driven by the growth in revenues. EBITDA margin improved by 0.9pp to 23.7% of revenues from 22.8% in 2020 due to operating leverage.

1.3.2 Music Publishing

(in millions of euros)	2021	2020	% Change	% Change at constant currency
	Year ended December 31,			
Revenues	1,335	1,186	12.6%	15.0%
EBITDA[1]	307	269	14.1%	16.3%
EBITDA margin[1]	23.0%	22.7%		

1 as defined in the Appendix to the Annual Report

Music Publishing revenue amounted to €1,335 million in 2021, up 12.6% year-over-year, or 15.0% in constant currency. Revenues benefited from the continued growth in subscription and streaming, an improvement in synchronization income and from the benefit of catalogue acquisitions.

Music Publishing EBITDA in 2021 of €307 million was up €38 million from €269 million in 2020 driven by the growth in revenues. EBITDA margin improved by 0.3pp to 23.0% of revenues.

1.3.3 Merchandising & Other

(in millions of euros)	2021	2020	% Change	% Change at constant currency
	Year ended December 31,			
Revenues	363	292	24.3%	27.4%
EBITDA[1]	16	21	(23.8%)	(27.3%)
EBITDA margin[1]	4.4%	7.2%		

1 as defined in the Appendix to the Annual Report

Merchandising and Other revenue grew to €363 million, up 24.3%, or 27.4% in constant currency, as retail revenues grew and touring-related merchandising revenue, which was impacted by a COVID-related shut down in live touring in 2020, began to return.

Merchandising and Other EBITDA in 2021 of €16 million was down €5 million from €21 million in 2020 due to higher artist costs. EBITDA margin declined by 2.8pp to 4.4% of revenues due to higher artist costs and a shift in revenue mix towards lower-margin touring-related revenue.

1.3.4 Corporate

Corporate's EBITDA was a net expense of €251 million, compared to a net expense of €163 million for 2020, a €88 million increase. EBITDA in 2021 included €102 million of one-time direct listing and non-cash share-based compensation related expenses. EBITDA in 2020 included €10 million non-cash share-based compensation related expenses.

2 LIQUIDITY AND CAPITAL RESOURCES

2.1 Financial Net Debt

	Year ended December 31,	
(in millions of euros)	2021	2020
Cash and cash equivalents	585	326
Loans to Vivendi SE	–	815
Cash position	**585**	**1,141**
Term loan	(998)	–
Drawn revolving credit facilities	(1,447)	–
Vivendi SE borrowings	–	(2,368)
Vivendi SE credit lines drawn	–	(422)
UMG credit lines drawn	–	(213)
Bank overdrafts	(13)	(5)
Other	(137)	(1)
Borrowings at amortized cost	**(2,595)**	**(3,009)**
Financial Net Debt[1]	**(2,010)**	**(1,868)**

1 as defined in the Appendix to the Annual Report

2.1.1 Changes in the Financial Net Debt

As of December 31, 2021, UMG's Financial Net Debt amounted to -€2,010 million, compared to a Financial Net Debt of –€1,868 million as of December 31, 2020, i.e., an increase in net debt of €142 million. This change was mainly attributable to the following items:

- On April 29, 2021 UMG paid the final dividend with respect to fiscal year 2020 of €422 million
- On July 28, 2021 UMG paid an interim dividend with respect to fiscal year 2021 of €363 million
- Net cash used for investing activities of -€391 million primarily due to the €388 million investment in music publishing and recorded music catalogues, €55 million net other intangible and capital expenditure and €68 million net purchase of consolidated companies, equity affiliates and financial assets partly offset by a cash inflow of €117 million from the disposal of consolidated companies that included the €102 million proceeds on sale of Alamo Records
- Repayment of €86 million in relation to lease liabilities.

These items were offset by the following:

- Net cash provided by operating activities of €1,140 million

UMG believes that the cash flow generated by its operating activities, its cash surpluses, net of amounts used to reduce UMG's debt, as well as funds available through undrawn bank credit facilities and additional funding opportunities will be sufficient to cover expenses and investments necessary for its operations, its debt service, the payment of income taxes, the distribution of dividends, as well as its investment projects, if any, for the next 12 months.

2.1.2 Equity portfolio

As of December 31, 2021, UMG held a portfolio of listed non-controlling equity interests (including Spotify) with an aggregate market value of approximately €1,413 million (before taxes), compared to €1,862 million as of December 31, 2020.

Cash flow analysis

	Year ended December 31,	
(in millions of euros)	2021	2020
		Restated[1]
Operating activities		
Operating profit	1,399	1,221
Adjustments	275	213
Royalty advances payments, net of recoupments	(364)	(588)
Gross cash provided by/(used for) operating activities before income tax paid	**1,310**	**846**
Other changes in net working capital	85	287
Net cash provided by/(used for) operating activities before income tax paid	**1,395**	**1,133**
Income tax paid	(255)	(207)
Net cash provided by/(used for) operating activities	**1,140**	**926**
Investing activities		
Catalogue investments	(388)	(929)
Other intangible assets investments	(48)	(37)
Capital expenditures	(13)	(29)
Purchases of consolidated companies, after acquired cash	(11)	(4)
Investments in equity affiliates	(28)	(2)
Purchase of financial assets	(43)	(3)
Investments	**(531)**	**(1,004)**
Proceeds from sales of property, plant, equipment and intangible assets	6	–
Proceeds from sales of consolidated companies, after divested cash	117	11
Disposal of equity affiliates	–	1
Proceeds from sale of financial assets	14	15
Divestitures	**137**	**27**
Dividends received from equity affiliates	2	2
Dividends received from unconsolidated companies	1	–
Net cash provided by/(used for) investing activities	**(391)**	**(975)**
Financing activities		
Distributions to shareowners	(785)	(283)
Other transactions with shareowners	–	(11)
Dividends paid by consolidated companies to their non-controlling interests	(2)	(5)
Transactions with shareowners	**(787)**	**(299)**
Proceeds from borrowings	3,185	2,294
Repayments of borrowings	(3,624)	(1,669)
Interest paid, net	(17)	(15)
Other cash items related to financing activities	(8)	(3)
Transactions on borrowings and other financial liabilities	**(464)**	**607**
Repayment of lease liabilities	(86)	(91)
Net cash provided by/(used for) financing activities	**(1,337)**	**217**
Net change in cash and cash equivalents	**(588)**	**168**
Foreign currency translation adjustments	32	(35)
Change in cash and cash equivalents	**(556)**	**133**
Cash and cash equivalents		
At beginning of the period	1,141	1,008
At end of the period	585	1,141

1 2020 Restated amounts are presented in Note 2.6 of the Annual Consolidated Financial Statements

Reconciliation of cash provided by operating activities to Free Cash Flow

	Year ended December 31,	
(in millions of euros)	2021	2020
Net cash provided by/(used for) operating activities[2]	1,140	926
Net cash provided by/(used for) investing activities[2]	(391)	(975)
Repayment of lease liabilities	(86)	(91)
Interest paid, net	(17)	(15)
Other cash items related to financing activities	(8)	(3)
Free Cash Flow[1]	**638**	**(158)**

1 as defined in the Appendix to the Annual Report

2.1.3 Net cash provided by operating activities before income tax[2]

For 2021, Changes in net cash provided by operating activities before income tax amounted to an inflow of €1,395 million compared to an inflow of €1,133 million for 2020, an improvement of €262 million. This increase was mainly attributable to the following items:

- The increase in operating profit (+€178 million)
- The reduction in royalty advances payments net of recoupments (+€224 million) due to due to the timing of major artist renewals and higher recoupment of advances
- The favourable variance in adjustments (+€62 million) on higher amortization in 2021 and favourable movement in provisions

partially offset by:

- The unfavourable variance in other working capital (-€202 million) due largely to the timing of digital revenues received in advance

2.1.4 Net cash provided by operating activities[2]

Net cash provided by operating activities in 2021 amounted to an inflow of €1,140 million compared to an inflow €926 million for 2020, an improvement of €214 million due to the €262 million increase in Changes in net cash provided by operating activities before income tax partially offset by the increase in taxes paid (-€48 million).

2.1.5 Net cash used for investing activities[2]

Net cash used for investing activities in 2021 was a €391 million net outflow compared to a €975 million net outflow for 2020, an improvement of €584 million. Catalogue investments in 2021 were lower than in 2020 (+€541 million) due to the timing of deals, whilst 2021 benefited from higher proceeds from sales of investments (+€110 million) that included the sale of Alamo Records for €102 million. This was partially offset by the increase in the outflow from the purchase of consolidated companies, equity affiliates and other financial assets (-€73 million) that included various strategic investments in the year.

2 2020 Restated amounts are presented in Note 2.6 of the Annual Consolidated Financial Statements

2.1.6 Net cash used for financing activities

Net cash used for financing activities in 2021 was a €1,337 million net outflow compared to a €217 million net inflow for 2020, a decrease of €1,554 million. This was mainly attributable to the following items:

- A reduction in debt in 2021 of €439 million compared to an increase in debt in 2020 of €625 million (-€1,064 million)
- Higher dividend payments in 2021 (-€502 million)

2.1.7 Free Cash Flow

Free Cash Flow in 2021 was a €638 million net inflow compared to a €158 million net outflow for 2020, an improvement of €796 million. This improvement was predominantly due to the improvement in net cash provided by operating activities (+€214 million) and lower net cash used for investing activities (+€584 million) in 2021 compared to 2020.

BOARD REPORT
CORPORATE GOVERNANCE

THE GOVERNANCE STRUCTURE

Universal Music Group N.V. (**UMG** or the **Company**) is a public limited liability company (*naamloze vennootschap*) incorporated under the laws of The Netherlands. The Shares (as defined below in the Shareholder information section under 'Share capital') were admitted to listing and trading on Euronext Amsterdam (the **Listing**), the regulated market of Euronext Amsterdam N.V., on September 21, 2021. The Company has a one-tier board (the **Board**) comprising of two executive directors (the **Executive Directors**) and eight non-executive directors (the **Non-executive Directors** and, together with the Executive Directors, the **Directors**). The Executive Directors are primarily responsible for all day-to-day operations of the Company. The Non-executive Directors supervise the Executive Directors' policy and performance of duties and the Company's general course of affairs and 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 Company's articles of association (the **Articles**). Each Director has a duty to the Company to properly perform the duties allocated to him or her and to act in the Company's corporate interests. Under Dutch law, the Company's corporate interests extend to the interests of all of the Company's stakeholders, including the Company's shareholders (the **Shareholders**), creditors, customers and employees.

The Company acknowledges the importance of good corporate governance and complies with the principles and best practice provisions of the Dutch Corporate Governance Code of 8 December 2016 (the **Code**), the full text of which can be found on www.mccg.nl. Deviations from any of the principles and best practice provisions of the Code are explained below under 'Compliance with the Code' in accordance with the Code's 'comply or explain' principle. Substantial changes in the Company's corporate governance structure and in the Company's compliance with the Code, if any, will be dealt with at the Annual General Meeting as a separate item.

The annual report also includes the information that the Company is required to disclose pursuant to the Dutch Decree on Article 10 of the Takeover Directive (*Besluit artikel 10 overnamerichtlijn*) and the Dutch Decree on the Content of the Board Report (*Besluit inhoud bestuursverslag*).

THE BOARD

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 of, 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 of shareholders (the **General Meeting** (being the corporate body or, where the context so requires, the physical meeting).

The Board's responsibilities include, among others, developing a view on long-term value creation by the Company and formulating a strategy in line with this view, identifying and managing the risks associated with the Company's strategy and business, appointing and dismissing the senior internal auditor, annually assessing the way in which the internal audit function fulfils its responsibility, approving the audit plan of the internal audit function, giving account to the effectiveness of the design and operation of the internal risk management and control systems, ensuring compliance with legislation and regulations and the Company's corporate governance structure and preparing the financial statements and Board report and approving the annual budget and important capital investments.

The Board may perform all acts necessary or useful for achieving the Company's objectives, with the exception of those acts that are prohibited pursuant to the law or the Articles. Pursuant to the Articles, the Board may allocate its duties and powers among the Directors pursuant to the Board Regulations (as defined below under 'The Board–Board Regulations') 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 duties and powers, all Directors remain collectively responsible for the proper management and strategy of the Company (including the supervision thereof in the case of the Non-executive Directors).

Board Regulations

The Board has drawn up regulations dealing with its internal organization and setting out, among others, the role and responsibilities of the Board, its composition and size and the manner in which its meetings should be held (the **Board Regulations**). The Board Regulations are available on the investor relations part of the UMG website.

Composition

The Articles 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. The Board comprises of two Executive Directors and eight Non-executive Directors:

Name	Function
Sir Lucian Grainge	Executive Director, Chairman and Chief Executive Officer
Vincent Vallejo	Executive Director, Deputy Chief Executive Officer
Judy Craymer CBE	Non-executive Director, Chairman of the Board
Antoine Fiévet	Non-executive Director, Vice-Chairman of the Board
Anna Jones	Non-executive Director
Cathia Lawson-Hall	Non-executive Director
Luc van Os	Non-executive Director
Margaret Frerejean-Taittinger	Non-executive Director
James Mitchell	Non-executive Director
Manning Doherty	Non-executive Director

Appointment and appointment term

The Executive Directors and Non-executive Directors are appointed as such 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 annual General Meeting held in the second year after his or her appointment. A Director may be reappointed with due observance of the preceding sentences. At the proposal of the Board, the General Meeting may resolve to deviate from the maximum period of two years. The Articles provide that each Non-executive Director may be in office for a maximum period of twelve years, unless at the proposal of the Board the General Meeting resolves otherwise. A Non-executive Director's term of office shall lapse in accordance with the retirement schedule drawn up by the Board to prevent, to the extent possible, reappointments occurring all at the same time. Currently, the Non-executive Directors' terms of office all lapse at the close of the annual General Meeting to be held in 2024 but it is the intention that the use of the retirement schedule will result in a staggered replacement of Non-executive Directors in the mid-to-long-term future.

The initial appointment dates of the Non-Executive Directors and the end of their current terms are as follows:

Name	Appointment date	End of current term
Judy Craymer CBE	September 20, 2021	Until annual General Meeting to be held in 2024
Antoine Fiévet	September 20, 2021	Until annual General Meeting to be held in 2024
Anna Jones	September 20, 2021	Until annual General Meeting to be held in 2024
Cathia Lawson-Hall	September 20, 2021	Until annual General Meeting to be held in 2024
Luc van Os	September 20, 2021	Until annual General Meeting to be held in 2024
Margaret Frerejean-Taittinger	September 20, 2021	Until annual General Meeting to be held in 2024
James Mitchell	September 20, 2021	Until annual General Meeting to be held in 2024
Manning Doherty	September 20, 2021	Until annual General Meeting to be held in 2024

In accordance with the Relationship Agreement, which was co-signed by the Company for agreement and acknowledgement, the Tencent-led consortium (consisting of Concerto Investment B.V. and Scherzo Investment B.V.) has the right to designate up to two Non-executive Directors for appointment by the General Meeting until the close of the annual General Meeting to be held in 2024, subject to the Tencent-led consortium holding at least 181,324,116 Shares (the **Threshold Stake**). Moreover, the parties to the Relationship Agreement have agreed to vote in favor of the appointment of a person designated by the Tencent-led consortium in case one of the Non-executive Directors appointed at the designation of the Tencent-led consortium no longer serves as a Non-executive Director during the period until the close of the annual General Meeting to be held in 2024.

Should at any time during the period until the close of the annual General Meeting to be held in 2024, (i) the Tencent-led consortium 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 own in the aggregate less than 50% of the Threshold Stake, the Tencent-led consortium shall procure that both of the Non-executive Directors appointed at the designation of the Tencent-led consortium resign.

James Mitchell and Manning Doherty have been appointed at the designation of the Tencent-led consortium such in accordance with the Relationship Agreement.

Suspension and dismissal

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 a dismissal, the suspension shall end. A suspension can be terminated by the General Meeting at any time.

Independence

The independency of Non-executive Directors is assessed prior to their nomination for appointment on the Board and, thereafter, annually.

Limitations on supervisory or non-executive positions

The number of an Executive Director's supervisory or non-executive positions of large Dutch companies or foundations shall be limited to a maximum of two. An Executive Director may not be the chairperson of a supervisory board or of a one-tier board of another large Dutch company or foundation. The number of a Non-executive Director's supervisory or non-executive positions of large Dutch companies or foundations shall be limited to a maximum of five, for which purpose the chairmanship of a supervisory board or of a one-tier board counts twice. Directors shall not pursue the candidacy for a position as a supervisory or non-executive director or a similar position in companies other than subsidiaries of the Company without the Board's prior approval.

Diversity

The Board has drawn up a diversity policy (the **Diversity Policy**) as per best practice provision 2.1.5 of the Code as well as a profile for Non-executive Directors (the **Profile**) as per best practice provision 2.1.1, laying down the elements of a diverse composition. As set out in the Diversity Policy, the Board acknowledges the benefits of greater diversity, including gender, nationality, ethnicity and age diversity, and remains committed to ensuring that the Directors bring a wide range of skills, knowledge, experience, background and perspectives. All nominations for appointment will be made on merit against objective criteria, in the context of the overall balance of skills and background that the Board needs to maintain in order to remain effective. The Board is further committed to ensuring that, in accordance with the Diversity Policy, at least one third of the Board consists of women and at least one third of the Board consists of men, as well as to increasing the nationality, ethnicity and age diversity and creating and maintaining a variation in education and experience within the Board.

The Nomination Committee (as defined below under 'The Board–Committees') is responsible for supporting the Board in applying the Diversity Policy by annually reviewing the Board's composition and effectiveness and in considering the balance of skills, experience and independence of the Board. In addition, it is required to consider the benefits of all aspects of diversity, but without compromise as to the caliber of Directors, when identifying candidates to be nominated for appointment.

The Board considers its current composition in line with the objectives of the Diversity Policy, and with women representing 40% of all Directors and 50% of the Non-executive Directors also in line with the gender diversity target included in the Diversity Policy and Dutch law, respectively.

Conflicts of interest

A Director shall not participate in any discussion and/or decision-making process that involves a transaction in relation to which he or she has a direct or indirect personal conflict of interest with the Company. If there is such conflict of interest in respect of all Directors, the decision shall nevertheless be taken by the Board.

In accordance with best practice provisions 2.7.3 and 2.7.4 of the Code, a Director having a (potential) conflict of interest in a transaction that is of material significance shall immediately report such conflict of interest to the Chairman of the Board (and, in the case of an Executive Director, also to the other Executive Directors) and shall provide all relevant information, including information relevant to the situation concerning his or her spouse, registered partner or other life companion, (foster) child and relatives by blood or marriage up to the second degree. In the case of the Chairman of the Board having such conflict of interest, he or she shall immediately report such conflict of interest to the Vice-Chairman of the Board. Any such transaction must be entered into on terms which are customary in the market, approved by the Board and published in the Board report together with a statement of the conflict of interest and a declaration that best practice provisions 2.7.3 and 2.7.4 of the Code have been complied with.

Any transaction between the Company and a legal or natural person who or which holds at least 10% of the issued share capital of the Company that is of material significance must be entered into on terms which are customary in the market, approved by the Board and published in the Board report together with a statement that best practice provision 2.7.5 of the Code has been complied with.

In note 25 ‘Related parties’ to the consolidated financial statements, details of all related party transactions are set out. In respect of the related party transactions in which there was a conflict of interest (within the meaning of the Code), best practice provisions 2.7.3, 2.7.4 and 2.7.5 of the Code have been complied with if such transactions were entered into after the date of the Listing.

Related party transactions

The Board has drawn up a related party transactions policy (the **RPT Policy**) for the purpose of providing a procedure that prevents related parties from taking advantage of their position as well as adequate protection for the interests of the Company and its stakeholders. The RPT Policy stipulates when a transaction qualifies as a related party transaction (within the meaning of article 2:167 paragraph 3 of the Dutch Civil Code (*Burgerlijk Wetboek*)) and provides that a related party transaction must be approved by the Board in case it is not entered into in the ordinary course of business and on terms which are customary in the market. A Director shall not participate in any discussion and/or decision-making process if he or she is involved in a related party transaction. A related party transaction that was concluded in the ordinary course of business and on terms which are customary in the market shall be periodically assessed by the Board.

In note 25 ‘Related parties’ to the consolidated financial statements, details of all related party transactions (whether or not within the meaning of article 2:167 paragraph 3 of the Dutch Civil Code) are set out.

Resolutions subject to approval of the Board

In addition to transactions involving a conflict of interest and related party transactions, which require the approval of the Board as set out above under ‘The Board––Conflicts of interest’ and ‘The Board––Related party transactions’, respectively, in accordance with the Board Regulations, the Company does not enter into any transaction with a value in excess of EUR 300,000,000 that relates to (i) a disposal, sale or acquisition of all or a portion of investments in any company, business or group created or to be created, whatever its legal form, (ii) a proposal or approach to a third party concerning a significant transaction involving the Company or any of its subsidiaries, and (iii) a financing activity (including a bank loan, overdraft, vendor financing, asset securitization program, pension fund or transaction involving a joint venture or minority interest) and the granting of a guarantee or security right, without the approval of the Board.

Remuneration

On September 20, 2021, the General Meeting adopted the remuneration policies for the Executive Directors and Non-executive Directors. The remuneration of the Executive Directors and Non-executive Directors shall be determined by the Board with due observance of the applicable remuneration policy. The Executive Directors shall not participate in the discussion and/or decision-making process regarding the determination of the remuneration of the Executive Directors. The remuneration policies are available on the investor relations part of the UMG website. In the Remuneration report, details of the individual remuneration of the Executive Directors and Non-executive Directors are set out.

Severance

In the event of termination by the Company without cause or termination by Sir Lucian Grainge for good reason, Sir Lucian Grainge and Vincent Vallejo are entitled to severance payments as set out in the Remuneration report under 'Severance Payments'.

Directors' & officers' liability insurance policy and indemnity

The Executive Directors and Non-executive Directors as well as some of the corporate executives, to the extent they carry out responsibilities of the Board, are insured under a directors' and officers' 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. Although the policy provides for broad coverage, the Executive Directors, Non-executive Directors and corporate executives may become subject to uninsured liabilities.

In addition, pursuant to the Articles, the Company has agreed to indemnify each Executive Director and each Non-executive Director for any claim against him or her that he or she may derive from exercising his or her duties as an Executive Director or Non-executive Director, provided that 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.

Committees

The Board has appointed from among its Non-executive Directors three committees to assist it in discharging its responsibilities: an audit committee (the **Audit Committee**), a remuneration committee (the **Remuneration Committee**) and a nomination committee (the **Nomination Committee**). Without prejudice to the collegiate responsibility of the Board, the duty of these committees is to prepare the decision-making of the Board.

The Board has drawn up regulations for each committee, setting out the role and responsibilities of the committee concerned, its composition and size and the manner in which its meetings should be held. These regulations are available on the investor relations part of the UMG website.

The Report of the Non-executive Directors states the composition of the committees, the number of meetings held and the main items discussed at such meetings.

The Audit Committee

According to the regulations of the Audit Committee, 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 prepares resolutions of the Board in relation thereto.

In addition to the foregoing, the Audit Committee's main responsibilities include: (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 preparation and submission of financial information by the Company, (iii) supervising the compliance with recommendations and observations of the Company's internal auditor and external auditors, (iv) supervising the functioning of the internal audit department, (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 auditors, (ix) implementing the procedure for the selection of the external auditors and submitting a recommendation to the Non-executive Directors for the (re)appointment or dismissal of the external auditors 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 auditors 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, (xiv) submitting a proposal to the Board for the external auditors' engagement to audit the financial statements, and (xv) considering and, where appropriate, approving the financial statements, the annual budget and major capital expenditures of the Company.

The Audit Committee shall consist of at least three members appointed by the Board from among its Non-executive Directors. More than half of the members of the Audit Committee, including the chair of the Audit Committee, shall be independent within the meaning of best practice provision 2.1.8 of the Code. The Audit Committee may not be chaired by the Chairman of the Board or by a former Executive Director. At least one member of the Audit Committee shall have competence in accounting and/or auditing and the members as a whole shall have competence relevant to the sector in which the Company operates.

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 auditors as often as it considers necessary, but at least once a year, outside the presence of the Executive Directors. The Chief Financial Officer, the internal auditor and the external auditors shall attend the meetings of the Audit Committee, 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.

The Remuneration Committee

According to the regulations of the Remuneration Committee, the Remuneration Committee advises the Board in relation to its responsibilities, undertakes preparatory work for the Board's decision-making regarding the determination of the remuneration of the individual Executive Directors and Non-executive Directors, with due observance of the remuneration policies for the Executive Directors and Non-executive Directors, respectively, and prepares resolutions of the Board in relation thereto.

In addition to the foregoing, the Remuneration Committee's main responsibilities include: (i) every four years submitting a proposal to the Board for the remuneration policies to be pursued and (ii) annually preparing the remuneration report, to be tabled at the General Meeting.

The Remuneration Committee shall consist of at least three members appointed by the Board from among its Non-executive Directors. More than half of the members of the Remuneration Committee shall be independent within the meaning of best practice provision 2.1.8 of the Code. The Remuneration Committee may not be chaired by the Chairman of the Board or by a former Executive Director.

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.

The Nomination Committee

According to the regulations of the Nomination Committee, the Nomination Committee advises the Board in relation to its responsibilities, undertakes preparatory work for the Board's decision-making and prepares resolutions of the Board in relation thereto.

In addition to the foregoing, the Nomination Committee's main responsibilities include: (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 the individual Directors and the Board as a whole, and reporting on this to the Board, (iv) making recommendations for (re)appointments of Directors and (v) supervising the policy of the Board on the selection criteria and appointment procedures for senior management.

The Nomination Committee shall consist of at least three members appointed by the Board from among its Non-executive Directors. More than half of the members of the Nomination Committee shall be independent within the meaning of best practice provision 2.1.8 of the Code.

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.

The market disclosure committee

The Board has also appointed a market disclosure committee, consisting of seven members, which is responsible for the timely and accurate disclosure of all information that is required to be so disclosed to the market in order to meet the applicable legal and regulatory obligations and requirements arising from the Listing.

The market disclosure committee shall 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 although its members are appointed by the Board.

THE GENERAL MEETING

Annual and extraordinary General Meetings

The Shareholders exercise their rights through annual and extraordinary General Meetings.

Annual General Meetings

The annual General Meeting shall be held within six months after the end of the financial year. The agenda of the annual General Meeting typically contains the following (discussion or voting) items: (i) the discussion of the annual report, (ii) the consideration of the remuneration report, (iii) the adoption of the financial statements, (iv) the discussion of the dividend policy and the proposal to distribute dividends, (v) the discharge of the Directors for the performance of their duties, (vi) the filling of any vacancies, (vii) the adoption of the remuneration policies for the Executive Directors and Non-executive Directors insofar as any adjustments to the remuneration policies so require or four years after their former adoption, (viii) the appointment of the external auditors, and (ix) any other items brought forward by the Board.

Extraordinary General Meetings

Extraordinary General Meetings shall be held as often as the Board deems necessary. In addition, one or more of the Shareholders representing individually or jointly at least 10% of the issued share capital of the Company are entitled to request in writing that a General Meeting is convened, the request setting out in detail the items to be discussed. If the Board has not taken the steps necessary to ensure that a General Meeting can be held within eight weeks of the request, the relevant Shareholder or Shareholders may at its or their request be authorized by a Dutch court in summary proceedings to convene a General Meeting. In any event, a General Meeting shall be held to discuss any requisite measures within three months of it becoming apparent t o the Board that the shareholders' equity of the Company has decreased to an amount equal to or lower than 50% of the issued and called-up part of the share capital of the Company.

Place

According to the Articles, General Meetings shall be held in Amsterdam, Rotterdam, Hilversum or Haarlemmermeer (including Schiphol Airport).

Convocation

A General Meeting is convened by the Board by means of a convocation notice, which must be given at least forty-two days before the day of the General Meeting.

Right to include items on the agenda

One or more of the Shareholders representing individually or jointly at least 3% of the issued share capital of the Company are entitled to request in writing that an item is included on the agenda of the General Meeting. The request must be sufficiently motivated and received by the Company at least sixty days before the day of the General Meeting. The Company cannot be forced to include a voting item on the agenda of the General Meeting where the voting item concerns a matter which does not lie within the powers of the General Meeting. In accordance with best practice provision 4.1.6 of the Code, the Shareholders are expected to only exercise the right of putting an item on the agenda of the General Meeting after having consulted the Board in that respect.

Response time

If one or more of the Shareholders request that an item is included on the agenda of the General Meeting that may result in a change in the Company's strategy (via, for example, a change in the composition of the Board), the Board may invoke a response time. The possibility to invoke a response time also applies to a request of such Shareholder or Shareholders to be authorized to convene a General Meeting as set out above under 'The General Meeting –Annual and extraordinary General Meetings–Extraordinary General Meetings'.

Chairperson of the General Meeting

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 General 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 of the General Meeting. The chairperson will have all powers necessary to ensure the orderly and efficient conduct of the General Meeting. The chairperson decides on all matters relating to admission to the General Meeting and may admit third parties to the General Meeting. The Directors are in any event authorized to attend the General Meeting, in which they have an advisory vote. The external auditors are also authorized to attend the General Meeting.

Participation

Each Shareholder is entitled, in person or represented by a proxy authorized in writing, to attend and address the General Meeting and to exercise its voting rights as it sees fit. Each Shareholder may exercise such rights if it is a Shareholder on the record date, which is the twenty-eight day before the day of the General Meeting, and it has notified the Company in writing of its intention to do so in the manner and by the date specified in the convocation notice. The Board may determine that a Shareholder entitled to exercise its voting rights may cast its vote prior to the General Meeting by means of electronic communication or letter. Votes cast in accordance with the previous sentence rank equal to votes cast at the General Meeting.

Each Share confers the right on the holder thereof to cast one vote at the General Meeting. All resolutions of the General Meeting shall be adopted by a simple majority of the votes cast, unless Dutch law or the Articles require a qualified majority. Some resolutions require a qualified majority if less than half of the issued share capital of the Company is present or represented at the General Meeting. No special control rights are attached to the Shares. There are no restrictions on the exercise of voting rights under Dutch law or the Articles nor, as far as the Company is aware, under the Relationship Agreement.

The General Meeting has authority to adopt resolutions concerning, among others, the following matters:

- The issue of Shares or the granting of rights to subscribe for Shares (and to designate the Board as the competent body to issue Shares or to grant rights to subscribe for Shares)
- The limitation or exclusion of the pre-emptive right in relation to Shares or rights to subscribe for Shares (and to designate the Board as the competent body to limit or exclude the pre-emptive right in relation to Shares or rights to subscribe for Shares)
- The authorization of the Board to acquire Shares on behalf of the Company
- The reduction of the issued share capital of the Company
- The appointment of Executive Directors and Non-executive Directors
- The suspension and dismissal of Executive Directors and Non-executive Directors
- The adoption of the remuneration policies for the Executive Directors and Non-executive Directors
- The adoption of the financial statements
- The appointment of the external auditors
- The distribution of dividends
- The amendment of the Articles
- The dissolution of the Company

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 General Meeting where the entire issued share capital of the Company is present or represented).

Resolutions of the Board regarding a significant 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 of the business or practically the entire business to a third party
- The conclusion or cancellation of any long-lasting cooperation of the Company or a subsidiary with any other legal person or company or as a fully-liable general partner in a partnership, provided that such cooperation or cancellation is of material significance to the Company
- The acquisition or disposal of a participation in the issued share capital of a company with a value of at least one third of the assets, as shown in the consolidated balance sheet with explanatory notes according to the most recently adopted consolidated financial statements, by the Company or a subsidiary

Minutes

Minutes of the proceedings at the General Meeting shall be kept by a secretary who shall be designated by the chairperson of the General Meeting. Within three months after the end of the General Meeting, the minutes shall be made available to the Shareholders, which then have the opportunity to provide their comments in the three months thereafter. The minutes shall then be adopted by the chairperson and the secretary and signed by them as evidence thereof.

Issue of Shares and limitation or exclusion of pre-emptive right

The General Meeting is authorized to issue Shares. The General Meeting may designate the Board as the competent body to issue 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 must state the number of Shares that may be so issued. The General Meeting shall, in addition to the Board, remain authorized to issue Shares if such is specifically stipulated in the resolution of the General Meeting designating the Board as the competent body to issue Shares. A resolution of the General Meeting to issue Shares and a resolution of the General Meeting designating the Board as the competent body to issue Shares can only be adopted at the proposal of the Board. The foregoing applies by analogy to the granting of rights to subscribe for Shares but does not apply to the issue of Shares to a person exercising previously granted rights to subscribe for Shares.

Each Shareholder has a pre-emptive right in proportion to the aggregate amount of its Shares upon an issue of Shares. The pre-emptive right does not apply to: (i) Shares issued to employees of the Company or of a group company, (ii) Shares issued against payment other than in cash and (iii) Shares issued to a person exercising previously granted rights to subscribe for Shares. The pre-emptive right may be limited or excluded by a resolution of the General Meeting. The pre-emptive right may also be limited or excluded by a resolution of the Board if the Board has been designated as the competent body to limit or exclude the pre-emptive right 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 as the competent body to issue Shares by the General Meeting. A resolution of the General Meeting to limit or exclude the pre-emptive right and a resolution of the General Meeting designating the Board as the competent body to limit or exclude the pre-emptive right can only be adopted at the proposal of the Board and requires a qualified majority of at least two thirds of the votes cast if less than half of the issued share capital of the Company is present or represented at the General Meeting. The foregoing applies by analogy to the granting of rights to subscribe for Shares.

Currently, the Board has not been designated as the competent body to issue Shares or to limit or exclude the pre-emptive right by the General Meeting.

Acquisition of Shares

The Company cannot subscribe for Shares. The Company may, however, acquire fully paid-up Shares for no consideration or under universal title of succession. In addition, the Company may acquire fully paid-up Shares against consideration if (i) the shareholders' equity of the Company less the acquisition price of the Shares does not fall below the sum of the issued and called-up part of the share capital of the Company and any reserves that must be maintained pursuant to Dutch law, (ii) the aggregate nominal value of the Shares which the Company acquires, holds or on which it holds a right of pledge or which are held by a subsidiary does not exceed 50% of the issued share capital of the Company and (iii) the Board has been authorized to acquire Shares on behalf of the Company by the General Meeting. Such authorization is valid for a maximum period of eighteen months and as part of the authorization, the General Meeting must specify the number of Shares that may be acquired as well as the manner in which and the price range within which the Shares may be acquired. Such authorization is not required if the Company acquires fully paid-up Shares for the purpose of transferring such Shares to employees of the Company or of a group company under an equity compensation plan. Any acquisition of Shares that are not fully paid-up shall be null and void.

Currently, the Board has not been authorized to acquire Shares on behalf of the Company by the General Meeting.

In calculating the amount of any dividend distribution on the Shares, Shares held by the Company shall be disregarded, unless such Shares are encumbered with a right of pledge or usufruct. Furthermore, the Company or a subsidiary may not cast votes in respect of Shares held by it or on which it holds a right of pledge or usufruct. However, a holder of a right of pledge or usufruct on Shares held by the Company or a subsidiary may cast votes in respect of such Shares, if the right of pledge or usufruct was created before the Shares were acquired by the Company or a subsidiary. In determining how many votes can be cast, how many Shareholders are present or represented or which part of the issued share capital of the Company is present or represented at the General Meeting, no account shall be taken of Shares in respect of which no votes can be cast.

Reduction of the issued share capital of the Company

At the proposal of the Board, the General Meeting may resolve to reduce the issued share capital of the Company by (i) cancelling Shares held by the Company or (ii) reducing the nominal value of the Shares by way of an amendment of the Articles. A resolution of the General Meeting to reduce the issued share capital of the Company requires a qualified majority of at least two-thirds of the votes cast if less than half of the issued share capital of the Company is present or represented at the General Meeting.

Appointment of the external auditors

The General Meeting appoints the external auditors to audit the financial statements. The Non-executive Directors submit a nomination for the appointment of the external auditors to the General Meeting, upon the recommendation of the Audit Committee. Unless it concerns the renewal of an audit engagement, the recommendation of the Audit Committee shall be prepared following a tender procedure organized by the Company under the responsibility of the Audit Committee such in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements regarding statutory audit of public-interest entities.

Amendment of the Articles

At the proposal of the Board, the General Meeting may resolve to amend the Articles. If a proposal to amend the Articles is to be submitted to the General Meeting, the convocation notice must state so and a copy of the proposal, including the verbatim text thereof, must be made available at the Company's office for inspection by, and must be made available free of charge to, the Shareholders until after the close of the General Meeting. An amendment of the Articles requires a notarial deed.

Dutch Decree on Article 10 of the Takeover Directive

Pursuant to the Dutch Decree on Article 10 of the Takeover Directive, the Board report needs to include information on, among others, the Company's share capital structure, any restrictions on voting rights and the transfer of Shares, substantial shareholdings in the Company, any special control rights attached to the Shares, any system of control regulating certain equity incentive plans, the rules governing the appointment and dismissal of Executive Directors and Non-executive Directors and the amendment of the Articles, the powers of the Board (in particular the power to issue Shares and to acquire Shares on behalf of the Company), any material agreement to which the Company is a party and which automatically comes into force or is amended or terminated upon a change of control over the Company following a takeover offer, and any agreement between the Company and a Director or employee providing for compensation if his or her employment ceases because of a takeover offer. The information that needs to be included in the Board report pursuant to the Dutch Decree on Article 10 of the Takeover Directive is included in this Corporate governance section and in the Shareholder information section.

Compliance with the Code

The Company acknowledges the importance of good corporate governance and complies with the principles and best practice provisions of the Code, the full text of which can be found on www.mccg.nl. Deviations from any of the principles and best practice provisions of the Code are explained below in accordance with the Code's 'comply or explain' principle. Substantial changes in the Company's corporate governance structure and in the Company's compliance with the Code, if any, will be dealt with at the annual General Meeting as a separate item.

Deviations

Best practice provision 2.1.7 item (i) of the Code

As James Mitchell, Luc van Os and Manning Doherty were all Executive Directors (as from February 26, 2021, December 2, 2020 and February 26, 2021, respectively) prior to being appointed as Non-executive Directors by the General Meeting, effective September 20, 2021, the Company does not comply with best practice provision 2.1.7 item (i) of the Code, which stipulates that at most one Non-executive Director is a former Executive Director. Since they have all been appointed for a period of two years, this deviation will continue for more than one financial year and may not be of a temporary nature. However, the Company deems that this deviation does not negatively impact the ability of these Non-executive Directors to perform their duties critically and independently given the short period during which they were involved in the executive management of the Company prior to, and primarily in preparation for, the Listing.

Best practice provision 2.1.7 item (ii) of the Code

Since four out of eight Non-executive Directors, being Cathia Lawson-Hall, James Mitchell, Luc van Os and Manning Doherty, are considered non-independent within the meaning of best practice provision 2.1.8 of the Code, the Company does not comply with best practice provision 2.1.7 item (ii) of the Code, which stipulates that less than half of the Non-executive Directors should be non-independent. Since they have been appointed for a period of two years, this deviation will continue for more than one financial year and may not be of a temporary nature.

Best practice provision 2.1.7 item (iii) of the Code

Since two Non-executive Directors, being James Mitchell and Manning Doherty, have both been appointed by the General Meeting at the designation of the Tencent-led consortium, they are considered to be affiliated with or representing a (group of affiliated) shareholder(s) holding, directly or indirectly, more than 10% of the issued share capital of the Company and as such, the Company does not comply with best practice provision 2.1.7 item (iii) of the Code, which stipulates that at most one Non-executive Director is considered to be affiliated with or representing such (group of affiliated) shareholder(s). Since they have both been appointed for a period of two years, this deviation will continue for more than one financial year. However, this deviation is of a temporary nature only since the right of the Tencent-led consortium to designate two Non-executive Directors for appointment by the General Meeting will end after the close of the annual General Meeting to be held in 2024 as set out above under 'The Board––Appointment and term of appointment'.

Best practice provision 2.3.4 of the Code

Since the Audit Committee is chaired by Luc van Os, a former Executive Director, the Company does not comply with (the first sentence of) best practice provision 2.3.4 of the Code, which stipulates that the Audit Committee should not be chaired by a former Executive Director. Since he has been appointed for a period of two years, this deviation will continue for more than one financial year and may not be of a temporary nature. However, the Company deems that this deviation does not negatively impact his ability to perform his duties critically and independently given the short period during which he was involved in the executive management of the Company prior to, and primarily in preparation for, the Listing.

Since two out of three of the Audit Committee members, being Cathia Lawson-Hall and Luc van Os, are considered non-independent within the meaning of best practice provision 2.1.8 of the Code, the Company does not comply with (the second sentence of) best practice provision 2.3.4 of the Code, which stipulates that more than half of the Audit Committee members should be independent. Since they have been appointed for a period of two years, this deviation will continue for more than one financial year and may not be of a temporary nature.

Since two out of four Nomination Committee members, being James Mitchell and Luc van Os, are considered non-independent within the meaning of best practice provision 2.1.8 of the Code, the Company does not comply with (the second sentence of) best practice provision 2.3.4 of the Code, which stipulates that more than half of the Nomination Committee members should be independent. Since they have been appointed for a period of two years, this deviation will continue for more than one financial year and may not be of a temporary nature.

Best practice provision 3.2.3 of the Code

Sir Lucian Grainge shall be paid two years' salary, target bonus, pension contributions, car allowance, protection compensation, health and welfare benefits and EUR 1,774,229 for lost value of Vivendi Restricted Stock Units in a lump sum in the event of termination by the Company without cause or termination by Sir Lucian Grainge for good reason, and Vincent Vallejo shall be paid base salary, target bonus, contractually agreed exceptional premiums, and any unpaid retention bonus or other bonuses in a lump sum for the period remaining on his initial two and half year fixed term agreement in the event of termination by the Company without cause. Accordingly, the Company does not comply with (the first sentence of) best practice provision 3.2.3 of the Code, which stipulates that any severance in the event of dismissal should not exceed one year's salary. This deviation may continue for more than one financial year and may not be of a temporary nature as the Company may decide to respect these legacy severance arrangements which were already in place prior to the date of the Listing.

Corporate governance statement

Pursuant to the Dutch Decree on the Content of the Board Report, the Company is required to publish a statement concerning its approach to corporate governance and compliance with the Code. The information required to be included in this statement can be found in the following sections of the annual report:

- The information concerning compliance with the Code is set out above under 'Compliance with the Code'.
- The information concerning the Company's internal risk management and control systems relating to the financial reporting process is set out in the Risk and risk management section under 'Risk management'.
- The information concerning the functioning of the General Meeting and its powers and rights is set out above under 'The General Meeting'.
- The information concerning the composition and functioning of the Board and its committees is set out above under 'The Board' and in the Report of the Non-executive Directors under 'Composition' and 'Committees'.
- The information concerning the Company's diversity policy is set out above under 'The Board–Diversity' and in the Report of the Non-executive Directors under 'Diversity'.
- The information concerning the inclusion of the information required by the Dutch Decree on Article 10 of the Takeover Directive is set out above under 'Dutch Decree on Article 10 of the Takeover Directive'.

STATEMENTS OF THE BOARD

In control statement

In accordance with best practice provision 1.4.3 of the Code, the Board is of the opinion that for the financial year 2021:

- The Board report provides sufficient insight into any failings in the effectiveness of the internal risk management and control systems
- The internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies
- Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis
- The Board report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the Board report

It should be noted that the foregoing does not imply that these systems and these procedures provide absolute assurance as to the realization of operational and strategic business objectives or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliance with all applicable laws and regulations.

For a detailed description of the internal risk management and control systems and the principal risks identified, please refer to the Risk and risk management section.

Responsibility statement

In accordance with article 5:25c(2)(c) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), the Board confirms that, to the best of its knowledge:

- The financial statements 2021 give a true and fair view of the assets, liabilities, financial position and result of the Company and the undertakings included in the consolidation as a whole for the financial year 2021
- The Board report provides a true and fair view of the position as at December 31, 2021 and of the performance of the business during the financial year 2021 of the Company and the undertakings, details of which have been included in the financial statements 2021
- The Board report includes a description of the principal risks that the Company faces

The Board

Sir Lucian Grainge
Vincent Vallejo
Judy Craymer CBE
Antoine Fiévet
Anna Jones
Cathia Lawson-Hall
James Mitchell
Luc van Os
Manning Doherty
Margaret Frerejean-Taittinger

Hilversum, March 31, 2022

BOARD REPORT
SHAREHOLDER INFORMATION

SHARE CAPITAL

The authorized share capital of the Company amounts to EUR 27,000,000,000 and is divided into 2,700,000,000 ordinary shares with a nominal value of EUR 10 per Share (the **Shares**). All Shares are registered and numbered consecutively from one onwards.

As at December 31, 2021, the issued share capital of the Company amounted to EUR 18,133,757,960 and was divided into 1,813,375,796 Shares, the Company held 466,783 Shares in treasury and no depositary receipts for Shares were issued with the cooperation of the Company.

All Shares rank *pari passu* with each other. There are no restrictions on the transferability of the Shares under Dutch law or the Articles nor, as far as the Company is aware, under the Relationship Agreement.

Relationship Agreement

On September 8, 2021, Vivendi SE, Concerto Investment B.V., Scherzo Investment B.V., Compagnie de l'Odet and Compagnie de Cornouaille entered into a relationship agreement (the **Relationship Agreement**), which was co-signed by the Company for agreement and acknowledgement.

Further details on the Relationship Agreement are set out in the Corporate governance section under 'The Board–Appointment and appointment term' and 'The General Meeting–Annual and extraordinary General Meetings–Participation', above under 'Share capital' and below under 'Substantial shareholdings' and 'Dividend policy'.

Substantial shareholdings

Pursuant to the Dutch Financial Supervision Act, Shareholders are required to notify the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) (the **AFM**) in the event that they acquire or lose the disposal of a capital interest and/or voting rights in the Company as a result of which their percentage of capital interest and/or voting rights in the Company reaches, exceeds or falls below one of the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. The requirement to notify the AFM also applies in the event that their percentage of capital interest and/or voting rights in the Company passively reaches, exceeds or falls below one of the thresholds due to a change in the issued share capital of and/or voting rights in the Company.

According to the AFM register, the following Shareholders have notified the AFM of their capital interest in the Company as at December 31, 2021. It is possible that the stated percentages of capital interest in the Company differ from the actual percentages of capital interest in the Company as the Shareholders are only required to notify the AFM in the event that their percentage of capital interest in the Company reaches, exceeds or falls below one of the thresholds.

Shareholder	Notification date	Capital interest
V. Bolloré[1]	September 22, 2021	18.01%[2]
Vivendi SE[1]	September 22, 2021	10.03%
Concerto Partners LLC[1]	September 22, 2021	20%[3]
W.A. Ackman	September 21, 2021	10%[4]

(1) On September 22, 2021, each of V. Bolloré, Vivendi SE and Concerto Partners LLC has notified a percentage of voting rights in the Company of 48.03% based on a voting agreement included in the Relationship Agreement.

(2) Held via Bolloré Participations SE, Omnium Bolloré, Financière V, Sofibol, Compagnie de l'Odet, Bolloré SE and Compagnie de Cornouaille.

(3) Held via Sherzo Investment B.V. and Concerto Investment B.V.

(4) Held via PS VII Master L.P.

It is possible that the stated percentages of capital interest and/or voting rights in the Company differ from the actual percentages of capital interest and/or voting rights of the Shareholders.

In the Relationship Agreement, the parties have agreed to, among others, consult with one another prior to each General Meeting in order to form, to the extent possible, a common view in respect of the various items related to the subjects included in and the obligations of the parties under the Relationship Agreement concerning the right of the Tencent-led consortium to designate up to two Non-executive Directors for appointment by the General Meeting as set out in the Corporate governance section under 'The Board––Appointment and term of appointment' and the dividend policy as set out below under 'Dividend Policy'. Accordingly, the parties are considered to have concluded a voting agreement and are therefore required to aggregate their voting rights in the Company as reflected in the footnote 1 above.

Change of control

The Articles do not contain any specific anti-takeover provisions such as the possibility to issue preference shares, in case of an unsolicited takeover offer. There are no material agreements to which the Company is a party which automatically come into force or are amended or terminated upon a change of control over the Company following a takeover offer. However, the Company's facilities agreement (potentially) entitles each bank to claim early repayment of the amounts borrowed by it to the Company in the event of a change of control over the Company (as defined in the facilities agreement).

Equity incentive plan

Currently, the Company does not operate an equity incentive plan. The Company does, however, intend to establish such plan as part of its remuneration arrangements. The purpose of establishing such plan is to ensure alignment of the interests of participating employees with those of the Shareholders and to promote enhanced employee engagement and performance and the creation of long-term sustainable value for the Company and its stakeholders.

Dividend policy

In accordance with the Relationship Agreement, the Company intends to, on an annual basis, pay dividends to all Shareholders, on a *pro rata* basis in two semi-annual installments, in the aggregate amount of no less than 50% of the Company's net profits, subject to agreed non-cash items and applicable law, calculated as follows:

- consolidated net profits of the most recent audited consolidated financial statements as of December 31 prepared in accordance with EU IFRS; *plus*
- (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, (e) net losses related to minority interests, (f) net provisions for inventories and (g) any unrealized loss related to derivative financial instruments; *minus*
- (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 interests.

The Company intends to pay an interim dividend in the fourth quarter of each financial year after the publication of the semi-annual financial report, and a final dividend in the second quarter of the following financial year following adoption of the financial statements by the General Meeting.

On April 29, 2021, the Company paid a dividend of in aggregate EUR 422,000,000 to the pre-Listing Shareholders, which equaled EUR 0.23 per Share.

On October 28, 2021, The Company paid an interim dividend of in aggregate EUR 362,581,803 to the Shareholders, which equaled a dividend of EUR 0.20 per Share. The Board now proposes that the Company pay a final dividend of in aggregate EUR 362,581,803 to the Shareholders, which equals a dividend of EUR 0.20 per Share, such proposal to be approved at the annual General Meeting to be held on May 12, 2022. If approved, this would bring the Company's total dividend for 2021 to EUR 725,163,605, which equals a total dividend of EUR 0.40 per Share.

Investor Relations

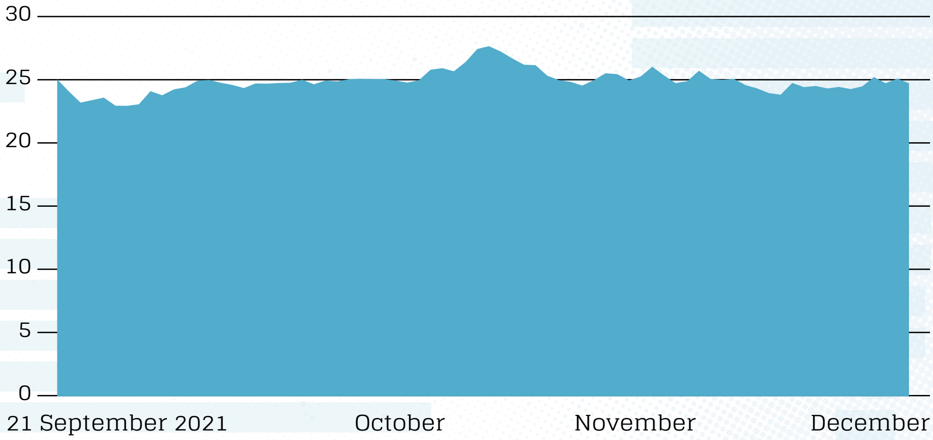
UMG is committed to maintaining an open and constructive dialogue with the Shareholders. UMG aims to keep the Shareholders updated by informing them clearly, accurately and in a timely manner about its strategy, performance and other matters and developments that could be relevant to their investment decisions.

Shares

On September 21, 2021, the Shares were admitted to listing and trading on Euronext Amsterdam (ticker symbol UMG). The Shares are included in a number of indices, including the AEX, which index reflects the twenty-five largest and most actively traded companies on Euronext Amsterdam in terms of free float market capitalization.

The reference price for the Shares at the date of the Listing was EUR 18.50 and the Shares opened at € 25.25 on that day. At year-end 2021, the share price was EUR 24.78 and the market capitalization was EUR 44.9 billion. The average daily trading volume in 2021 was EUR 83.6 million or 3.3 million Shares.

Share price information	2021
Market capitalization at year-end (€ billion)	44.9
Lowest closing price (September 29, 2021, €)	23.0
Highest closing price (November 11, 2021, €)	27.72
Closing price year-end (€)	24.78
Total shareholder return	35.0%
Average daily trading volume on Euronext (shares)	3.3 million



Per share data	2021
Dividend (€): 0.20 interim + 0.20 proposed final	0.40
Reported EPS (€)	0.49
Adjusted EPS (€)	0.70

Contact

Further information on UMG is available from the Investor Relations department, which can be reached by telephone: +31 35 799 4200 or by email: investorrelations@umusic.com. Further shareholder information is available on the investor relations part of the UMG website: https://investors.universalmusic.com

BOARD REPORT
RISK AND RISK MANAGEMENT

RISK MANAGEMENT

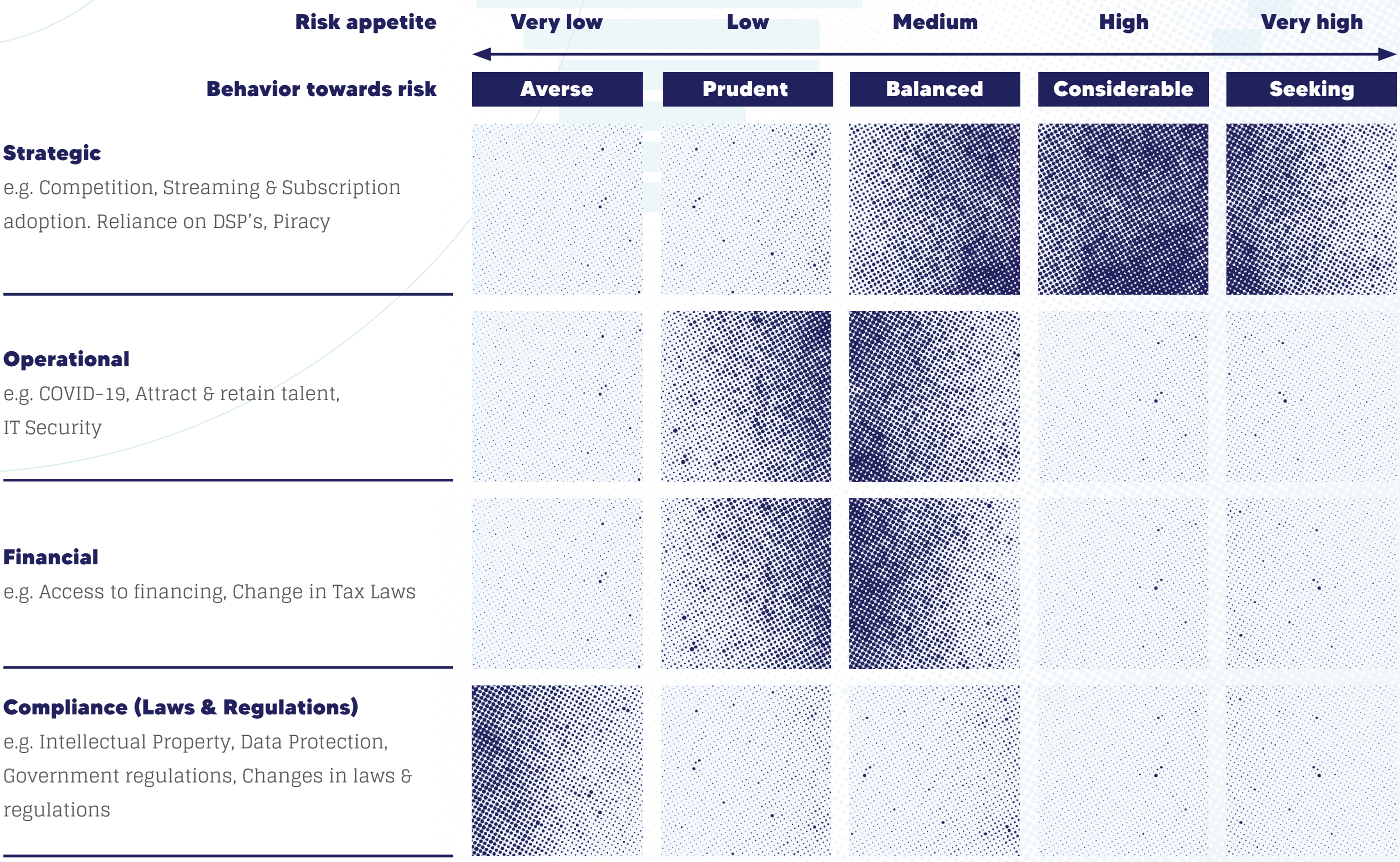
UMG has a diverse portfolio of brands, music labels, artists, established (predictable) and developing businesses, all spread across different geographies and business structures. Whilst this level of diversification generally spreads risk across our business, it is critically important that the Company manages risks in a proactive and responsible way to ensure we can deliver on our multi-faceted growth strategies.

The Company's risk management is designed to provide reasonable assurance that strategic and operational objectives are met, legal requirements are complied with, and the integrity of the Company's financial reporting and related disclosures is safeguarded. However, there can be no absolute assurance that our risk management will avoid or mitigate all risks that UMG faces. The material risks are described in Risk Factors.

Risk Appetite

The Board of Directors and management seek to manage risks consistently within the risk appetite. UMG's risk appetite differs depending on the type of risk, ranging from averse to a seeking approach. We believe we must operate within the dynamics of the music industry and take risks needed to ensure we continually revitalize our offerings for our artists and the way we work. At the same time, UMG attaches prime importance to integrity, sustainability and compliance with laws and regulations. Risk appetite for the four main risk categories is visualized below.

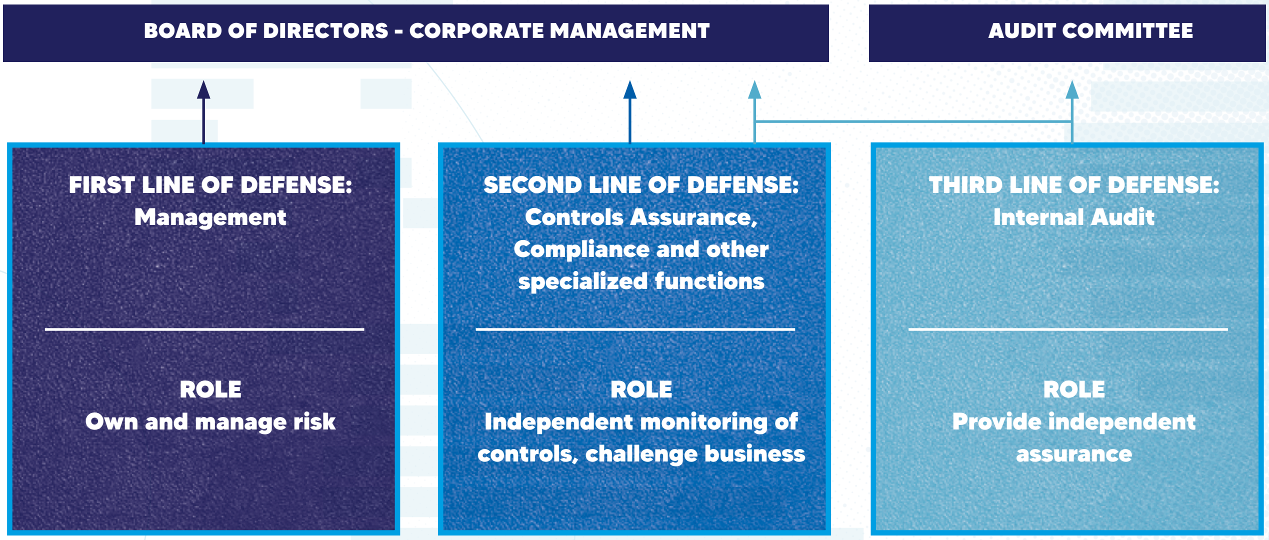
UMG does not classify these risks in order of importance.



Governance, Risk and Compliance

The Company has an Internal Control Framework (ICF) modelled upon the COSO (Committee of Sponsoring of the Treadway Commission) 2013 framework. The ICF incorporates risk assessment, control activities and monitoring into our business practices at entity wide and functional levels.

For the organization of risk management and internal control systems, we have adopted a 'Three lines of defense' model (see chart below) to provide reasonable assurance that risks to achieving important objectives are identified and mitigated.



Monitoring and Assurance

A key element of our ICF is monitoring and assurance. The Company uses a comprehensive business planning and performance review process to monitor the Company's performance. This process covers the adoption of strategy, budgeting and the reporting of current and projected results. The company assesses business performance according to both financial and non-financial (including sustainability) targets.

All our businesses are required to maintain and manage a sound internal control environment with robust policies, procedures and controls and strong financial discipline.

In order to meet business needs and the requirements of the Dutch Corporate Governance Code, the Company has a Group-wide management certification process in place, which requires that the designated executive management team member at each of the reporting entities send attestation letters on a periodic basis to both the Corporate Financial Reporting Group (quarterly) and the Controls Assurance Function (semi-annually). Summarized, these letters confirm whether the reporting entities have incorporated the ICF in the local control policies and procedures and where deficiencies, non-adherence or breaches to the controls and/or procedures were found, that these have been reported and that the necessary remedial action has been undertaken to ensure that the internal control systems remain effective in preventing and detecting fraud and error.

Both the Controls Assurance and Internal Audit functions help to ensure that the Company maintains and improves the integrity and effectiveness of the system of risk management and internal control.

Since the separation from Vivendi S.E. and the listing of the Company on Euronext Amsterdam, the ICF is being monitored by the second line of defence Controls Assurance function through controls testing activities, which will continue and be broadened in 2022. Internal Audit undertakes regular risk-based, objective and critical audits.

Continuous ICF Improvements

Management continues to invest in the further improvement of the risk and internal control systems in the Company. Built on the basis of the existing risk and controls mechanisms in place prior to the separation from Vivendi S.A., management started upgrading its systems, including computer hardware infrastructure, adding additional financial and management controls, reporting systems and procedures and hire additional accounting, finance, internal control, internal audit and information technology staff. Management will continue to make further improvements in 2022, which will be aimed at, amongst other things:

- Driving business ownership of risks and controls
- Formalizing and increasing the level of monitoring of the risk and control systems
- Transitioning and evolving the enterprise risk management program as well as certain other entity level controls
- Strengthening IT general controls
- Elevating the quality and in particular the level of documentation of key controls across primary business processes

Compliance and Integrity

As the world's leading music company, UMG recognizes that we have a responsibility to set the right tone, lead by example, and ensure that all of our actions and decisions are based on honesty and integrity. UMG's global Code of Conduct sets our foundation that how we conduct business is as important as our results. The Code of Conduct outlines the key responsibilities for all our employees, officers, members of the board of directors, and (where permitted) third party consultants and advisors or representatives and requires:

- Honesty in all of our actions and decisions
- Treating everyone with respect
- Following the law and UMG policies when conducting company business
- Seeking guidance when we are not certain about the right thing to do
- Speaking up when we see a problem

We meet these requirements by focusing on four key principles:

1. **SETTING THE RIGHT TONE WITH OUR PEOPLE** by valuing diversity and inclusions; promoting a respectful, safe and healthy workplace; and by protecting human rights.

2. **SETTING THE RIGHT TONE FOR OUR COMPANY** by properly disclosing or avoiding any conflicts of interests and monitoring the receipt of gifts.

3. **SETTING THE RIGHT TONE IN THE MARKETPLACE** by following laws and regulations related to bribery and corruption; marketing and advertising; fair purchase practices and international trade regulations.

4. **SETTING THE RIGHT TONE IN OUR COMMUNITIES** by protecting the environment and contributing to our communities.

The code of conduct provides all employees a road map of how to make ethical choices and how to comply with our legal and regulatory obligations. Most importantly, it provides guidance on when and where to seek guidance or to report a potential compliance breach. All UMG employees are trained on the Code of Conduct and must certify compliance with the Code of Conduct on an annual basis. The Code of Conduct is available in the investor relations section of UMG's public website.

Our compliance obligations are overseen by our Compliance department as well as our Control Assurance department, Internal Audit department and our Finance department. An internal control framework, including policies, procedures and financial discipline underpin our risk management. Internal audit Control Assurance Department regularly conducts independent testing, whereas Internal Audit Department has integrated reviewing and objective and critical audits, both departments ensure that UMG controls are followed and are sufficient to provide an appropriate control landscape.

Corruption and Bribery

UMG is committed to complying with all applicable laws in each of the countries in which we operate, including compliance with laws relating to anti-corruption and bribery. UMG does not tolerate any form of corruption or bribery within its organization. Non-compliance with laws and regulations, including anti-corruption, bribery and related laws could expose the group to legal liability and may negatively impact the Company's reputation, financial position, results of operations and/or prospects. These risks may manifest themselves in interactions with government bodies, trade associations, and in the merchandising division.

The Company has implemented a number of measures to counter the aforementioned risks. UMG's stance against, and prohibition of, corruption and bribery is covered not only in its Code of Conduct but also in its global stand-alone anti-corruption and lobbying policy. The Code of Conduct and global stand-alone anti-corruption and lobbying policy applies globally to all of UMG's employees and its directors. In addition to the annual Code of Conduct training, all employees in all UMG territories are periodically expected to complete specifically on the topic of anti-corruption.

UMG's anti-corruption compliance program provides risk mitigation guidance on matters including, but not limited to: interactions with government officials; conflicts of interest; political contributions/lobbying activities/charitable giving; gifts/travel and entertainment; and proper maintenance of books and records. Employees are afforded a multitude of ways to raise any concerns of anti-corruption and bribery, including dedicated reporting channels for conflicts of interest and gifts/hospitality, in addition to the option to use UMG's dedicated whistleblower reporting line or bymaking direct reports to supervisors, the General Counsel, or the Chief Compliance Officer.

Where relevant, UMG will take appropriate action in response to any (allegations or reports of) misconduct, including investigations, disciplinary action and/or criminal or civil procedures. The compliance department and internal audit department regularly monitor the effectiveness of the company's anti-corruption and bribery compliance program. UMG has a dedicated ethics committee to ensure compliance with the Code. The Chief Compliance Officer provide regular reports to the ethics committee of any potential violations of the Code, including anti-corruption and bribery, the status of any investigations, and the outcome of any investigations. The ethics committee and the internal audit department will further notify the audit committee of the Board and the Board, itself, as required, depending on the circumstances of the potential violation. In 2021, no reports were received related to bribery or corruption and there were no known instances of bribery or corruption.

Fraud Risk

Upon listing UMG also updated the Company's fraud risk assessment. The results of this are documented in a Companywide fraud risk register that summarizes risks and compensating measures. The global fraud risk assessment is an annual process and will be performed in the latter half of 2022.

The Company's stance with regard to integrity is clearly outlined in its Code of Conduct, as also explained in this Risk Management chapter. Any incidents of fraud and theft within the Company will be promptly investigated, reported and, where appropriate, lead to disciplinary actions (from warnings to immediate terminations). In addition, we carry out in-depth investigations of (possible) fraud cases, which may lead to an intermediate update of the fraud risk assessment.'

Whistleblowing Policy and Reporting

UMG's Code of Conduct and our standalone Whistleblowing Policy (which can also be found in the investor relations section of UMG's public website: https://investors.universalmusic.com/governance) provide numerous options for employees to seek guidance and report potential breaches of the Code of Conduct, including contacting the company's Chief Compliance Officer or General Counsel directly. Additionally, UMG provides a global reporting line, through a third-party provider. The global compliance and ethics hotline is available 24 hours a day, seven days a week via telephone or the internet. Reports can be made in all the languages in which we do business and may be made anonymously in those jurisdictions which permit anonymous reporting. Whistleblower hotline is available not only to UMG employees but third parties as well. Reports are maintained as confidentially as possible (or fully confidentially as may be required by law) and are investigated. In 2021, there were no substantiated reports of significant financial reporting, accounting, fraud or ethical (including human rights) violations.

Additionally, the Compliance Department maintains and monitors email boxes dedicated to reporting potential conflicts of interest.

Prohibition Against Retaliation

In order to encourage reporting of potential breaches of the Code of Conduct or other company policies, we prohibit retaliation of any kind against anyone who makes a complaint or report of a potential violation of law or policy in good faith. Engaging in retaliation is itself a violation of our Code and may result in disciplinary action, up to and including termination of employment.

Risk Factors

UMG's business and the industry in which it operates, are subject to a number of risks. UMG believes that the risk factors as set out below, are the key risks and uncertainties concerning the Group's business and industry, and that, alone or in combination with other events or circumstances, could have a material adverse effect on the Group's business, results and financial position.

In making this 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, results and financial position, and the attention that management would, on the basis of current expectations, have to devote to these risks if they were to materialize.

A summary of the key risks and uncertainties are disclosed in the table below:

	Risk	Likelihood	Impact
Strategic	Challenge to attract, sign and retain successful artists and/or absence of superstar releases	High	Low
	Decline in streaming revenue and/or subscription adoption	Moderate	Moderate
	Digital service provider dependency	Low	Moderate
	Competition in evolving markets	High	Moderate
	Inability to timely adapt to trends and developments in the markets in which UMG operates	Moderate	Low
	Piracy and content protection	High	High
Operational	Challenge to attract and retain internal talent	Moderate	Moderate
	Impact of COVID-19	High	Low
	Dependency on information technology systems	Moderate	Moderate
Financial	Access to financing	Low	Low
	Currency fluctuations	Moderate	Low
	Changes in tax laws	Moderate	Moderate
Compliance (Laws & Regulations)	Loss of intellectual property rights	Low	High
	Privacy and data security	Moderate	High
	Governmental and regulatory challenges	High	Moderate
	Changes in laws and regulations	Low	High

While the Group believes that the risks and uncertainties described below are the key material risks and uncertainties concerning the Group's business and industry, they are not the only risks and uncertainties relating to the Group. 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, results and financial position. The risk factors below have been divided into categories; however, some risk factors appear in more than one category.

For each of the risks set out below, the Group has indicated examples of the programs, processes and controls which are designed to help manage and mitigate the risks. These risk responses are designed to manage risks towards, and should be read in conjunction with, the Risk Appetite as described above.

It is however possible that these initiatives may not be successful in limiting fully or partly the occurrence and impact of the risks on the Group's business, results and financial position.

Strategic Risks

Challenge to attract, sign and retain successful artists and/or absence of superstar releases.
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 and songwriters 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.

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 results and financial position.

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, results and financial position.

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. UMG is pioneering partnerships with new platforms, continuing the decades-long fight for copyright protections all around the world while combatting piracy in its many forms and creating commercial environments for artists in countries where commerce in music was basically non-existent; UMG continues investing in the next generation of creative leaders. If UMG is unable to remain competitive as a result of technological developments, this could have a material adverse effect on UMG's business, results and financial position.

Risk response

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. 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's diverse range of artists and labels helps the business consistently cater to changing consumer trends. As a result of having such a broad array of artists and labels, UMG is not reliant on one artist, or on a small number of artists, to generate revenue in any given year.

Decline in streaming revenue and/or subscription adoption.
UMG's business may be adversely affected should streaming and subscription adoption or revenue fail to grow or grow less rapidly than UMG anticipates

Revenues from subscription music services are important. In 2021, UMG generated €4,481 million of revenue from subscription music services and ad-supported streaming, as compared to €3,833 million in 2020.

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. 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.

Risk response

UMG continues to actively and successfully work with existing streaming and subscription partners to develop existing and create new revenue streams and help develop new regional and local streaming and subscription partners. 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.

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.

> ***Digital service provider dependency.***
> *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 2021, the top 50 music services accounted for 96% of UMG's recorded music digital revenue. In 2021, 70% of UMG's recorded music 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 revenues, operating results and financial position.

Risk response

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.

> ***Competition in evolving markets.***
> *UMG may be unable to compete successfully in the evolving markets in which it operates or unable to execute its business strategy.*

UMG expects to increase revenues and cash flow through a business strategy which requires, among other things, continuing 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.

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, then its financial condition, results of operations and cash flows could be adversely affected.

Risk response

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.

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.

UMG's strategy is to maximize opportunities for introducing new products, services and revenue streams across segments spanning voice, fitness, social media, gaming, live streaming, brand partnerships, startups and other categories. Starting with its landmark 2017 commercial partnership with Facebook, UMG accelerated its leadership position through innovative new agreements with additional social media players.

With its Peloton partnership, UMG has led the industry in crafting new licensing models for integrating music within the thriving health and fitness category. In 2021, UMG licensed its music catalog to Equinox+, and also became the exclusive music partner to Liteboxer, a home-fitness boxing company. In addition UMG further expanded its position in the Fittech space in 2021, including deals with Barry's Bootcamp, Calm, CLMBR, Muru Health, SATS, STEEZY, Stryde and Zygo.

> ***Inability to timely adapt to trends and developments in the markets in which UMG operates.***
> *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 2021, UMG strengthened its global presence through new activities and key partnerships in Israel, Cote d'Ivoire, Greater China, The Netherlands, South Africa, India, Brazil, Spain & Iberia, Mexico, Central Europe & Balkans and the Philippines. 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 smartphone penetration. If internet access or smartphone penetration in these markets develops slower than expected, or is stalled, the Group's growth strategy could be adversely affected.

Risk response

UMG is committed to shaping culture through artistry and is responsive to the needs and ambitions of local talent. UMG's expansion strategy in markets around the world is already bearing fruit. 62% of UMG's physical & digital recorded music revenues came from local repertoires in their own countries. Prior to entering a new market, UMG teams carefully identify areas of risk and develop a business case and strategic plan, which are presented to and approved by the UMG Executive Management Board and the UMG Investment Committee.

> ***Piracy and content protection.***
> *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 distribute high-quality unauthorized copies of music in a manner that does not provide an economic return for UMG or its artists and songwriters. This includes "stream-ripping" to access UMG's music illegally through the internet. In a 2021 IFPI survey of 43,000 internet users across 21 countries, 35% of respondents aged 16-24 admitted using illegal stream-ripping services, the leading form of music piracy. Organized industrial piracy may also lead to decreased revenues and/or slowed growth of 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 successful in its content protection efforts as discussed below, its business, results of operations, financial condition and prospects may suffer.

Risk response

UMG invests significant resources in combatting the many forms of piracy of its music including through litigation, lobbying and interdiction. UMG also encourages its digital partners to support UMG's content protection efforts by taking direct action against unauthorized activity on their platforms.

Operational risks

Challenge to attract and retain internal talent.
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. 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 activities, results of operations, financial position and prospects could be materially and adversely affected.

Risk response

UMG is an established brand with both an attractive name and business reputation in the talent market. UMG has taken proactive and preventative measures to retain talent as UMG adapts to the 'Future of Work.'

Impact of COVID-19.
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 national and regional 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 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. Shop 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.

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.

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 position. 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.

Risk response

UMG's eCommerce business has grown significantly during the COVID-19 pandemic, 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.

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.

Dependency on information technology systems.
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. UMG also maintains sensitive confidential business information of itself and, in some cases, counterparties. It holds intellectual property rights including rights in music recordings and compositions, and further including not-yet-released music. UMG relies on both 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, results of operations, financial position and prospects

Risk response

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.

Financial risks

Access to financing

Risks associated with the cost of access to financing.

Risks related to the cost of access of financing are assessed based on the Group's capacity in the coming twelve months to have ready access to cash and cash equivalents and available confirmed credit facilities and to generate sufficient cash flows and proceeds from sales to cover debt repayments, dividend payouts and financial commitments.

Risk response

UMG has access to a €3 billion confirmed syndicated financing package which provides the necessary funds to cover the Group's financial requirements. UMG average debt maturity is 4.3 years.

Currency fluctuations

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 UMG's 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 the 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 expenses to increase as a percentage of net sales, affecting profitability and cash flows.

Risk response

From time to time, UMG enters into foreign exchange contracts to hedge the risk of unfavorable foreign currency exchange rate movements. UMG seeks to hedge currency transaction risks by offsetting opposing cash flows (natural hedging) and uses derivative hedges.

Changes in tax laws

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 relies on 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.

Risk response

The Group's tax policies provide governance and there is a process in place to implement and monitor compliance with them. The Group Tax Department is in charge of establishing, maintaining and overseeing these policies. The aim is to file all the required tax-relevant returns with the appropriate tax authorities in a correct, timely and complete manner. To ensure this happens, (tax) compliance & reporting processes are monitored through the Tax Risk and Control Framework which sets out the controls established to assess and monitor tax risk for direct and indirect taxes (e.g., corporate income tax, transfer pricing, VAT, wage tax and tax accounting). The Group Tax Department monitors proposed changes in taxation legislation and ensures these are taken into account when consider the operations.

Laws and regulations

> *Loss of intellectual property rights*
> *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.*

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. 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.

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.

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

Risk response

In order to obtain, maintain, protect and enforce its intellectual property rights, UMG takes a variety of measures, including, engaging lawyers in different jurisdictions covering different fields of law and if necessary, enters into litigation or proceedings before governmental authorities and administrative bodies.

> ***Privacy and data security***
> *UMG's business is subject to a variety of European, US and other supranational and domestic laws, rules, policies and other obligations regarding privacy and cybersecurity.*

UMG is subject to laws, regulations, rules, and other obligations governing privacy 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 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.

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 cybersecurity 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 UMG data at risk and could in turn have an adverse impact on UMG's business, prospects, financial condition and results of operations.

Risk response

UMG maintains a comprehensive privacy and cybersecurity compliance program and personnel dedicated to managing privacy and cybersecurity risk. UMG's privacy and cybersecurity teams partner with legal, technology, and business personnel throughout the organization to identify and mitigate privacy and cybersecurity compliance risks.

Recent privacy and cybersecurity compliance initiatives include updates or improvements to policies and procedures, data subject rights processes, employee training, data governance, cross-border data transfer agreements, supplier contract terms, internal audit procedures, and incident response processes.

To manage increasing complexity, UMG strives to streamline compliance through a global approach to privacy and cybersecurity. This approach improves the efficiency of compliance efforts and reflects the global interconnected nature of UMG's artists, fans, and business operations.

> *Governmental and regulatory challenges*
> *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 for UMG's music publishing business, accounting for under 13% of UMG's revenue in 2021, and mechanical royalties are an expense for its recorded music business, representing 0.9% of UMG's revenue in 2021. In the United States, compulsory 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 by 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 its 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 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 products and based on a percentage of consumer prices for digital formats. Performance royalty rates are typically negotiated between the collecting society and the individual licensee. 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.

Risk response

The diversified nature of UMG's music publishing business between types of income (mechanical, performance, synch, online, etc) and geographies, mitigates the impact to UMG in case any individual royalty rate were to be adversely impacted.

Changes in laws and regulations

Changes in laws and regulations, including those relating to intellectual property rights, may have an adverse effect on 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 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. 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) in 2019 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, among others) are implementing the Copyright Directive's Article 17 faithfully to the legislative intent, other Member States are considering (and, in the case of Germany and Austria, 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.
- As part of its inquiry to examine "what economic impact music streaming is having on artists, record labels and the sustainability of the wider music industry", the UK Parliamentary Select Committee on Digital, Culture, Media and Sport issued an advisory report recommending to the UK government a number of actions to regulate music companies, including on issues related to artist and songwriter compensation. In response, the UK government declined to introduce legislation on the grounds that "more targeted research and evidence is needed" before deciding what actions should be taken. Instead, among other things, it established a music industry contact group, outlined a research program and established two technical stakeholder working groups under the aegis of the UK Intellectual Property Office. In addition, the UK government directed the Committee's recommendation for a market study of music streaming to the Competition and Markets Authority (CMA), which announced that it will launch a market study after it has developed the study's final scope. Changes in public policy arising from the inquiry and the market study could hinder or add cost to the companies' operations.

UMG could also be adversely affected by changes in interpretation of existing laws by courts and regulators. 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.

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

Risk Response

UMG has a structure to comply with all the laws and changes in laws, but also works through lobbying directly and through trade associations to influence any changes so that they do not negatively impact the business. To the extent that changes in laws are the result of litigation, UMG has a program of strategic litigation, both at the trade association and direct level, to help build good precedents and avoid bad ones.

BOARD REPORT
NON-FINANCIAL INFORMATION

NON-FINANCIAL PERFORMANCE

ESG Strategy

UMG integrates a sustainable approach to business throughout our operations.

Together with management, our dedicated Environment, Social, and Governance (ESG) function develops and reports on our strategic sustainability efforts. Aiming to create a streamlined framework by which various stakeholder groups can engage with company targets, in 2021 we embarked on a comprehensive effort to reframe our ESG Strategy, expand data collection and analysis activities, and strengthen our sustainability commitments.

This chapter presents an overview of the key factors in this updated approach: program organization, core non-financial risks, existing initiatives, and future plans for strategy development and execution.

UMG's ESG Strategy is driven by a Guiding Statement:

> UMG is committed to building a sustainable business and harnessing the collective power of our people, artists, and fans to protect the planet and create an equitable future for generations to come. Our ESG approach is anchored in data integrity and transparency with a focus on the issues of material importance to our stakeholders.

In addition to focusing internally on operational sustainability efforts, UMG recognizes that we have an opportunity – and a responsibility – to look outward. UMG is dedicated to engaging with artists and music lovers across the globe to inspire the adoption of sustainable behaviors and to advance sustainable development. We also recognize that our sustainability efforts must be founded on integrity and transparency. At the center of UMG's ESG Strategy is a fundamental commitment to rigorous measurement and reporting systems – with a focus on the risks that have been identified as material to the company and our stakeholders. UMG leverages this commitment to align our efforts with leading non-financial reporting frameworks and communicate openly and honestly about our sustainability performance.

UMG's ESG Strategy is organized into three core areas:

ENVIRONMENT

Advancing climate action across the industry.

SOCIAL

Empowering our people and communities through culture and creativity.

GOVERNANCE

Driving transparency through responsible governance.

Each area is mapped to UMG's material non-financial risks, as identified during a risk-mapping exercise (see pp. 120, "Main Non-Financial Risks"). Within each area, we track the Leadership responsible for guiding our efforts; the Initiatives that advance our sustainability performance, and the Collaboration taking place between UMG and our community partners, industry groups, and other external stakeholders.

The Path Forward

As the program is further developed in 2022, we will link each area to public commitments that align with our strategic positioning, including emissions reduction targets through the Science-Based Targets initiative (SBTi) and contributions to the creative communities through our foundation work. In addition, key performance indicators (KPIs) will be identified to measure progress towards these commitments, we will complete an updated non-financial risk and materiality review, and discussions will be held with external stakeholders to better integrate their expectations.

These advancements will allow us to continue fine-tuning priorities and actionable roadmaps - and will ultimately guide the development of a central ESG Policy.

Driving Force for Sustainable Development

Our updated ESG Strategy resonates with current social and environmental issues, keeping pace with evolving best practices around sustainability and inclusion. Today's social issues have a fundamental role to play in shaping UMG's growth, as the content that we produce and distribute provides a means of expression for a multitude of ideas, subcultures, and sensibilities.

Through our ESG function, UMG is also contributing to the global effort to achieve sustainable prosperity by 2030, as defined by the United Nations Sustainable Development Goals (SDGs). Our sustainability efforts are mapped to specific goals for which the company either has an explicit responsibility or is able to make a significant impact.

Alignment with Reporting Frameworks

We are committed to continuing to refine our non-financial public disclosure process, as increasingly demanded by our broad set of stakeholders and as required by global regulatory requirements.

To operationalize this commitment, we review our public disclosures against voluntary frameworks with industry relevance. Today, our work aligns to the United Nations SDGs, the Carbon Disclosure Project (CDP), and Task Force on Climate Related Financial Disclosures (TCFD) recommendations. Global Reporting Initiative (GRI) standards are applied as a reference and will be integrated into future reporting efforts as our ESG program evolves. We will also align with the Corporate Sustainability Reporting Directive (CSRD) and adhere to EU Taxonomy reporting requirements.

The effort to reframe UMG's ESG Strategy into core areas consistent with "E", "S", and "G" is an additional measure to assure concordance with prevailing disclosure frameworks, as well as streamline future measurement and reporting processes.

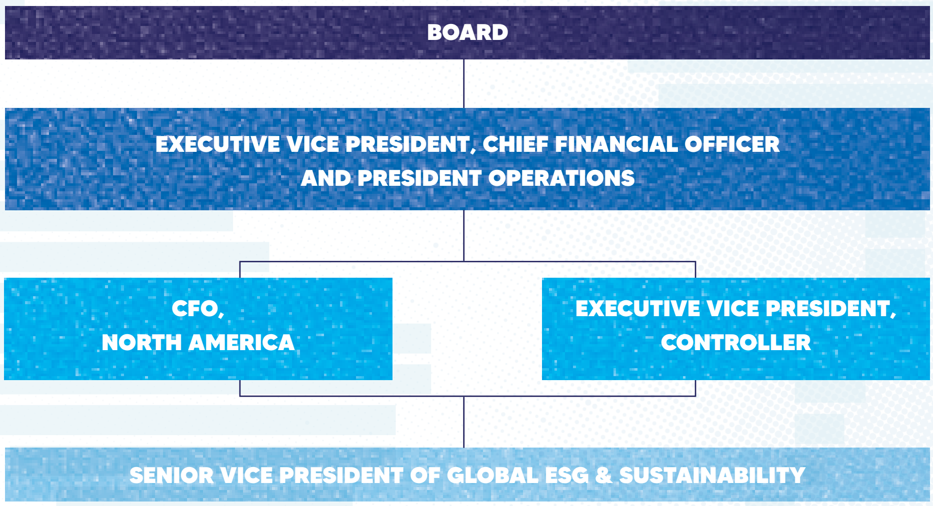
ESG Organizational Structure

Effective ESG Governance

UMG's ESG approach is a central focus of our company governance.

UMG has a one-tier board structure (the "Board") that is comprised of Executive and Non-executive Directors. Our Articles of Association, Board Rules, and certain company policies are available on our Investor Relations Website. Our Board members, as well as all employees, are bound to UMG's policies, including, but not limited to, the Code of Conduct and Insider Trading Policy.

Established within our Finance function, the ESG function is responsible for developing ESG strategy and policy. Upon its release in 2022, the Board will be responsible for UMG's ESG Policy and the management of sustainability risks. Compliance with the ESG Policy will be monitored by UMG management and external auditors. The Board and UMG's Senior Vice President of Global ESG & Sustainability will review the ESG Policy annually.



Cross-Mobilization

Together with management, our dedicated ESG function integrates sustainability across the company by executing an ESG management system. This management system convenes working groups from different business functions and is supported by the oversight of executive leadership.

Monitoring Non-Financial Performance

UMG implements a non-financial reporting process that enables our stakeholders to accurately assess the company's positioning, opportunities, and non-financial risks. To meet the requirements of the European Union's Non-Financial Reporting Directive (NFRD), in 2021 we reviewed and updated our ESG reporting framework and voluntarily engaged a third party for limited attestation of our data collection efforts, which support non-financial performance disclosures.

To implement this reporting framework, our ESG department works with a network of correspondents appointed to coordinate non-financial reporting in each of the territories where UMG conducts business. This year, data was provided by over 90 contributors using a group-wide data collection system.

The ongoing work to increase the objectivity of non-financial performance, along with the introduction of indicators to monitor the implementation of action plans defined as part of the new ESG Strategy, will be one of UMG's priority focus areas for 2022. We will undertake a risk and materiality review – including a value chain assessment - to reflect the company's responsibilities. We will also develop an increasingly precise set of KPIs to evaluate the actions taken. The incorporation of indicators linked to strategic commitments is an innovative approach in the media sector.

Dialogue with Company Stakeholders

UMG is committed to taking stakeholder expectations into account. ESG and Investor Relations maintain regular dialogue with the financial and non-financial communities, as well as with individual shareholders. Our ESG, Communications, and Public Policy teams discuss issues with nonprofit and academic organizations, and as a central element of our ESG approach, we engage in continuous, constructive dialogue with employees together with our People, Inclusion & Culture (PIC) team.

Relations with the Financial Community

With regard to the financial community, UMG communicates regularly with analysts and investors to address their growing interest in ESG issues. As part of our ESG Strategy execution in 2022, the Investor Relations and ESG departments will collaborate to engage investors to gain a better understanding of their perceptions and expectations.

UMG will also engage with several non-financial ratings agencies to better determine company positioning.

Multi-Partner Initiatives

UMG Public Policy and Government Affairs teams communicate regularly with a wide range of stakeholders, including but not limited to: legislators and government officials at various national, state, and local government levels, representatives of artists, managers, songwriters, retail and digital music services and their respective trade organizations, performing rights organizations (such as BMI, ASCAP, SESAC and SoundExchange in the US), trade associations representing the music industry (such as IFPI and national trade bodies representing record labels, and the International Confederation of Music Publishers – or ICMP - and national trade bodies representing music publishers), organizations promoting copyright protection (such as the Global Intellectual Property Center at the US Chamber of Commerce and the Copyright Alliance), *ad hoc* working groups or coalitions, other businesses (e.g., other content-producing companies), and many others.

MAIN NON-FINANCIAL RISKS

Non-Financial Risk Analysis

Our main non-financial risks are presented below, in no order of priority. These risks were initially prioritized and identified as applicable to UMG stakeholders during a 2018 risk-mapping exercise. During 2021, UMG's enterprise risk assessment process integrated three of the risks below (see pp. 92, "Risk and Risk Management"). Parameters likely to have an impact on UMG were analyzed and weighted, taking into account potential effects on our reputation, customers or operations, financial consequences, and the likelihood of risks.

The risks presented below are the subject of initiatives which include mitigation measures that could reduce their impact or likelihood.

The non-financial risk-mapping process will be updated in 2022 seeking further integration and reviewed on an annual basis thereafter to ensure that the analysis of non-financial risks is in line with changes in our business.

Non-Financial Risks	Section Reference
Challenge to attract, sign and retain successful artists and/or absence of superstar releases 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.	See pp. 141, "Social: Elevating Artists" See pp. 92, "Risk and Risk Management"
Challenge to attract and retain internal talent UMG's ability to operate effectively could be impaired if it fails to attract and retain its executive officers and other key personnel.	See pp. 130, "Social: Empowering Our People" See pp. 92, "Risk and Risk Management"
Risks associated with responsible content Loss of income and fan engagement related to how responsible the company's content is viewed (particularly with regard to protecting young audiences), on ethical controversies and to the extent to which content can be monitored in an environment where information spreads quickly. Additional costs arising from penalties or disputes with supervisory bodies or with governments in general.	See pp. 153, "Responsible Content"
Risks associated with the company's carbon intensity Reputation risks linked to the increasing responsibilities of media companies and the sector's greenhouse gas measurement and management.	See pp. 127, "Managing Our Footprint"
Privacy and data security UMG's business is subject to a variety of European, US and other supranational and domestic laws, rules, and policies and other obligations regarding privacy and cybersecurity.	See pp. 151, "Data Privacy and Security" See pp. 92, "Risk and Risk Management"

TCFD Alignment

In 2020, UMG participated in a study to assess climate-related risks and opportunities that could impact the Group. In line with the recommendations of the Task Force on Climate-Related Financial Disclosures, the analysis covered both transition risks (political, legal, technological, and market) and physical risks (chronic risks, such as rainfall, temperatures, drought, and sea level rise). It was based on scenarios RCP2.6 and RCP8.5 of the Intergovernmental Panel on Climate Change (IPCC) with different time horizons: current risk; short term (0 to 2 years); medium term (2 to 5 years) and long term (beyond 2025). This study, disclosed in Vivendi's 2020 annual report, provided a preliminary overview of future climate-related risks and opportunities.

This year, UMG will review the baseline study and complete further climate scenario analysis on our own operations and supply chain. We will disclose our findings in line with the TCFD in the next ESG reporting cycle.

TCFD Progress Roadmap

UMG is committed to climate action, advocacy, and disclosure in line with the TCFD and Science-Based Targets. During 2022, our first full year as a public company, we intend to strengthen our commitments, formalize our working groups, and enhance the breadth of our disclosures.

2020

- Participated in Vivendi-led TCFD scenario analysis
- Disclosed Scope 1, 2, and select Scope 3 climate data
- Submitted climate data to third party for limited attestation
- Expansion of employee-led regional Green Teams to include the United States

2021

- Established dedicated ESG function within the Finance organization, reporting to the Board
- Began cross-mobilization and formalization of ESG working groups
- Became a founding signatory of the "Music Climate Pact"
- Established intent to set Science-Based Targets and submit for SBTi validation

2022

- Present a full Green-house Gas Inventory and Management Plan for Board approval
- Conduct review of non-financial risks, materiality assess-ment, and set related ESG KPIs
- Revise and enhance TCFD scenario analysis and disclosures
- Complete new ESG reporting system implementation

EU Taxonomy

The European Commission has set ambitious sustainability targets with the overarching aim to be a net zero continent by 2050. An important purpose of the EU Action Plan on Sustainable Finance, which supports this ambition, is to steer cash flows towards sustainable investments.

In accordance with European Regulation 2020/852 of June 18, 2020, and the Decree on disclosure of non-financial information, UMG is subject to the obligation to disclose its proportion of turnover, capital expenditure, and operating expenditure that is eligible under the EU Taxonomy.

EU Taxonomy Objectives and Scope

The Taxonomy-Regulation is intended to serve as a standardized and mandatory classification system to determine which economic activities are considered "environmentally sustainable" in the EU. The results of this classification are to be reported annually on a company-specific basis.

Article 9 of the Taxonomy-Regulation identifies the following six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

The EU has currently published a catalog of sustainable activities in the manner of the EU Taxonomy (EU Catalog) for two environmental objectives (climate change mitigation and climate change adaptation). By the Delegated Acts, it is determined which economic activities can be considered in general.

Currently, there is little guidance available to support the interpretation and application of the EU Taxonomy as the regulation and rules are under development. We expect that guidance will continue to evolve in the coming years for each of the economic activities and environmental objectives.

Regarding the classification of an activity as "environmentally sustainable" in terms of the EU Taxonomy, a distinction between Taxonomy-Eligibility and Taxonomy-Alignment is required. As the first step, it is necessary to examine whether an activity is described in the Delegated Acts, since only those activities can be Taxonomy-eligible. Activities can be considered "environmentally sustainable" (Taxonomy-aligned) if certain criteria are fulfilled. As a second step, an evaluation has to be executed to identify if the specified technical screening criteria in the Delegated Regulation are met. Disclosure of the shares for alignment is not required until reporting year 2022.

For this reporting year, only the shares of eligible activities are required for the first two environmental objectives (climate change mitigation and climate change adaptation).

In principle, all fully consolidated and proportionately consolidated group companies are included in this analysis regarding their turnover, capital expenditure, and operating expenditure.

Corporate Section

The consolidated financial statements of UMG have been prepared as of 31st December 2021 in accordance with IFRS, as adopted by the EU. The amounts used for the calculation of the turnover, CapEx and OpEx ratios are accordingly based on the reported data in the consolidated financial statements.

If UMG activities (e.g., turnover-side activities or investment projects) are identified as described in the EU Taxonomy scope, they are Taxonomy-eligible.

Not all sustainability efforts are (yet) recognized under the EU-taxonomy regulation. For more information about UMG's sustainability initiatives, including our landmark commitment to support industry transformation and set Science-Based Targets as a member of the "Music Climate Pact", please see pp. 126 of this chapter, "ESG Commitments."

EU Taxonomy KPIs

Turnover-KPI

The turnover KPI is calculated by the proportion of the net turnover derived from products or services that are Taxonomy-eligible.

UMG's total turnover includes Recorded Music, Music Publishing and Merchandising.

Management considered whether these activities could be eligible under Arts, Entertainment and Recreation but concluded that these are not enabling activities for Climate Change Adaptation.

Based on the above, the Taxonomy-eligible turnover amounts to zero.

This outcome reflects that, while UMG is committed to contributing to sustainable business conduct, its business model does not generate revenue from climate change related activities.

CapEx-KPI

Under the EU-taxonomy regulation, the total CapEx covers additions to tangible and intangible assets during the financial year considered before depreciation, amortization, and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. The CapEx also covers additions to tangible and intangible assets resulting from business combinations (applying IAS 16, 38, 40, 41, IFRS16). Any acquired goodwill is not considered for this purpose. Investments in non-current assets classified as being held for sale or held for distribution are included only up to the initial date of the relevant classification.

Based on the project description of the additions, an analysis is carried out with regard to Taxonomy-eligibility and a comparison with Annex I (substantial contribution to climate mitigation) and Annex II (substantial contribution to climate change adaptation) of the Delegated Regulation of (EU) 2020/852. The sum of the additions that reflect a Taxonomy-eligible investment forms the numerator of the CapEx-KPI.

For UMG, most of the CapEx relates to additions to catalogs and other intangibles. Eligible CapEx mainly relates to building leases and leasehold improvements and amounts to 8%. These activities do not overlap. In determining the KPI, there is no risk of double counting.

OpEx-KPI

The OpEx-KPI is calculated by the proportion of the operating expenditure associated with Taxonomy-eligible activities.

The accounts reflecting direct, non-capitalized costs for research and development expenses, building renovation measures, short-term leasing, maintenance and repair expenses, and any other direct expenditure relating to the day-to-day servicing of assets of property, plant, and equipment by the undertaking or third party outsources that are necessary to ensure the continued and effective functioning of such assets, were considered for the denominator calculation.

For UMG, most of the Taxonomy OpEx relates to maintenance of buildings, assets used in business operations and short-term leases. Eligible OpEx mainly relates to maintenance of buildings.

As the nature of UMG's business model relates to people and the arts, and is not centered around tangible assets, Management concludes that Taxonomy OpEx is not material for UMG's business model.

Management is not able to reliably estimate the OpEx denominator. Due to absence of Taxonomy OpEx materiality in UMG's business model, and because some of the costs included under the EU Taxonomy's OpEx definition are not collected at the required level of disaggregation, it has proven difficult to procure data with the granularity needed for calculating the denominator.

	Turnover	CapEx	OpEx
Taxonomy-Eligible Activities (%)	0%	8%	0%[1]
Taxonomy-Non-Eligible Activities (%)	100%	92%	100%

1 Operating expenditure is not material for UMG's business model and hence the numerator is disclosed as 0%.

The table below provides the basis for the numerator and denominator of EU Taxonomy-eligibility for respectively Turnover, CAPEX and OPEX, whereas the table above shows the actual KPI related to the EU Taxonomy.

	Turnover	CAPEX	OPEX
Numerator	Revenues derived from products and/or services associated with EU Taxonomy eligible activities.	Capital expenditures that are related to assets or processes associated with the EU Taxonomy eligible activities.	Operating expenses that are related to assets or processes associated with the EU Taxonomy eligible activities.
Denominator	Revenues recorded in the Consolidated Income Statement under IFRS as per Revenue Accounting policy.	Additions to tangible and intangible assets recorded in the Consolidated Statement of Financial Position under IFRS during the financial year, considered before depreciation, amortization and any re-measurements.	Direct non-capitalized costs recorded in the Consolidated Income Statement under IFRS that relate to R&D, building renovation measures, short-term lease, maintenance and repair (excluding expenses reported as Cost of Sales), and any other direct expenditures relating to the day-to-day servicing of assets of PPE.

Prospects

From fiscal year 2022 onwards, more extensive analysis will be required, both to determine eligibility, as well as alignment of eligible activities. In addition, the remaining four environmental objectives (including water and marine resources; the transition to a circular economy; pollution prevention and control; and biodiversity and ecosystems) will come into scope. Management is committed to keep monitoring EU Taxonomy developments closely to ensure correct assessments as a basis for its annual disclosures.

ESG COMMITMENTS

Environment: Advancing Climate Action Across the Industry

UMG is committed to advancing climate action across the recorded music industry. Our efforts to combat climate change start with a commitment to rigorous measurement and reporting systems, which in turn allows us to set targets, measure progress, and ensure the continuous improvement of our environmental performance.

In addition to measuring and mitigating our environmental impact, UMG is committed to using our influence to accelerate environmental solutions and raise public awareness about climate issues. As part of this effort, we joined forces with other entertainment leaders to form the "Music Climate Pact", a music community initiative aiming to transform the industry – not only by taking concrete steps that will reduce emissions across our value chains, but by standardizing measurement and reporting systems, empowering employees to create meaningful change from within, supporting artists in speaking up about climate issues, and communicating openly and honestly with music lovers around the world about the impacts of the recorded music industry. By committing to a transparent and low-carbon pathway, UMG continues to innovate in the service of our cultural heritage - and our future.

Our efforts in this area support the following United Nations SDGs:

7 AFFORDABLE AND CLEAN ENERGY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Leadership

UMG's central ESG department oversees our global environmental initiatives. The dedicated department serves to lead UMG's rigorous environmental measurement and reporting systems and engage working groups from various business functions to drive progress towards company targets.

Driving Action Through Employee-Led Green Teams

Our employees in the US, UK, Germany, and Australia established internal Green Teams to engage and educate colleagues, support artist advocacy, and develop regional-specific action plans on environmental initiatives focused on energy savings, materials sourcing, and other key areas.

2021 saw the US Green Team partner with Def Jam Forward and GrowNYC, the largest and most established environmental organization in New York City, for a company initiative - construction of a community garden. The team also organized the first annual #EarthDayofAction, where employees and community members were encouraged to take action using the Green Team's #EarthDayof Action toolkit. At Universal Music UK (UM UK), the Green Team organized a series of curated workshops on sustainable menu choices, climate activism, and climate justice to mark World Environmental Day 2021. The group also supported UM UK's commercial team through the evaluation of environmentally friendly packaging options.

Initiatives

Managing Our Footprint

Recognizing the urgency of the fight against climate change, UMG's ESG program is focused on climate and related environmental issues, including the accurate measurement and reporting of company-related greenhouse gas (GHG) emissions.

See pp. 155, "Indicator Summary Tables," for the following disclosures:

- Our Scope 1 and 2 GHG emissions, including emissions generated by the consumption of fuel, electricity, and heating and cooling systems.
- Our Scope 3 GHG emissions, including emissions associated with business travel, waste output, and the purchase of goods and services for the workplace. Emissions generated by digital and physical products sold, including streaming, downloads, CDs, vinyl, and apparel, are not included in this report. We are conducting a detailed analysis of these categories and expect to include our digital and physical supply chain emissions in the next ESG reporting cycle.

We will continue to monitor and enhance our GHG reporting processes to measure the performance and effectiveness of our climate-related risk management efforts.

UMG'S GHG REPORTING SCOPE COVERED OVER 95% OF OUR WORKFORCE IN 2021 AND ENGAGED A NETWORK OF CONTRIBUTORS IN MORE THAN 50 COUNTRIES

Aligning with Climate-Related Reporting Frameworks

In December 2021, UMG began developing a comprehensive GHG Management Plan and companywide GHG Inventory in preparation for disclosure to CDP. In addition, UMG completed a TCFD benchmarking study. The TCFD was created in line with the Financial Stability Board of the G20 during the COP21, and provides guidance on quantifying climate-related risk, incorporating risk mitigation into strategic decisions, and promoting more informed and efficient capital allocation. As a result of the benchmarking study, UMG has initiated adoption of TCFD recommendations, where applicable. As our ESG program evolves, we are committed to full TCFD adoption and scenario analysis.

Committing to SBTi Emissions Reduction Targets

In addition to aligning with key reporting frameworks, this year marked UMG's landmark commitment to setting SBTi emissions reduction targets. SBTi calls on companies to establish low-carbon pathways in alignment with the goals of the Paris Agreement - to limit the rise in global temperatures to below 1.5°C by 2100. We will define our targets as a result of our GHG Management Plan in 2022 and submit to SBTi for validation in 2023.

As part of our commitment to SBTi, in 2022 UMG will also prioritize the enhancement of our environmental data collection and quality assurance efforts – both as a business and as a part of the entertainment industry. We will work with our peers to better understand the environmental impact of digital streaming, using quantifiable data to inform responsibility allocations and potential reduction measures as the digital media landscape evolves.

Reducing the Impact of Our Operations

Around the globe, UMG businesses are doing their part to reduce the environmental impact of company operations.

Global Technology is a critical driver of UMG's commitment to minimize its environmental impact. Using the NightWatchman tool, Global Technology works to control the power state of PCs across our networks to optimize energy efficiency, yielding both carbon and cost savings. This was especially crucial in 2021, given that the majority of UMG's workforce was remote.

This year, Global Technology also continued its efforts to migrate to cloud-based operations, with a goal of being 100% cloud-based by 2025. Notably, up to 85% of UMG's Tulsa, Oklahoma data center moved to the cloud.

Additionally, Global Technology continued to engage with our Cloud Partners to understand our extended footprint and increase transparency around cloud-related emissions. Several UMG Partners have committed to being fully powered by renewables by 2025, an objective that UMG supports.

We have also introduced a number of regional initiatives to mitigate our impact. UMG Germany achieved carbon neutrality in 2021 through a combination of emissions-reduction measures and the purchase of carbon offsets, in cooperation with environmental consultant ClimatePartner. As part of its environmental program, the company enacted a digital pay slips process to reduce the consumption of paper goods, introduced reusable water bottles to eliminate the need for single-use plastic containers, developed incentives for employees to switch to plug-in hybrid or full-electric vehicles, and provided monetary support for the use of public transportation.

UMG France focused on reducing the footprint of its operations through targeted local sourcing initiatives. From 2020 to 2021, UMG France increased its procurement of locally-sourced packaging by 10%. To shine a light on sustainable and locally-grown food, 2021 also saw the launch of Jardin de Pomme – a small vegetable garden run by employee volunteers. The garden is accompanied by a monthly calendar showcasing the fruits and vegetables of each season.

Engaging Our Supply Chain

In addition to reducing the environmental footprint of direct operations, UMG is committed to engaging our supply chain in carbon reduction measures.

This year, we embedded a sustainability component into the RFP process for global travel, as well as a sustainability clause into commercial contracts. Our Bravado team, which is responsible for developing and marketing our licensed merchandise, continues to incorporate the UMG Supplier Social Responsibility Policy into its manufacturing agreements.

Bravado has taken steps to formalize its sustainability working groups and evaluate the apparel and merchandise manufacturing processes to identify how to embed sustainability at each stage. The team has worked with artists like Billie Eilish, Shawn Mendes, and Lorde on the sustainable development of their collections - including the use of upcycled and recycled materials, organic cotton, and direct to garment printing.

UMG France continues the expansion of its green packaging program. The greenpack is made up of an FSC digisleeve with a bio-sourced cellophane and vegetable-based ink. It is lighter and reduces the use of local stickering. UMG France is focused on extending the greenpack implementation to all standard frontline releases by the end of 2022. The Bravado team has also made a commitment to reducing the impact of its packaging by moving to compostable bags, recyclable mailers, and box re-use.

Waste reduction related to physical products is also at the forefront of our sustainability efforts - in both audio and merchandising. The supply chain groups at each of these divisions have partnered with third party experts in reverse logistics in an effort to divert eligible product waste from landfills via fiber and component reclamation, recycling, and upcycling.

Collaboration

Driving Industry Transformation

Leveraging the expansive reach of the recorded music industry, in November 2021 we signed on to the “Music Climate Pact”, a music community initiative supporting the COP 26 UN Climate Change Conference. As a member of the Pact, we will work towards rigorous emissions reduction targets through the SBTi, as well as collaborate with our peers to measure the music industry’s impact on the environment in a standardized way.

We will also continue to support artists who are speaking out on climate issues. In 2021, we supported artists ranging from Bob Marley to Yungblud to Billie Eilish in their efforts to advocate for environmental causes and promote awareness of the climate crisis to their fans.

Using Our Power of Influence to Support Regional Initiatives

UMG is also engaged in regional-centric partnership efforts. This year, UMG Australia announced a partnership with Green Music Australia, a nonprofit organization focused on using the power of entertainment to accelerate sustainability. The organization honors the voices of Australia’s Indigenous population and acknowledges the pivotal role that Aboriginal and Torres Strait Islander people continue to play in environmental protection. Through this alliance, UMG Australia also supports Green Music Australia’s Environmental Music Prize, launched in November 2021 as a call-to-action for artists to use their talent and cultural influence to drive change. UMG Australia President, George Ash, serves as a strategic advisor to the project, which rewards music videos that connect us to nature and inspire environmental protection.

Social: Empowering Our People

UMG is committed to empowering our people and communities through culture and creativity. This focus extends from our employees, to our artists, to the diverse communities we reach.

Through dedicated task forces, recruiting initiatives, and employee development programs, UMG is focused on establishing workplaces where diversity is valued. Understanding the collective power of our audience, we also strive to cultivate relationships with artists who share our values – and empower them to use their influence to inspire positive change. UMG believes in supporting ambitious, multi-faceted creative content that promotes all cultures and perspectives. Through the very nature of our business, we strive to leverage the power of culture and creativity to build more open, equitable societies. As the world responds and adapts to the COVID-19 crisis, UMG is committed to ramping up our actions to make culture and education more accessible, and supporting the emergence of diverse stories that help build the societies of tomorrow.

Our efforts in this area support the following United Nations SDGs:

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

Leadership

At UMG, our people are at the center of everything we do. Aiming to ensure that the values of our company align with the values of our employees, our People, Inclusion & Culture (PIC) team directly focuses on company culture, wellbeing, inclusion, personal and professional development, talent acquisition, total rewards, and the overall UMG employee experience.

As of September 2020, PIC is led by our EVP, Chief of People and Inclusion Officer, Eric Hutcherson. Reporting to UMG Chairman and CEO Sir Lucian Grainge, Eric Hutcherson is a member of UMG's Corporate Executives. He serves in a newly created position which oversees UMG's record labels, publishing division, and operating companies worldwide. He works closely with UMG's senior management to align UMG's talent functions; amplify our entrepreneurial-based culture globally; elevate diversity, inclusion, and belonging across all levels and territories; attract, retain, and develop talent; accelerate our social justice initiatives; and build on UMG's successful track-record of driving innovation by recruiting employees who bring new ideas, perspectives, and skillsets.

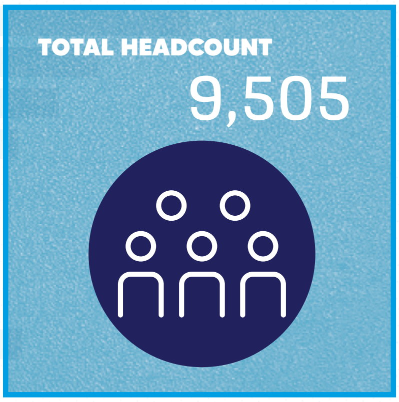
Within PIC, specialized teams and voluntary task forces work in tandem to support thriving careers and maximize capability building.

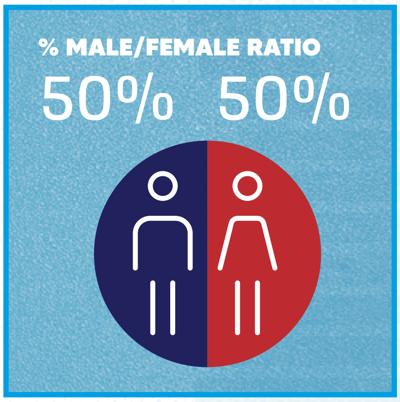
Initiatives

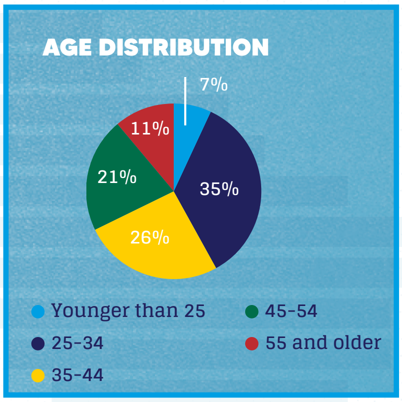
Recruitment, Development, and Retention

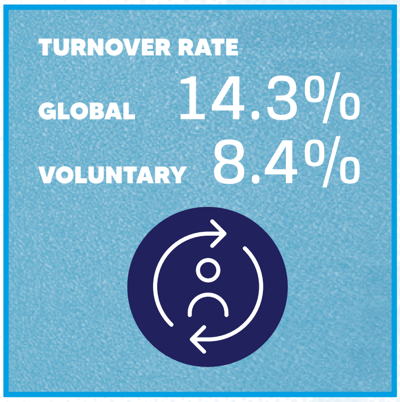
At UMG, we are committed to identifying and supporting a talented and diverse group of employees and empowering our people to embody a culture of care, creativity, and innovation.

Key Workforce Indicators









UMG had 9,505 employees at December 31, 2021. The number of UMG employees fluctuates on an annual basis, taking into account, amongst other things, UMG's headcount requirements, business territory expansion, strategic partnerships, acquisitions and mergers. UMG is not currently aware of any proposed or upcoming events which are expected to have a material impact on the number of UMG employees.

This year saw UMG continue to strengthen our workforce, with recruiting activity returning to pre-pandemic levels. This was partially driven by growth investments as well as an increase in turnover relative to pre-pandemic rates.

Our hiring focused on specific skills related to strategic initiatives in technology, digital marketing, and e-commerce. We also experienced an increase in replacement hiring for externally in-demand roles such as technology, digital marketing, digital security, human resources, administration, and supply chain. These roles were highlighted in our Hot Job$ campaigns, earning current employees $2,000 for each referral hired.

Leveraging Technology to Engage New Talent

UMG continues to leverage innovative technology and social media for recruitment activities. In 2021, we updated our career site with new branding to highlight our core values of Authenticity, Boldness, Creativity, Connection, Drive, and Insight. Coupled with the hashtag #UatUMG, the site now offers a host of innovative features that help candidates envision themselves working at UMG. The site is enhanced by Lyric, an AI recruiting assistant that supports candidates with their role search and application process.

To support hiring in a challenging labor market, our 2021 recruitment efforts relied on a strong social media presence, along with the use of data and metrics to inform workforce planning. LinkedIn remained the main sourcing tool for UMG recruitment, and we expanded our use of the service by licensing specialized tools that provided talent pool benchmarking, demand data, and other insights. Additionally, a guide for UMG Talent Partners and hiring managers was implemented to expand social media visual content.

Attracting Employees Through Remote Work Opportunities

This year, imbalances relating to the supply and demand of talent in the marketplace led us to define roles with more geographical flexibility. Talent Partners specified locations as "remote" for applicable job postings and were able to expand the reach of their searches.

In addition, we continued to leverage virtual deployments at each stage of the talent acquisition lifecycle. We accepted video interview submissions for early career programs and entry-level positions, conducted video screening of candidates, connected hiring managers to candidates for video interviews, and led virtual New Hire Orientations on a weekly basis.

Hiring a Diverse Workforce

Attracting and hiring diverse talent remains a priority across all UMG dimensions and job roles.

2021 saw UMG Talent Acquisition partner with The Congressional Black Caucus to host the 00:30 for 30:00 annual event. Participating candidates submitted a 30-second elevator pitch for the chance to earn a 30-minute meeting with a UMG executive. There were over 100 video submissions, and all participants received a meeting with a UMG career leader focused on their area of interest. The program demonstrated strong engagement, with 31K views on #UatUMG socials and over 28K views on LinkedIn.

Posting roles to more specialized job boards, including Music Business Worldwide and Dice, also emerged as a successful strategy for the Talent Acquisition team. In line with our commitment to building a diverse workforce, we initiated a partnership with Valence, a platform aiming to create new paths to success for Black professionals in mid-level manager and above positions.

Advocating for Neurodiversity

At UMG, we continue to be champions of neurodiversity in our recruiting approach. Neurodiverse (ND) and neurodiversity refer to the infinite variation in cognitive functioning that can lead to differences in thinking, attention, and memory. ND traits include dyslexia, autism, and ADHD.

UM UK commissioned the first comprehensive piece of research on ND experiences within the creative industries. The ambition was two-fold: to provide insight into the existing perception of neurodiversity within the entertainment sector, and to identify practical steps that organizations can take to attract, support, and retain talent. The Creative Difference project published its research and findings in a neurodiversity handbook which reflects the voice of ND individuals – and ultimately enables employers to create more inclusive and rewarding environments in the creative sector.

Lighting the Path for Young People

Providing young people the opportunity to learn more about our business remains a vital element of UMG's recruitment efforts. When our people share their knowledge and experience within their communities, they play a role in inspiring the next generation of talent to see themselves at UMG. To this end, UMG organizes internships, career fairs, and other events for students around the world.

Through a partnership with the Thurgood Marshall College Fund, 2021 marked the launch of our Historically Black Colleges and Universities (HBCU) Internship Program. We virtually welcomed an inaugural class of 51 interns, deemed the Andre Harrell Scholars. The program had over 500 applicants, allowing UMG to identify and select a promising group of students that represented the ethos of Andre Harrell, a music industry leader and former Motown Records executive, and his commitment to the development of music industry influencers. In addition to gaining music industry work experience, the interns participated in personal and professional enrichment activities - including several executive speaker sessions, resume and interview skill-building, networking support, and sessions focused on mental health awareness and wellbeing. Notably, several HBCU interns were hired by °1824, UMG's tremendously successful college marketing team program and talent accelerator.

In support of the Congressional Black Caucus Foundation's Annual Legislative Conference, we also kicked off the new PLUG-IN mentorship program. The program supports Black college-aged students aspiring to be music industry professionals and is comprised of monthly mentor/mentee check-ins, exclusive virtual events, and networking opportunities. The inaugural PLUG-IN class consisted of 15 mentees, several of whom have since been placed within °1824 and Motown Records.

UMG France continued to focus on building a robust internship pipeline. Over the last four years, UMG France has hired an average of 80 apprentices per year, the majority of whom attend local schools where UMG has partnerships in place.

Understanding Employee Expectations

In addition to our expansive recruitment programs, at UMG we understand that workforce development is critical to ensuring long-term success.

Our People Development & Organizational Effectiveness team supports our development efforts by implementing programs that match employee expectations with opportunities. To understand employee expectations and needs, the team conducts information-gathering meetings, distributes regular pulse-check surveys, and closely monitors our PeopleConnect portal, where employees may raise questions on topics ranging from training to benefits.

Across our US operations, we issue New Hire, 90-Day New Hire, Follow-Up, and Exit surveys. We seek to ensure employees have positive onboarding and offboarding experiences, and we track experience feedback for shifting themes over time. The survey readouts are a valuable tool that help improve our retention efforts.

Deploying Career Development Training

To provide opportunities for our people to develop skills, increase productivity, and improve their effectiveness working with others, we also offer curated development resources.

2021 saw UMG continue to provide a broad array of live and virtual courses through the on-demand Career Development Studio. Studio offerings span several categories, ranging from Wellbeing for Working Parents to Deconstructing Microagressions.

UMG EMPLOYEES DEVOTED OVER 70,000 HOURS TO TRAINING THROUGHOUT 2021

UM UK created UMTogether, an interactive booklet designed around connectivity, wellness, and creativity. The philosophy of the guide was reinforced by a speaker series focused on helping employees connect to different aspects of our business.

We also launched a number of pilot programs to achieve enhanced alignment around work and purpose, including a newly created performance development platform intended to spark conversation and action around professional and personal goals. The group of 180 pilot participants created over 380 cascading performance and career goals, and as the pilot unfolded, managers met with their direct reports on at least a monthly basis for goal check-ins dedicated to fostering engagement around shared priorities.

Cultivating Leadership

Cultivating leadership is another foundational element of our workforce development approach. This year, PIC expanded the rollout of 6 Strings of Management, a global learning journey for an annual cohort of new managers. The program includes six core sessions designed to equip first time people managers with the frameworks and support needed to effectively engage with their teams and develop the critical connections to drive results through others. Since the program's inception in 2021, 164 people managers have participated in the training program across the US, Canada, and Asia.

Promoting Mental, Physical, and Financial Health

At UMG, quality of life at work is central to our strategy for enhancing our appeal as an employer, improving creativity, and motivating and retaining our employees.

In addition to a significant shift in workplace flexibility, this year saw the re-launch of The Whole You, an experiential wellbeing program. The Whole You aims to enhance the collective experience of UMG employees by providing access to quality of life tools, information, and activations addressing mental, physical, and financial health - as well as community and family needs. In 2021, programs included:

- **Mental Health:** UMG renamed the October 11th holiday, formerly Columbus Day, to Wellbeing Day and dedicated the entire month to mental health programming focused on digital wellbeing awareness, self-care, addiction and recovery, and suicide prevention.
- **Physical Health:** Employees were provided access to virtual fitness classes like yoga and pilates via partnerships with local instructors and studios. In the US, we revised our fitness reimbursement program, now called our Wellbeing Allowance, to cover family members and expanded services.
- **Financial Health:** In addition to our comprehensive Compensation & Benefits plans, UMG expanded financial assistance to employees throughout the pandemic to support remote work.

- **Community and Family:** We put in place year-round Wellbeing Fridays - quieter, lighter days – and communicated that it's okay to take time off to nurture ourselves and our relationships.

With a focus on delivering best-in-class benefits and increasing gender parity, we also expanded our programs for women and parents building families.

Future of Work

Due to the COVID-19 pandemic, our employees are now fully immersed in a remote or hybrid working model. As a result, one of this year's biggest shifts was our day-to-day reliance on technology with synchronous and asynchronous communication. Our Global Technology team was integral to this transition, ensuring seamless operations and the success of the new virtual workplace through technology training and support.

Re-Framing Priorities for a Changing Workplace

Our priority themes for developmental programming were also adapted in order to promote employee success within the changing work environment - and inspire successful connectivity, wellbeing, and growth. We tailored the updated UMG learning journey to focus on interpersonal skills, productivity skills, and the integration of collaboration tools. Our programming included virtual courses that imparted specific communication and relationship skills to build a cohesive and productive workforce that continued to deliver the creative results we are known for.

To support our managers through this transformation, we also created playbooks focused on Working on a Hybrid Team (for all employees) and Leading Remotely (for managers). We implemented programs to encourage regular one-on-one check-in meetings between managers and team members, accompanied with training on how to make the check-ins meaningful. The check-in meetings proved to be an important resource for managers to assess their team members' engagement, motivators, and overall work satisfaction.

In Q4 2021, we designed the "stay meeting" concept as part of our retention efforts, with an emphasis on understanding any differences in the experience of our people from untapped communities. As a response to the global workforce reimagining its priorities, the program will provide people managers with tools to support conversations with key talent considering professional changes.

Supporting Vitality Through the Pandemic

2021 saw the release of our Future of Work Strategy, intended to guide employees toward a new work model that facilitates collaboration, agility, and enhanced quality of life.

Shaped by employee survey results, the Strategy includes a predominantly hybrid workforce where 80-90% of employees will work from our offices 2-3 days a week, and alternate days will be remote. As part of the Strategy, hours in the office will become increasingly flexible. For US based exempt employees we are introducing Flexible PTO beginning in January 2022. Exempt employees will be able to determine when and how much PTO to take, allowing more flexibility toward the balance of career and personal wellbeing.

Diversity, Inclusion, and Belonging

At UMG, we value diversity, inclusion, and belonging. The Diversity, Inclusion, and Belonging (DIBs) team was launched in 2018 to operationalize these values and create principles and practices in the areas of workplace, marketplace, and social impact. The team works globally towards the full inclusion of all employees and places special focus on creating just outcomes for untapped communities.

Untapped communities refers to groups of people with undiscovered invaluable resources of latent strength. What these communities need to thrive are opportunities that create equitable access to resources and capital. Examples of these communities are Asian and Pacific Islander, Black, formerly incarcerated people, Gen Z, Baby Boomers, Hispanic and Latinx, LGBTQ+, Native American and Indigenous, neurodiverse, refugee, religious, talent with special abilities, and women - as well as the intersections among them.

DIBs Value Creation Strategy

The DIBs team seeks to deliver value to our people, fans, and creatives in the following ways:

Global Workplace

Our shared responsibility is to create the most caring, connected and representative workplace on earth. To achieve this, we work to:

- Foster Inclusive, Equitable and Open-Minded Environments
- Increase Representation through Advancement and Acquisition
- Enable Anti-Ist Behavior through an Ongoing Learning and Action Orientation
- Celebrate “Cultural” Moments

Global Marketplace

Our shared responsibility is to strengthen our relationship with fans of difference and grow share of wallet by increasing intercultural competence and continuously identifying more competitive business model innovations. To achieve this, we work to:

- Activate Intercultural Communication and Multicultural Audiences and Partners
- Inspire Everyday Innovation

Social Impact

Our shared responsibility is to use our power to eradicate the world’s toughest social issues that most impact untapped communities. To achieve this, we work to:

- Drive Economic Inclusion Across UMG and the World
- Engage New Partners for Meaningful Change

Curating a Holistic Learning Journey

Our inclusion learning strategy is designed to develop the conditions for long-term behavior changes by promoting a culture of learning that is more welcoming and supportive of courageous dialogue across difference and embracing of making visible the historically invisible.

2021 saw the launch of the Anti-Ist Learning Intensives, developed in partnership with Matthew Kincaid, founder, CEO, and Chief Consulting Officer for Overcoming Racism. The learning intensives provided participants with shared skills and vocabulary on common and important terms dealing with race and intersectionality. The sessions focused on evidenced-based culturally responsive strategies that lead to improved performance, cultural competence, and socioeconomic awareness.

Other learning experiences included:

1. Creating a Culture of Belonging Everyday
2. Inclusive Recruitment and Selection
3. Building Community Amongst All Women

UMG Australia also expanded its inclusion efforts through a new partnership with Mirri Mirri, an Aboriginal-owned Indigenous cultural awareness organization. Staff participated in Mirri Mirri's Cultural Awareness Training, enabling them to gain a greater understanding of First Nations People culture and history. Importantly, the training helped all facets of the organization understand the importance of providing opportunities for First Nations people, businesses, and communities.

Fostering Employee-Led Groups

This year, UMG continued to encourage participation in our Employee Resource Groups (ERGs). ERGs are employee-led groups that aim to create a true sense of belonging and community through speaker series, expert panels, and professional development workshops. In 2021, our ERGs hosted a range of programming, including:

- **Black Label** hosted The Link & Build series, featuring executives like Michelle Jubelirer, Chair and CEO of Capitol Music Group, and Dan Morales, Chief Information Officer. The series was designed to provide members with exposure to UMG leaders and lines of business.
- **Cultura** hosted an exploration of the countless identities that shape the larger Latinx/Hispanic community and their impact on professional aspirations.
- **PRISM** co-hosted a Women's History Month conversation about the journeys of queer women in the music industry and how the intersection of their identities impact paths to success.
- **Universal Music Women's Network (UMWN)** celebrated International Women's Day by partnering with LeanIn to host a 50 Ways to Fight Bias learning experience for our people around the world.
- **UTOPIAA** partnered with Hollaback! – a global, people-powered movement to end harassment – to host a Bystander Intervention training session focused on how to be effective allies and stop anti-Asian and xenophobic harassment.

Celebrating Cultural Moments

As an extension of our education and engagement efforts, UMG demonstrates respect and care for diverse groups, cultures, and religions by recognizing "moments that matter." We bring together a global team of colleagues to design employee-facing, fan-facing, and socially responsible activations which foster curiosity, understanding, and open-mindedness – and encourage celebration with communities of difference.

Driving Leadership Among Untapped Communities

At the nexus of our employee development efforts and our focus on diversity, inclusion, and belonging is our commitment to driving leadership among untapped communities. This commitment helps foster a culture of belonging and boosts the capacity for the innovation on which our business lines depend.

2021 marked the creation of ASCEND | the first edition – a new UMG program designed to accelerate the opportunity for representation of Black employees in senior executive roles. Delivered in partnership with Korn Ferry, the groundbreaking program launched with 20 participants from across the business. The program worked to expand exposure to roles that are broad in scope, encourage a culture of sponsorship between executives and mid-career employees, ensure successful transitions to newly promoted roles, and increase opportunities for representation in senior level positions. The program includes bi-monthly executive development sessions, private executive coaching sessions, three executive sponsor sessions, and joint sessions with participants' direct managers.

Additionally, Black Label, in partnership with the Task Force for Meaningful Change (TFMC), developed the UPLIFT Mentorship Program. The program is designed to give Black entry and mid-level employees access to mentorship from executives across the company. There were almost 100 mentor-mentee pairs in 2021, and several mentees received promotions during their time in the program.

UMG is also committed to raising the percentage of women in top roles across all of our business units. Our focus on increasing the representation of women at the top of the music industry is reflected by our highest level of leadership, the Board.

50% OF UMG EMPLOYEES ARE WOMEN, 41% OF MANAGERS ARE WOMEN, AND 50% OF UMG'S NON-EXECUTIVE DIRECTORS ARE WOMEN – INCLUDING THE CHAIRMAN OF THE BOARD

To support our ongoing commitment to gender parity, UMG launched its Women in Tech program in January of 2021, with virtual programming throughout the year. Since its inception, the program has conducted four virtual Fireside Chats with both internal women leaders and special guests from outside the organization. These powerhouse women share their personal journeys to success, including challenges they have faced and overcome throughout their careers. The Fireside Chats include a dynamic Q&A session, during which attendees can ask the speakers questions, providing a forum for feedback, guidance, and inspiration. Women in Tech plans to launch a formal mentorship program in 2022.

2021 also saw UMG launch U.M.She Leads, a year-lon mentorship program for rising female leaders looking to advance to the next step in their careers and build executive-level capabilities. Deployed virtually, the inaugural rollout included a cohort of 30 women representing a wide array of professional practices in music. The program features immersive workshops, mentor support, a 360 assessment, and a capstone project. We are proud to report that during their time as mentees, approximately 35% of our first cohort of female leaders were promoted.

Additionally, 2021 saw She Is The Music (SITM) - the global nonprofit working to increase the number of women in music – experience another exceptional year of success with strong growth and important progress toward its mission. Under the co-leadership of UMPG Chairman and CEO Jody Gerson, and with ongoing support from UMG and many of its employees, SITM accomplishments included: hosting global writing camps in Beijing, Tileyard Studios London, and Jungle City Studios in New York City in partnership with Mercedes-Benz and Alicia Keys; launching its first-ever scholarship program with Blackbird Studio Academy with grants of $350,000; and completing SITM's third annual Connect TogetHER Mentorship program. Additionally, SITM launched its first-ever She Is The Producer Online Tutorial Courses in partnership with Femme House, We Are Moving the Needle, and Ableton; its first-ever College Ambassador program, She Is U, in partnership with AMEX in each of the organization's chapter cities; a Music Business Basics YouTube series, and more.

Collaboration

The Task Force for Meaningful Change

The Task Force for Meaningful Change (TFMC) was created in 2020 as a driving force for inclusion and social justice. A voluntary group of music executives and employees, the TFMC is led by three Executive Co-Chairs from UMG leadership and an Executive Director.

The TFMC works to amplify and expand UMG's current programs, devise new initiatives, and support marginalized communities in the ongoing fight for equality, justice, and inclusion through seven verticals:

Aid/Charitable Giving

We support initiatives with organizations working in areas such as: economic empowerment and business development; housing; legal services and bail; mental health services; legislative reform; physical health services; and voting resources and education.

Global Impact

Acknowledging that racism, intolerance, and bias know no borders, we are identifying and adopting global policies and initiatives to address equality, bias, equity, and inclusion efforts for all UMG offices and their communities around the world.

Internal/Institutional Change

We examine UMG's workforce policies and procedures, and work environment. This includes identifying areas to improve access, recruitment, advancement, and retention of a diverse workforce at all levels within the company – with a focus on leadership positions and other senior-level roles.

Legislative/Public Policy Advancement

We pursue constructive social change by supporting public policies via Federal, state, and local legislation to challenge laws and regulations that promote bias and systemic discrimination, as well as voter education, registration, and participation.

Cultivating Partners

UMG has a history of investing in, and partnering with, entrepreneurs who have grown their business out of the community, ultimately building some of the most impactful and dynamic voices in entertainment today. Working alongside our partners in their focused efforts to initiate and support change in their communities, we reap the benefit of their insights, which help us continue to grow our own efforts in the fight for justice and equality.

TFMC
TASK FORCE FOR MEANINGFUL CHANGE
UNIVERSAL MUSIC GROUP

Program Curation

Just as music connects people around the world, our goal is to promote dialogue and understanding through speakers, counseling, and educational and creative programming focused on the themes of tolerance, equality, and inclusion – especially around the intersection of Black Music, art, lifestyle, fashion, technology and creators. We celebrate Black artists and creators and conduct thoughtful discussions on current events.

Youth Task Force for Meaningful Change

As an extension of the TFMC, we created the youth task force – comprised of a group of entry-level employees from across UMG to further amplify young voices on issues of social equality and justice.

2021 TFMC Milestones

- Launched UMG's First Historically Black Colleges and Universities (HBCU) Internship Program.
- Developed Housing Aid Initiative in support of 10 organizations across eight cities.
- Created Alliance for Criminal Justice Re-form – bringing together artists, athletes, and actors towards the passage of meaningful police reform.
- ·Partnered with NUL, Voto Latino Foundation, and Election Protection to provide 24,000 rides to the polls during the 2020 general election and Georgia special election.
- Supported Senate Lobby Day for the George Floyd Justice in Policing Act.
- Created UPLIFT Mentorship Program with Black Label for UMG employees.
- Bridged digital divide with funding for WiFi hotspots, laptops, and essential remote learning accessories for over 50,000 children.

Employee Giving

In addition to targeted programs, we encourage our employees to participate in a broad range of philanthropic and service endeavors that benefit surrounding communities. As a cornerstone of this effort, every year we offer a 150% super-match contribution for all qualifying donations made by employees on #GivingTuesday.

To inspire action, in 2021 the Universal Music All Together Now Foundation (UMATNF) issued a weekly Stay Connected newsletter across our US employee base. Since the start of the pandemic, the newsletter has highlighted ways that employees can help address the virus, help those in the music community most affected, and support our artists and songwriters in their efforts. Nearing its 80th volume, the newsletter continues to be a tremendous source of support for the UMG community by celebrating our accomplishments, connecting us to our artists, and inspiring us to action each week.

Supporting Employees' Commitment to Philanthropic Causes

In the United Kingdom, UM UK's Staff Charity Committee, which is supported by the Charity Office and Central Communications team, had another successful year. The committee amplifies the company's many charitable endeavors, supports staff in their charitable ventures, organizes local fundraising campaigns, and encourages participation in the Give A Day company volunteering initiative, which allows staff to take one day off a year to volunteer for a registered charity.

In the US, we also introduced the Volunteer Time Off (VTO) program, which provides 16 hours of paid time off to support employees who wish to donate their time and work for the benefit of others in the global or local community.

Social: Elevating Artists

UMG exists to shape culture through the power of artistry.

We are the home for music's greatest artists and songwriters. We identify and develop recording artists and songwriters, and we produce, distribute, and promote music that delights and entertains fans around the world.

Understanding that we only succeed when our artists succeed, UMG works to help our artists achieve their greatest creative and commercial potential. We support artists at every stage of their development – starting with their discovery and continuing throughout their careers with us.

Prioritizing Artist Welfare and Support

Because nothing is more important to UMG than the wellbeing of our artists, the Company operates numerous artist welfare initiatives.

This year, in response to the COVID-19 pandemic, we expanded our longstanding philanthropic program to support those in the music community most deeply impacted by the virus. Through "All Together Now: Stay Connected," UMG provided direct financial support to MusiCares' COVID-19 Relief Fund. MusiCares provides a safety net of critical assistance for music people in times of need, offering preventive, emergency, and recovery programs. Founded by the Recording Academy in 1989 as a U.S.-based, independent 501(c)(3) charity, MusiCares safeguards the well-being of all music people through direct financial grant programs, networks of support resources, and tailored crisis relief efforts.

In Australia, the $1 Million American Express Music Backers fund – a collaboration between UMG Australia and American Express – was revamped this year to reflect the challenges of COVID-19. With most artists unable to perform, others out of work for the foreseeable future, and music businesses struggling to find their feet in the new industry landscape, UMG Australia pivoted the program structure to support business education, growth, and recovery strategies for people in the music industry.

In the UK, we established an exciting new partnership with Help Musicians, the charity which plays such an important role supporting emerging and professional musicians across all genres. As well as choosing Help Musicians as our official UK employee charity partner for the next 12 months, Universal Music has become the founding record company partner of Co-Pilot, a ground-breaking musicians' mentoring network.

More than 21,000 musicians across the UK have benefited from Help Musicians' financial hardship relief during the pandemic, but as well as stepping in at times of crisis the charity also wants to step in at moments of opportunity, giving musicians the extra support they need at those crucial stages which could make or break their career. The Co-Pilot programme aims to match Universal Music employee mentors with musicians to share knowledge, skills and expertise over a six-month period. This new partnership will allow us to offer our industry experience, expertise and knowledge to a charity which has existed for 100 years but whose role has never been more important.

As we begin to emerge from the Covid-19 crisis, UMG has expanded programs for artists. In the U.S., UMG now offers a dedicated Healthcare Advocate to all qualifying UMG artists, songwriters, and their families through a partnership with the nonprofit Music Health Alliance (MHA). The program helps artists and their families navigate the healthcare system in areas such as obtaining healthcare coverage, locating a doctor, filing insurance claims, or managing healthcare bills. In the program's initial nine months, it assisted 333 clients – including 244 UMG artists and their families, and 89 UMPG songwriters and their families. Clients received life-changing medical care and saved a combined $5.3 million in healthcare costs, including reductions in medical bills, medication costs, and health insurance premiums as well as grants and lowered deductibles/out-of-pocket maximum costs.

UM UK launched a centralized support program offering artist counselling and career advice, as well as referrals to a broad spectrum of professional services, such as vocal coaching. The company introduces newly signed artists to the program so that they know the range of services available to them from the beginning of the relationship. The support is unique to each artist and ensures that artists have the right tools to develop and thrive throughout their careers. As a central element to the program, UM UK employs a British Association for Counselling and Psychotherapy-registered counsellor with a background in the music industry - whose work with artists is carried out in strict confidence. The counsellor offers informal check-ins and suggestions on ongoing referrals as well as formal counselling, providing a safe, supportive space where artists can be heard. Talking to the counsellor does not have to mean artists are experiencing difficulties with their mental health. Rather, the program aims to be preventative and seeks to protect artists' wellbeing.

Continuing to build on an industry-leading tradition of support programs for legacy artists, in 2022, UMG is proud to initiate a worldwide goodwill program for certain legacy featured recording artists and songwriters with unrecouped balances. By not applying their unrecouped advances to royalty statements for any period beginning January 1, 2022, eligible creators and their immediate heirs who have not received any payments since January 1, 2000, will begin receiving royalties, subject to certain conditions. Within the coming months, UMG will contact eligible artists and songwriters.

Among its previous artist support efforts, in 2001, UMG donated $2 million to the R&B Foundation, establishing the Motown/Universal Music Group Fund – making possible long-term continuity for the Foundation's financial assistance programs, such as grants to artists in need of financial and medical assistance.

Ensuring Transparency

To maximize their careers, artists need to know how their music is performing, both financially and from a marketing perspective. At UMG, we invest in technology and maintain several online access points for artists, songwriters, and publishers where they can view their royalty information at any time and from any computer or mobile device. These royalty reporting systems provide detailed royalty data, along with many other significant features including proprietary reporting, search capabilities, and trend analysis.

UMG has several portals providing support to artists via financial data and marketing insights. For UMPG's songwriters and clients, UMPG Window provides instant visibility to real-time earnings and data, featuring comprehensive views of where, when, and how songs are consumed around the world. In addition, Universal Music Artists (UMA) is an exclusive resource that provides actionable insights to help our artists advance their careers and better understand their fans. UMA provides data from major audio and video streaming services and social media platforms across the globe, giving a detailed picture of music consumption and fan engagement.

Protecting Artists and Their Music

One of UMG's central roles is protecting artists' music from unauthorized use. We operate a robust content protection program that coordinates take downs of content that infringes rightsholders' intellectual property (IP) rights, obtains relief via the judicial process, and lobbies governments to enact and enforce stronger legal penalties for copyright infringement.

To help assure that artists are recognized and fairly rewarded for their work, UMG supports WIPO for Creators - an initiative to increase creators' knowledge and awareness of their IP rights – as the group's first Corporate Sponsor. Launched by WIPO and the Sweden-based Music Rights Awareness Foundation, WIPO for Creators is a public-private partnership supporting IP rights for creators across the arts, including music, literature, audiovisual creation, and the dramatic and visual arts.

Fostering Diverse and Inclusive Creation and Content

At UMG, we believe that the best way to foster an environment where new ideas are generated and innovation can flourish is to create a workplace that attracts, promotes, and truly includes people from diverse backgrounds and cultures – one that rivals and supports the incredible diversity of our artist roster. We cultivate an inclusive work environment with a robust people strategy focused on identifying and supporting a talented and diverse group of employees as well as empowering our people to embody a culture of care, creativity, and innovation (see pp. 136, "Diversity, Inclusion, and Belonging").

Our approach promotes diversity in both operations and content, and we continue to shine a light on diverse stories and untapped communities. In 2021, our efforts included:

- **Relaunching Motown's Black Forum Label:** UMG's Motown Records relaunched Black Forum, the world-renowned label home for Black spoken-word artists, in collaboration with the Motown Museum. The partnership provides a platform for a new generation of writers, thinkers, and poets, sparking candid conversation to inspire the next generation of Black history-makers through podcasts, community forums, digital initiatives, and Motown Museum events and programs. In addition, Black Label will re-issue six of the historic albums on which its legacy was established, beginning with Dr. Martin Luther King, Jr.'s "Why I Oppose The War In Vietnam."
- **"Hear Her Voice":** In October, we launched "Hear Her Voice," a new UMG initiative created to highlight female repertoire. Spanning six decades of music history, Hear Her Voice brings together six-time Grammy winner Amy Winehouse's *"Back To Black"*, Robyn's iconic *"Dancing On My Own"*, Corinne Bailey Rae's *"Put Your Records On"*, and *"Don't Call Me Up"* by 2019 Brit Award Female Vocalist winner Mabel.
- **"Black Story":** UM UK launched "Black Story," a multi-artist campaign which aims to spotlight black artists across the UMG label who, up until recently, have remained under the radar. The campaign provides an opportunity for highlighted talent, including Ms. Dynamite, Gabrielle, Incognito, Virgin Frontline, U-Roy, Linton Kwesi Johnson, and Soul II Soul, to tell their stories and showcase their work.

- **BARKAA - Celebrating Blak Women:** In Australia, UMG's support served to amplify and elevate the voice of BARKAA, a Malyangapa, Barkindji rapper who delivers upfront storytelling that celebrates generations of Blak women. Intrinsic to BARKAA's musical journey is the value of freedom of expression and the conversation around issues impacting First Nations people, communicated through critically acclaimed verses. BARKAA has openly dealt with substance and alcohol addiction and champions the path to recovery, fighting for indigenous rights, and conciliation.
- **"100% HER":** Universal Production Music launched the annual "100% HER" initiative in 2019, with the support of global nonprofit She Is The Music, as part of its mission to lead diversification within the songwriter and production community. Releasing two highly successful albums with female-identifying composers, the program continued to expand in 2021. Over 1,700 writers applied to take part in the sync focused albums. The 25 selected writers achieved Spotify features and many career-first placements on platforms including MTV, CBBC, and Discovery+ through Universal Production Music's global broadcast network. Gearing up for its third installment, "100% HER" has quickly become the entry point for female composers in production music, with many featured talents being recommissioned for additional projects. The brand will increase proactive development of female-identifying talent throughout 2022, helping to facilitate long-term, sustainable career options within the industry.

Music continues to be a vehicle for social change, and we aim to support our artists as they use their voices to build more just and open societies. This year, H.E.R.'s *"I Can't Breathe"*, written to inspire healing in the wake of George Floyd's death, won Song of the Year at the 63rd Annual Grammy Awards. At UMG, our dedication to putting artists first and respecting their creative freedoms fosters an environment in which artists can realize their full potential, creating value both for our company and for the cultural landscapes in which we operate.

Promoting Local Artists and Cultures

As the world's leading music-based entertainment company, UMG operates in more than 60 territories around the globe. We embrace a global-local approach, as we are a global company of local entrepreneurs. Supporting local repertoire, artists, and genres is a central part of our approach and essential for UMG's artist development activities. For example, UMG's recording supported 102 combined unique languages at either release or track level in 2021. In addition, UMG currently supports 13 languages with a non-Latin script (e.g., Japanese, Chinese), soon to be expanded to 16.

62% OF UMG'S PHYSICAL & DIGITAL RECORDED MUSIC REVENUES CAME FROM LOCAL REPERTOIRES IN THEIR OWN COUNTRIES

Key local initiatives in 2021 included:

- **Launching Local Labels:** Aiming to continue the expansion of the cultural landscapes in which we operate, this year marked the launch of Universal Arabic Music, VYRL Punjabi, and Universal Music Greater China – newly created labels dedicated to discovering and championing the artists and sounds of their respective regions.
- **Australia - Indigenous and Torres Strait Islander Recordings:** Promoting local cultures remains a focus for UMG Australia, where there are more than 250 Indigenous Aboriginal and Torres Strait Islander languages with over 800 different dialects. 2021 saw the first-ever anthology released by Aboriginal artist Gurrumul, named "Australia's most important voice" by Rolling Stone Australia. Additionally, UMG Australia has committed to provide a global distribution solution for otherwise unavailable legacy recordings from Australian Indigenous and Torres Strait Islander artists. Launching in 2022 and titled *"Irruk Birruk"* ("Yesterday" in the language of the Yorta Yorta people), the overall aims of the project are to ensure that Indigenous and Torres Strait Islander songs and stories are not lost to history and that the ownership of copyright stays with creators.
- **South Africa - Incubator for Creators of Color:** UMG South Africa joined with TikTok in 2021 to launch Rising Voices – an incubator project open to South African creators of color, with a mission to drive a message of togetherness through music. The organization commissioned the creation of an original Amapiano song by four Rising Voices creators, which was in turn produced by Def Jam Recordings Africa.

Preserving and Sustaining Music Heritage for Future Generations

Preserving and sustaining the heritage of music and artistry is at the core of UMG's business. These actions help safeguard the wealth of creative content and pass it on to current and future audiences. We actively promote musical heritage through our rich and diverse catalog, both with targeted local projects and strategic global campaigns, including:

- **EMI Archive Trust - One of the World's Largest and Most Diverse Music and Technology Archives:** The EMI Archive Trust was setup in 1996 to preserve the history of EMI, whose origins date back to 1897. Its collections cover an extraordinary journey through British and global history, starting with the early recorded music industry and the role that EMI (originally The Gramophone Company) played in the emerging industry's development and globalization, from 1897 through 1946. The Trust also preserves artifacts associated with the company's significant achievements in electrical engineering, television, communications including radar, and science and medicine, along with the early archives of the HMV music shops and the iconic Abbey Road Studios. With a strategic focus on building public access through partnerships, educational projects, community engagement, content creation, and commercial opportunities, 2021 saw the EMI Archive Trust continue to partner with global and local institutions to further expand its reach. Wholly supported by UMG, the administration of The Trust is undertaken by a Board of renowned independent Trustees, with pro-bono support from UMG employees.
- **Restoring and Digitizing Historic Catalogs:** UMG's archive team works to preserve our vast catalogs of audio, restoring and digitizing thousands of physical assets. The work encompasses a wide variety of projects, including preserving the Motown collection's tapes. UMG's video preservation team also saw several large-scale efforts come to fruition this year, such as preserving reels of previously unseen concert footage from historical live shows. New to the archive's efforts in 2021 was a focus on artwork and image

preservation. We have a vast collection of photographs and artwork that document Capitol Records' long and storied history. These images paint the history of legendary artists such as Nat King Cole and Tennessee Ernie Ford, among many others.

- **Music-Based Film as a Vehicle of Culture:** In line with our focus on musical heritage, 2021 also saw UMG complete a number of documentary film projects to highlight significant artists and events. Mercury Studios – UMG's multi-faceted music content studio established to develop, produce, globally distribute, and invest in music-rooted storytelling across a range of media – produced an eight-part docuseries on the musical significance of the year 1971 – a year in which artists including The Rolling Stones, Marvin Gaye, The Who, Aretha Franklin, Joni Mitchell, and others released landmark works. Asif Kapadia and James Gay-Rees, the team behind the Amy Winehouse documentary *"Amy"*, UM UK's David Joseph, and UMG's Adam Barker executive produced *"1971: The Year That Music Changed Everything"*.

Social: Supporting Our Communities

UMG believes in the power of music to inspire people into action. UMG and our family of labels act together and independently to support the audiences we reach, address social issues around the world, and create opportunities that kindle humanity's creative potential. To achieve this, UMG has introduced a three-pronged approach, including:

- Building broader awareness of key issues
- Mobilizing deep, meaningful engagement, such as community service and volunteer action
- Providing financial support to an ecosystem of community-based organizations

Using the collective power of our community – including everyone from employees to artists and songwriters to fans – UMG supports and partners with organizations around the globe that are working to deliver meaningful positive change.

UMG DONATED MORE THAN 9 MILLION EUROS IN 2021 THROUGH CORPORATE FOUNDATIONS, OUTREACH PROGRAMS, PATRONAGE AND PARTNERSHIP INITIATIVES, AND PRO-BONO SUPPORT

Accelerating Impact Through Philanthropy

In the US, the Universal Music All Together Now Foundation (UMATNF) continues to focus its efforts on several priority issue areas, also referred to as Impact Pillars, that are fundamental to achieving broad systemic change: education, health/wellness, and racial equity and justice. In addition to these pillars, UMATNF chooses an annual impact focus that weaves into all initiatives for that year.

2021 saw UMATNF launch its Homelessness Coalition, with a mission to intersect policy and philanthropy to better serve the needs of those experiencing homelessness. As part of the program, over 6,000 meals were donated in partnership with World Central Kitchen, an organization that uses the power of food to strengthen economies through times of crisis and beyond. Additionally, the Coalition's Back to School initiative supported key organizations in Los Angeles, New York, and Nashville that equip unhoused children with the necessary school supplies and meals to maximize their learning potential.

Throughout 2021, UMG also continued our longstanding Universal Music All Together Now philanthropic program to support those in the music community most deeply impacted by the COVID-19 pandemic. This year, programming has provided:

- Direct financial support to organizations such as MusiCares' COVID-19 Relief Fund and Help Musicians UK to provide relief to affected music workers
- Matching contributions for US employee donations to qualifying charities

UNIVERSAL MUSIC ALL TOGETHER NOW FOUNDATION

UNIVERSAL MUSIC UK sound foundation

Looking to uplift the next generation of musicians, UMG also supports the Universal Music UK Sound Foundation (UMUKSF). Since inception, the Foundation has donated over £8m towards music education and partnered with over 7,000 schools to buy musical instruments. UMUKSF supports bursaries for students at eleven colleges around the UK and continues to support a network of 25 specialist performing arts schools.

Promoting Access to High-Quality Education

The COVID-19 pandemic has highlighted the need to broaden access to quality education, with a particular focus on people living with financial difficulties or from disadvantaged backgrounds. In addition to our own foundation work, UMG works with a number of external nonprofit organizations to help underprivileged youth realize their potential in cultural projects that relate to UMG's artistic universe.

In 2021, UM UK continued its support for East London Arts & Music (ELAM), the free school for 16-19-year-olds founded in 2014 by Will Kennard, one half of EMI recording artists Chase & Status. In addition to offering masterclasses, mentors, curriculum guidance, and work experience to many of the school's pupils, there are links between the school and UMG's A&R and People teams. UM UK record labels have signed talent from ELAM, including Chrissi (Listen Generously/Island), FLO (Listen Generously/Island), and Tendai (0207 Def Jam). As well as hiring ELAM trainees, UM UK has facilitated a partnership between the college, Guild of Music Supervisors, Abi Leland, and its Globe division to launch a scheme to boost diversity in sync and music supervision.

Marking another longstanding partnership, UMG Australia's alliance with the Musicians Making a Difference (MMAD) charity is now in its 7th year. UMG Australia mentors a group of 10 young people from MMAD to help reduce youth homelessness, poverty, and addiction, break negative cycles, address mental health issues, and increase employment and education pathways.

Creating Industry Opportunities for Untapped Communities

UMG also participates in community initiatives that shine a light on underrepresented groups in the creative industries. In the US, 2021 saw UMG and University of Southern California's Annenberg school launch the Annenberg Inclusion Initiative. Building on the success of Annenberg's groundbreaking Media, Diversity & Social Change Initiative, the global leader in the effort to bring more diversity to film and television, the Annenberg Inclusion Initiative broadened its mission to include music. UMG was the first music company to join the program, and Jody Gerson, Chairman and CEO of Universal Music Publishing Group, represents UMG on the initiative's board of directors. The goal of the initiative is to create measurable change for representation of women and underrepresented racial/ethnic groups in the music industry, as well as other underserved communities across entertainment.

On June 14th, 2021, the University of Southern California's Annenberg Inclusion Initiative presented their study, "Inclusion in the Music Business – Gender & Race/Ethnicity Across Executives, Artists & Talent Teams." The study examined major and independent music companies, labels and publishers, digital platforms, radio and live concert companies, as well as artists' teams, focusing on managers, agents, attorneys, and publicists, to determine the extent to which men and women of color are excluded from music's leadership ranks. Annenberg's report established goals and provided recommendations on how the music industry can tackle such disparities.

The UK Task Force for Meaningful Change, which was setup in June 2020 in partnership with UMG's global Task Force for Meaningful Change (see pp. 139, "The Task Force for Meaningful Change") works to address these gaps, with a particular focus on the challenges unique to the Black community in the UK. In April 2021, the UK Task Force published a manifesto detailing its goals and tactics to achieve tangible and lasting social change.

The manifesto includes a partnership with The Black Curriculum on the organization's recently launched Springboard Programme, which will provide free out-of-school workshops teaching Black British history through the lens of music and the arts for young people.

Governance: Driving Transparency Through Responsible Governance

UMG is committed to driving transparency through responsible governance. This commitment serves as the foundation for our core business strategy and ESG performance.

We carry out our business activities in compliance with local and international regulations and base our business conduct and relations with third parties on ethical standards. These standards guide our business development, maintain stakeholder trust, and support our global performance. They are enshrined in a compliance and integrity program, aimed at raising employee awareness about ethics policies and proactively preventing and managing risks within the context of our business operations. Supported by the Board and the Corporate Executives, this program is built around an organizational structure responsible for deploying and coordinating UMG's policies.

Our efforts in this area support the following United Nations SDGs:

16 PEACE AND JUSTICE STRONG INSTITUTIONS

Leadership

UMG's one-tier board structure (the "Board") is the executive and supervisory body of the company. The Board is comprised of two Executive Directors and eight Non-executive Directors (see pp. 67, "Corporate Governance"), with terms that will end at the annual General Meeting in 2024.

UMG's management is led by our corporate executive team (the "Corporate Executives"). The current Corporate Executives consist of nine key members (see pp. 67, "Corporate Governance"), each of whom oversees a specific aspect of our business.

Together, the Board and the Corporate Executives conduct UMG operations with integrity by applying appropriate corporate governance practices, including relevant provisions of Dutch law, the Dutch Code, and our own company policies.

Initiatives

Operating with Integrity

At UMG, our values of honesty and integrity are operationalized in our Code of Conduct (see pp. 92, "Risk and Risk Management").

We identified the company's material non-financial risks during a risk-mapping exercise (see pp. 120, "Main Non-Financial Risks") and will repeat the exercise during the first quarter of 2022. We intend to update and disclose a revised materiality matrix in our next ESG reporting cycle and will include policy updates and KPIs, where appropriate. As part of our process, we will continue to utilize GRI as a reference framework and take into account appropriate requirements related to Human Rights.

The UMG Code of Conduct sets forth the foundation as to how UMG conducts business, including as it relates to human rights, health and safety, and the environment. UMG expects all people to be treated with dignity and respect by:

- Never tolerating human rights abuses such as child labor, slavery, human trafficking, and unsafe or unfair work practices at our operations
- Conducting business with partners, suppliers, and customers who share our commitment to protecting human rights and
- Speaking up when we see or suspect human rights violations

Our Whistleblowing Policy (see pp. 92, “Risk and Risk Management”) explains appropriate procedures for reporting situations of non-compliance with our commitments, as well as the process by which all reports of misconduct are investigated and corrective action is taken.

We educate our employees with a suite of courses covering Anti-bribery, Antitrust and UMG’s Code of Conduct – including certification, Information Security, Preventing Harassment, Radio Promotion Compliance, and Health and Safety.

5,318 UMG EMPLOYEES RECEIVED TRAINING ON HARASSMENT IN 2021, REPRESENTING AN OVERALL PARTICIPATION RATE OF APPROXIMATELY 56%, AND 93% OF THE WORKFORCE RECEIVED TRAINING ON COMPLIANCE TOPICS

Data Privacy and Security

UMG is committed to maintaining the trust of our artists, our partners, and our fans through the ethical and compliant collection, use, and sharing of data. UMG’s Global Technology organization works tirelessly to leverage new processes and technology to minimize exposure and ensure that we continually enhance the security of our systems. We take aggressive action to keep our infrastructure, data, and people safe, including strengthening UMG’s network and identity access management framework, governance, and controls and providing education and resources about data security to expand awareness and support all employees in keeping UMG secure.

As a global company, we are subject to a number of local and regional privacy laws, and non-compliance may result in significant legal, financial, and reputational impacts. To uphold the trust of our stakeholders and ensure compliance with privacy regulations, we have developed and implemented a program designed to identify and mitigate privacy risks. Key measures include our Code of Conduct training, policies and procedures for handling personal data, reviews of supplier engagements and projects, processes and tools for responding to privacy rights requests, and response plans for security incidents involving personal data. These measures are also applied to third parties who are obliged to implement controls to protect data in compliance with privacy laws and UMG policy.

We also employ a layered approach to protecting our assets, systems, and employees from malicious cyberattacks and actors. These layers go above and beyond the traditional model of maintaining a core business network protected by firewalls from internet activity, supporting workstations and systems with basic antivirus, and employing authentication and authorizations methodologies using a Microsoft AD-based infrastructure.

Our Global Security Office (GSO) is also creating an Insider Threat program to continually review and refine gathered data on internal activity. The program aims to swiftly identify, track, and mitigate any threatening behavior on the business networks or UMG websites, such as unusual workstation activity or data exfiltration attempts.

To ensure the effectiveness of our data security program, we educate our employees on security issues on a regular basis including monthly phishing training of all UMG employees. We also engage a robust security incident response team (SIRT) for identification, tracking, and remediation of security incidents. The team is comprised of members of the global security office (GSO), the Technology group, Legal, and People, Inclusion and Culture (PIC).

As the value and risks of data continue to increase, we will further adapt, improve, and strengthen our privacy and security governance, processes, and procedures.

Tax Policy

UMG's Tax Policy is supervised and approved by the Audit Committee. We are committed to establishing and maintaining a constructive and transparent relationship with the tax authorities in all countries in which we operate and where such relationships are permitted under local legislation and customs. We consider that such arrangements provide long-term benefits for both UMG and the local tax authorities.

The policy aims to ensure that:

- UMG's attitude towards tax is clearly understood at all levels
- Appropriate structures are identified and implemented so that taxes are properly calculated and paid in the relevant territories within the prescribed time frames
- Appropriate accounting policies (including transfer pricing policies) are identified and followed so that taxes are properly calculated and paid in the relevant territories
- Tax reliefs which are rightfully available to UMG are identified and claimed when appropriate
- External advisers engaged by UMG have the requisite qualifications and reputation
- Open and constructive relationships with local tax authorities are developed and maintained wherever possible and permitted by local law, and
- In the event that any company or part of UMG is subjected to a tax audit, the appropriate staff and/or external advisers are assigned to the matter so as to ensure the proper conduct of the audit process and its conclusion as quickly as possible.

The policy applies to all types of taxes at every jurisdiction level (local, regional and national).

Universal Music Group has very low tolerance to tax risk and notably does not:

- Shelter profits in tax havens or low tax countries where we do not have a legitimate commercial presence
- Use licensing arrangements or any other scheme to transfer artificial profits to low tax countries or
- Subscribe to or participate in schemes that provide no commercial benefit to UMG or where tax benefit is a significant contributing factor

We justifiably mitigates our tax liabilities and compliance costs by making reasonable and appropriate use of the legislative framework and the available options in each territory within which we operate. As such, we engage in legitimate tax planning in order to make the most efficient use of permitted tax reliefs and other incentives as well as access tax losses from prior periods. Where possible, the use of such arrangements will be presented to and agreed with the appropriate tax authority. Where this is not possible, UMG seeks expert advice to confirm that if there were to be challenges to our position these would more likely than not be settled in our favor.

The Tax department employs tax specialists based in Hilversum, New York, Santa Monica, London and Berlin. The Head of the Tax department reports to the EVP, Chief Financial Officer and President of Operations.

Responsible Content

At UMG, we aim to support the right for artists to express themselves, while balancing our responsibility to consider the social impact of the content that we produce and distribute.

Being Vigilant About our Impact

UMG voluntarily participates in the Parental Advisory Label Program, which encourages the use of “explicit content” markings on releases which have language that may be inappropriate for younger audiences.

If a Parental Advisory Label is ultimately attached to a work, edited versions are typically made available for retail and broadcast partners, and we take steps to ensure that our partners clearly and prominently display the label. UMG’s record labels also follow the RIAA’s guidelines that limit when, where, and how the music is marketed.

Protecting the Privacy of Young Audiences

With respect to data protection, UMG maintains a privacy policy that is standardized across company websites, as well as several measures that specifically aim to protect the privacy and personally identifiable information of young audiences.

UMG websites that are directed at young audiences include mechanisms for parental consent before personal data is collected. Parents are provided with substantial control over their child’s personal data, including opt-in data collection, age gates where appropriate, and the ability to request deletion of children’s personal data. UMG also provides a Safe Surfing Guide on websites that appeal to young audiences to help families safely use UMG websites and the internet in general. We use outside counsel, where appropriate, to provide advice and review practices regarding the collection and use of young audiences’ personal data.

Collaboration

Engaging the Public Sphere

UMG is committed to engaging with multi-partner industry initiatives to continuously improve the analysis of our impact on society. UMG Executives participate as directors of a wide range of industry bodies, including SoundExchange and RIAA (Jeff Harleston); NMPA (Jody Gerson); ASCAP (Evan Lamberg); RIAA (Michele Anthony, Will Tanous, Eric Berman, Victor Gonzalez and Annie Lee); and Country Music Association (Mike Dungan), among others.

Through our collaboration with the Recording Industry Association of America (RIAA), the US trade association representing the major sound recordings companies in the US, we participate in meetings and discussions with other industry leaders on a daily basis. The RIAA has teams in place that work with various stakeholders in law enforcement, data analysis, consumer education, political, and music industry ecosystems.

We also work closely with the National Music Publishers Association (NMPA), the US trade association representing American music publishers and their songwriter partners. The NMPA's mandate is to protect and advance the interests of music publishers and their songwriter partners in matters relating to the domestic and global protection of music copyrights.

IFPI represents the interests of the global recorded music business worldwide and ICMP is the trade body for the music publishing industry. We are an active and engaged member of both organizations. Additionally, we participate in a variety of working groups - ranging from industry-setting bodies such as DDEX, to programs designed to further communication and understanding among facets of the industry such as Leadership Music.

Driving Public Policy

In addition to shaping industry progress through our participation in multi-partner initiatives, we work to shape policy through our engagement with the public sphere. We regularly engage in direct dialogue with legislators and government stakeholders, educating them about our businesses and providing them with expert counsel on proposals affecting the business environment.

In 2021, we engaged on a broad range of issues, including but not limited to: the impact of the COVID-19 pandemic on the music ecosystem; transposition of the European Commission's Copyright Directive; issues surrounding the EU's proposed Digital Services Act; the need for a "notice and stay down" system to more effectively combat infringing content online; implementation of the Music Modernization Act in the US; various trade agreement negotiations; the impact of artificial intelligence on copyright; and other relevant policy issues.

An overarching theme of UMG's advocacy is that all creators deserve fair market compensation for their works, regardless of the platform.

INDICATOR SUMMARY TABLES

Performance Indicators

The information below relates to the scope set forth on pp. 160, "Non-Financial Reporting Methodology."

Attracting and Retaining Internal Talent

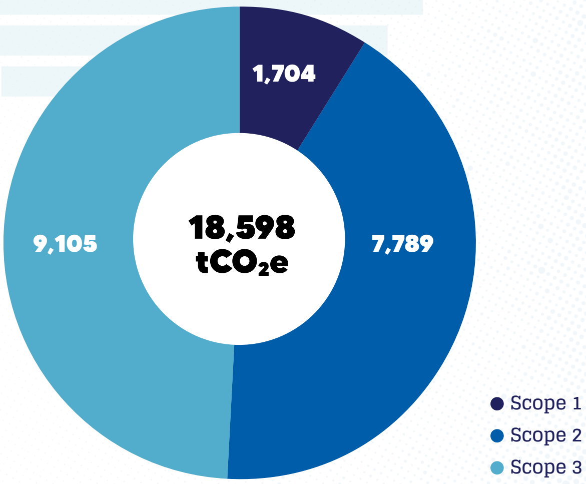
UMG had 9,505 employees at December 31, 2021. The number of UMG employees fluctuates on an annual basis, taking into account, amongst other things, UMG's headcount requirements, business territory expansion, strategic partnerships, acquisitions and mergers. UMG is not currently aware of any proposed or upcoming events which are expected to have a material impact on the number of UMG employees.

2021 TURNOVER RATE

GLOBAL[a] 14.3%

VOLUNTARY[b] 8.4%

2021 UMG Greenhouse Gas Emissions by Scope [c]



(a) The global turnover rate is calculated as follows: [(Number of people hired on permanent contracts in year Y + Number of departures of people on permanent contracts in year Y + Number of temporary contracts converted to permanent contracts) / 2] / Total employees on permanent contracts at December 31 in year Y-1.

(b) The voluntary turnover rate is calculated as follows: Number of resignations of people on permanent contracts in year Y / Total employees on permanent contracts at December 31 in year Y-1. The voluntary turnover rate formula is based on SASB CG-EC-330a.2.

(c) Scope 1 includes emissions related to the the consumption of natural gas, domestic heating fuel, refrigerants, and fuel used by mobile sources. Scope 2 (location-based) includes indirect emissions resulting from the use of purchased electricity, steam, and cooling. Scope 3 includes emissions related to business travel by employees, the purchase of paper, and the disposal of waste.

2021 Social Indicators

		% of Total Headcount
Total Headcount	9,505	100%
Managers	2,838	30%
Men	4,771	50%
Of which Managers	1,663	17.5% (59% of Total Managers)
Women	4,734	50%
Of which Managers	1,175	12% (41% of Total Managers)
Permanent employees	8,785	92%
Temporary employees	720	8%
By Age		
Younger than 25	699	7%
25 through 34	3,295	35%
35 through 44	2,443	26%
45 through 54	2,016	21%
55 and older	1,052	11%
By Geographic Region		
Africa	131	1%
North America	3,542	37%
South and Central America	399	4%
Asia-Pacific	1,441	15%
Europe	3,992	42%
Arrivals and Departures		
Total hires/new arrivals (a)	1,751	18%
Of which on permanent contracts	1,224	13% (70% of Total Hires)
Total departures (a)	1,425	15%
Of which Permanent Contracts	1,167	12%
Of which Resignation	730	8%
Of which Termination	188	2%
Of which Redundancy	165	2%
Of which Retirement	32	<1%
Of which Other	52	1%
Of which Temporary Contracts	258	3%
Career development		
Number of temporary contracts transformed into permanent contracts	87	1%
Training		
Number of staff trained on Compliance Topics (b)	8,829	93%
Number of staff trained in Soft Skills	3,079	32%
Number of staff trained in Hard Skills/Technical Skills	1,842	19%
Number of staff trained in Languages	232	2%
Number of staff trained in Management	1,310	14%
Number of staff who have received other types of training	1,476	16%
Training hours	71,602	-

2021 Social Indicators (continued)

		% of Total Headcount
Absenteeism		
Number of employees with at least one day absent	2,240	24%
Days absent – total	44,651	–
Of which for illness	20,547	–
Of which for maternity, paternity and adoption leave	20,768	–
Health and Safety		
Number of workplace accidents resulting in lost work time	2	–
Number of days lost due to workplace accidents	5	–
Number of fatal accidents	0	–
Frequency rate (c)	0.12	–
Severity rate (d)	0.00031	–
Employee Relations and Collective Bargaining Agreements (France)		
Collective bargaining agreements signed or renewed	3	–
Of which relating to compensation and employee savings plans	0	–
Of which relating to working conditions	2	–
Of which related to other formal agreements	1	–
Organization of Working Time		
Full-time employees	9,215	97%
Part-time employees	290	3%
Professional Integration and Disabilities		
Number of employees with disabilities (e)	40	–

a) If an employee's contract is changed from temporary to permanent, they are not included in permanent contract new hires. Similarly, they are not included in the temporary contract departures.

b) Compliance training topics include Anti-bribery, Antitrust, Code of Conduct including Policy Certification, Information Security, Preventing Harassment, Radio Promotion Compliance, and Health and Safety.

c) The frequency rate is calculated as follows: (Number of workplace accidents resulting in lost work time × 1,000,000) / (Average annual headcount x annual hours actually worked). The frequency rate of workplace accidents is based on the GRI formula for the rate of recordable work-related injuries (GRI 403-9). UMG's formula only measures workplace accidents resulting in lost work time, whereas GRI includes other metrics in the rate, such as death and significant injury or ill health diagnosed by a physician or other licensed healthcare professional. UMG uses a rate based on 1,000,000 hours worked because it is more suitable for larger organizations according to the guidance in GRI 403: Occupational Health and Safety 2018.

d) The severity rate is calculated as follows: (Number of days lost due to workplace accidents x 1,000) / (Average annual headcount x annual hours actually worked). The severity rate formula is based on the definition for lost day rate in GRI 403: Occupational Health and Safety. The severity rate represents the number of days lost due to workplace accidents for 1,000 worked hours.

e) The number of employees with disabilities is based on voluntary self-reporting.

2021 Environmental Indicators

	Unit	
Energy Consumption		
Electricity from standard sources	MWh	13,681
Electricity from renewable sources	MWh	7,982
Natural gas	MWh GCV	2,342
Domestic fuel	liters	1,381
Steam used for space heating	MWh	5,645
Diesel used by the fleet of vehicles	liters	135,130
Gasoline used by the fleet of vehicles	liters	250,183
Total energy consumption	MJ	106,740,039
Materials Consumption		
Purchase of paper for internal use	metric tonnes	24
Purchase of paper for external use	metric tonnes	79
Waste		
Professional WEEE	metric tonnes	20
Professional WEEE recovered	metric tonnes	11
Hazardous waste (excluding WEEE)	metric tonnes	1
Non-hazardous waste	metric tonnes	1,057
Non-hazardous waste recycled or recovered	metric tonnes	761

2021 Greenhouse Gas Emissions

	Unit	
Scope 1 Greenhouse Gas Emissions Related to Energy Consumption (a)	metric tonnes CO_2e	1,704
Mobile sources	metric tonnes CO_2e	914
Stationary sources	metric tonnes CO_2e	790
Of which refrigerants	metric tonnes CO_2e	357
Of which domestic fuel	metric tonnes CO_2e	4
Of which natural gas	metric tonnes CO_2e	429
Scope 2 Greenhouse Gas Emissions Related to Energy Consumption (Location-Based) (b)	metric tonnes CO_2e	7,789
Of which electricity (including electricity from renewable sources)	metric tonnes CO_2e	6,825
Of which steam	metric tonnes CO_2e	964
Scope 2 Greenhouse Gas Emissions Related to Energy Consumption (Market-Based) (c)	metric tonnes CO_2e	5,761
Of which electricity (including electricity from renewable sources)	metric tonnes CO_2e	4,797
Of which steam	metric tonnes CO_2e	964
Scope 3 Greenhouse Gas Emissions (d)	metric tonnes CO_2e	9,105
Hazardous waste (including WEEE)	metric tonnes CO_2e	0.3
Non-hazardous waste	metric tonnes CO_2e	154
Business travel	metric tonnes CO_2e	8,854
Purchase of paper	metric tonnes CO_2e	96

a) Scope 1 represents greenhouse gas emissions from operations directly controlled by UMG, including those associated with the consumption of natural gas and domestic heating fuel and injections of refrigerant fluids during site maintenance operations on air-conditioning installations. The emissions related to transport from consumption from mobile sources, for directly owned vehicles or vehicles on long-term leases over which UMG has operational control, are also included.

(b) Scope 2 includes indirectly emitted greenhouse gas emissions resulting from the use of purchased electricity, steam, and cooling. Scope 2 Location-based reflects the average emissions intensity of grids on which energy consumption occurs.

(c) Scope 2 Market-based considers the tariffs and energy mix of UMG's sites which UMG have specifically chosen, taking into consideration the confirmed use of electricity from renewable sources including wind, solar, geothermal, biomass and hydro through onsite generation and certified renewable electricity through a supplier tariff.

(d) Scope 3 includes external indirect greenhouse gas emissions from non-owned sources within UMG's value chain. These include emissions related to business travel by employees, the purchase of paper, and the disposal of waste. For FY21, the reported data was selected in accordance with the degree of reliability and comprehensiveness of the input data available (e.g., units of mass and distance).

VERIFICATION OF NON-FINANCIAL DATA

Non-Financial Reporting Methodology

Reference Frameworks

The reporting of non-financial information is based on national and international references: the European Regulation NFR 2014/95/UE and its Dutch counterpart, NV COS 3810; the guidelines of the Global Reporting Initiative[1] (GRI); the United Nations Sustainable Development Goals (SDGs); and the Greenhouse Gas (GHG) Protocol.

The reporting framework for environmental, social, and societal data of Universal Music Group is updated annually and ensures the consistent application of definitions and rules for data gathering, validation, and consolidation.

Indicators

Unless otherwise indicated, the environmental, social, and governance indicators refer to consolidated data as of December 31, 2021.

Reporting Scope

The reporting scope was established in accordance with NFR 2014/95/UE.

Changes in reporting scope are the result of acquisitions and/or disposals of consolidated business units or site level changes between January 1 and December 31 of the relevant reporting year:

- In the case of a disposal during the reporting year, the data for the company are not recognized in the scope of that year.
- In the case of an acquisition during the reporting year, the data for the company will be fully consolidated into the reporting as from the following year, unless that company can provide the required information for the reporting year. The acquired company's headcount is however incorporated into the scope of the current reporting year.

Societal Reporting Scope

Unless otherwise indicated, the reporting scope applies to nine major territories, including Australia, Brazil, France, Germany, Japan, The Netherlands, South Africa, the United Kingdom, and the United States.

Social Reporting Scope

The social reporting scope covers 100% of the workforce for the "headcount" indicators.

1 Launched in 1997 by the Coalition for Environmentally Responsible Economies (CERES) in partnership with the United Nations Environment Programme (UNEP), the GRI is a long-term and international, multi-stakeholder initiative that develops and issues guidelines for voluntary sustainability reporting by multi-national corporations wishing to disclose information regarding the economic, environmental and social impact of their activities, products and services. The GRI has not verified the content of this report or the validity of the information provided therein (www.globalreporting.org).

Environmental Reporting Scope

The environmental reporting scope (covering more than 95% of employees) applies to 34 countries where UMG operates (Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Colombia, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hong Kong, India, Indonesia, Italy, Japan, Malaysia, Mexico, The Netherlands, Norway, Philippines, Russia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, the United Kingdom, and the United States).

Methodological Details and Limits in Relation to Indicators

Environmental, social, and governance indicators may generally reflect methodological limits due to the lack of harmonization of international and national definitions and legislation, or due to the qualitative and therefore subjective nature of certain data.

Social Indicators

Headcount

Headcount-related indicators are expressed in number of employees at December 31.

Changes in the Workforce

If an employee's contract is changed from temporary to permanent, they are not included in permanent contract new hires. Similarly, they are not included in the temporary contract departures.

Turnover

Global turnover rate

The global turnover rate shows trends in the turnover of permanent employees, taking both departures and new hires into account. It reflects the growing activity of our business lines and their ability to attract employees and is the result of the recruitment policies and initiatives we have implemented.

The global turnover rate is calculated as follows:

[(Number of people hired on permanent contracts in year Y + Number of departures of people on permanent contracts in year Y + Number of temporary contracts converted to permanent contracts) / 2]/ Total employees on permanent contracts at December 31 in year Y-1.

Voluntary turnover rate

In 2020, voluntary turnover was introduced as an indicator, which allows us to consider departures resulting from the resignation of permanent employees separately.

The voluntary turnover rate[2] is calculated as follows:

Number of resignations of people on permanent contracts in year Y /
Total employees on permanent contracts at December 31 in year Y-1.

2 The voluntary turnover rate formula is based on SASB CG-EC-330a.2.

Health and Safety

Frequency rate of workplace accidents

The frequency rate[3] is calculated as follows: (Number of workplace accidents resulting in lost work time × 1,000,000) / (Average annual headcount x annual hours actually worked).

Severity rate of workplace accidents

The severity rate[4] is calculated as follows: (Number of days lost due to workplace accidents x 1,000) / (Average annual headcount x annual hours actually worked).

In 2021, annual hours actually worked were calculated following the same principles as in previous years (planned working hours, less days absent). Consequently, they do not include periods of partial unemployment that certain companies may have experienced during the global health crisis.

Environmental Indicators

For the environmental scope, the methodology used for data collection considers the nature of the site in terms of its contribution to electricity consumption. Data is primarily collected for sites of at least 25 employees, to achieve a representation of approximately 95% of real data compared to total estimated electricity consumption. Greenhouse gas emissions are calculated in line with the GHG protocol based on the relevant emission factors from the International Energy Agency (IEA) and the UK Department for Environment, Food and Rural Affairs (DEFRA). If emission factors are not available in the database or are not considered pertinent, factors from other recognized sources, including the Centre for Environmental Data Analysis (CEDA) may be used to supplement these sources.

Any missing data for indicators such as electricity, gas, fuel, and steam are estimated using methodologies based on available data (e.g., ratios of ten months out of twelve or ratio per square meter, per person), in line with the recommendations of the GHG protocol. For electricity consumption, quantities reported correspond to the quantities invoiced. If data is not available, consumption is estimated based on conversion factors (kWh/m2, kWh/ft2). The conversion factors used for the energy consumption indicators are standard values, taken from recognized reference guides that differ depending on the geographic location of the entities. If available, consumption can also be estimated based on prior year data, making adjustments for changes in conditions where necessary.

3 The frequency rate of workplace accidents is based on the GRI formula for the rate of recordable work-related injuries (GRI 403-9). UMG's formula only measures workplace accidents resulting in lost work time, whereas GRI includes other metrics in the rate, such as death and significant injury or ill health diagnosed by a physician or other licensed healthcare professional. UMG uses a rate based on 1,000,000 hours worked because it is more suitable for larger organizations according to the guidance in GRI 403: Occupational Health and Safety 2018.

4 The severity rate formula is based on the definition for lost day rate in GRI 403: Occupational Health and Safety. The severity rate represents the number of days lost due to workplace accidents for 1,000 worked hours.

Total energy consumption is broken down to obtain a clearer explanation of the composition of the energy consumed. Energy consumption is converted into CO_2 equivalents using recognized emissions factors from the indicated databases.

Emissions are divided into three categories:

- Scope 1 represents greenhouse gas emissions from operations directly controlled by UMG, including those associated with the consumption of natural gas and domestic heating fuel and injections of refrigerant fluids during site maintenance operations on air-conditioning installations. The emissions related to transport from consumption from mobile sources, for directly owned vehicles or vehicles on long-term leases over which UMG has operational control, are also included.
- Scope 2 includes indirect greenhouse gas emissions resulting from the use of electricity, steam and cooling. As per the Greenhouse Gas Protocol, UMG considers both location-based and market-based Scope 2 emissions. Scope 2 Location-based reflects the average emissions intensity of grids on which energy consumption occurs. Scope 2 Market-based considers the tariffs and energy mix of UMG's sites which UMG have specifically chosen, taking into consideration the confirmed use of electricity from renewable sources including wind, solar, geothermal, biomass and hydro through onsite generation and certified renewable electricity through a supplier tariff.
- Scope 3 includes external indirect greenhouse gas emissions from non-owned sources within UMG's value chain. These include emissions related to business travel by employees, the purchase of paper, and the disposal of waste. For FY21, the reported data was selected in accordance with the degree of reliability and comprehensiveness of the input data available (e.g., units of mass and distance) and to maintain consistency with prior year reporting.

Reporting Tools, Consolidation, and Controls

UMG's data collection platform collects all consolidated and controlled data at various levels.

The platform is designed to include mathematical and coherency checks data for consistency during the input process. An initial validation and consistency checks are performed by each reporting entity. The Environmental, Social, and Governance (ESG) department performs a second coherency check and validation during the consolidation process. For headcount, an analytical review and a general control ensure the overall consistency of headcount flows between year Y-1 and year Y. Lastly, a trend analysis is conducted and sense checked with business leaders.

TCFD Concordance Table

UMG has aligned our disclosures to the recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD was created in line with the Financial Stability Board of the G20 during COP21. The working group built its recommendations around four pillars representing the fundamental aspects of an organization: governance, strategy, risk management and metrics, and targets. The following concordance table serves as a reference for UMG's disclosures relating to the TCFD recommendations.

Additional information relating to these areas is also available on the UMG website and within our ESG integration framework and governance documents.

Pillar	Recommendation	
Governance	Describe the Board's oversight of climate-related risks and opportunities	See pp. 117, "ESG Organizational Structure"
	Describe management's role in assessing and managing climate-related risks and opportunities	See pp. 117, "ESG Organizational Structure"
Strategy	Describe the climate-related risks and opportunities the organization has identified over the short, medium and long-term	See pp. 121, "TCFD Alignment"
	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	See pp. 120, "Main Non-Financial Risks" See pp. 115, "ESG Strategy" See pp. 127, "Initiatives"
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, include a 2°C or lower scenario	See pp. 121, "TCFD Alignment" See pp. 119, "Monitoring Non-Financial Performance"
Risk Management	Describe the organization's processes for identifying and assessing climate-related risks	See pp. 120, "Main Non-Financial Risks" See pp. 121, "TCFD Alignment"
	Describe the organization's processes for managing climate-related risks	See pp. 120, "Main Non-Financial Risks" See pp. 121, "TCFD Alignment"
	Describe the organization's processes for managing climate-related risks	See pp. 120, "Main Non-Financial Risks" See pp. 121, "TCFD Alignment"
Metrics and Targets	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	See pp. 119, "Monitoring Non-Financial Performance" See pp. 158, "2021 Environmental Indicators"
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks	See pp. 158, "2021 Environmental Indicators"
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	See pp. 115, "ESG Strategy" See pp. 127, "Initiatives"

Assurance Report of the Independent Auditor

To: the Shareholders and Non-executive Directors of Universal Music Group N.V.

Our conclusion

We have performed a limited assurance engagement on selected indicators in the annual report for the year 2021 of Universal Music Group N.V. at Hilversum.

Based on our procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the selected indicators are not prepared, in all material respects, in accordance with the reporting criteria as included in the 'Reporting criteria' section of our report.

The selected indicators are disclosed on pp. 155, "Indicator Summary Tables," and consist of: Global turnover rate ("Performance Indicators" and "Social Indicators"), Voluntary turnover rate ("Performance Indicators" and "Social Indicators"), and Greenhouse gas emissions (Scope 1, 2, and 3) ("Performance Indicators" and "Environmental Indicators").

Basis for our conclusion

We have conducted our limited assurance engagement on the selected indicators in accordance with Dutch law, including Dutch Standard 3000A ''Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)'' (Assurance engagements other than audits or reviews of historical financial information (attestation engagements)). Our responsibilities under this standard are further described in the 'Our responsibilities for the assurance engagement on the selected indicators' section of our report.

We are independent of Universal Music Group N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Reporting criteria

The selected indicators need to be read and understood together with the reporting criteria. Universal Music Group N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the selected indicators are the reporting criteria developed by Universal Music Group N.V. and are disclosed on pp. 160, "Non-Financial Reporting Methodology".

The absence of an established practice on which to draw, to evaluate and measure the selected indicators allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Limitations to the scope of our assurance engagement

Our assurance engagement is restricted to the selected indicators. We have not performed assurance procedures on any other information as included in the annual report in light of this engagement.

References to external sources or websites are not part of our assurance engagement on the selected indicators. We therefore do not provide assurance on this information.

Our conclusion is not modified in respect to these matters.

Responsibilities of the Executive Directors and the Non-executive Directors for the selected indicators

The Executive Directors are responsible for the preparation of reliable and adequate selected indicators in accordance with the reporting criteria as included in the 'Reporting criteria' section of our report. In this context, the Executive Directors are responsible for the identification of the intended users and the criteria being applicable for their purposes. The choices made by the Executive Directors regarding the scope of the selected indicators and the reporting policy are summarized on pp. 160, "Non-Financial Reporting Methodology".

Furthermore, the Executive Directors are responsible for such internal control as they determine is necessary to enable the preparation of the selected indicators that are free from material misstatement, whether due to fraud or errors.

The Non-executive Directors are responsible for overseeing the reporting process of Universal Music Group N.V.

Our responsibilities for the assurance engagement on the selected indicators

Our responsibility is to plan and perform our limited assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a limited assurance engagement is therefore substantially less than the assurance obtained in a reasonable assurance engagement.

We apply the "Nadere voorschriften kwaliteitssystemen" (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The procedures of our limited assurance engagement included amongst others:

- Performing an analysis of the external environment and obtaining an understanding of the sector, insight into relevant social themes and issues, relevant laws and regulations and the characteristics of the company as far as relevant to the selected indicators
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures on the selected indicators. This includes the evaluation of the reasonableness of estimates made by the Executive Directors
- Obtaining an understanding of the reporting processes for the selected indicators, including obtaining a general understanding of internal control relevant to our assurance engagement
- Identifying areas of the selected indicators with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the selected indicators responsive to this risk analysis.

These further assurance procedures consisted amongst others of:

- Interviewing management and relevant staff at corporate and business level responsible for the strategy, policy and results relating to the selected indicators
- Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the selected indicators
- Obtaining assurance information that the selected indicators reconcile with underlying records of the company
- Reviewing, on a limited test basis, relevant internal and external documentation
- Performing an analytical review of the data and trends
- Evaluating the consistency of the selected indicators with the information in the annual report which is not included in the scope of our assurance engagement
- Evaluating the overall presentation, structure and content of the selected indicators

Amsterdam, 31 March 2022

Ernst & Young Accountants LLP

R.T.H. Wortelboer

NON-EXECUTIVE DIRECTORS REPORT

REPORT OF THE NON-EXECUTIVE DIRECTORS

2021 was an exciting year for UMG as it saw its Shares being admitted to listing and trading on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V., on September 21, 2021, and became a publicly listed, freestanding company, a great milestone in its storied history.

As the Non-executive Directors, we are responsible for supervising the Executive Directors' policy and performance of duties and the Company's general course of affairs and business, and rendering advise and direction to the Executive Directors. In performing our duties, we are guided by the Company's corporate interests, which extend to the interests of all of the Company's stakeholders, including the Shareholders and the Company's creditors, customers and employees.

Composition

The Board has a one-tier board structure and currently comprises of two Executive Directors and eight Non-executive Directors:

Name	Function
Sir Lucian Grainge	Executive Director, Chairman and Chief Executive Officer
Vincent Vallejo	Executive Director, Deputy Chief Executive Officer
Judy Craymer CBE	Non-executive Director, Chairman of the Board
Antoine Fiévet	Non-executive Director, Vice-Chairman of the Board
Anna Jones	Non-executive Director
Cathia Lawson-Hall	Non-executive Director
Luc van Os	Non-executive Director
Margaret Frerejean-Taittinger	Non-executive Director
James Mitchell	Non-executive Director
Manning Doherty	Non-executive Director

All of the Executive Directors and Non-executive Directors were appointed as such by the General Meeting, effective September 20, 2021, for a period until the close of the annual General Meeting to be held in 2024.

Diversity

The Non-executive Directors consider that their current composition is diverse in terms of skills, knowledge, experience, background and perspectives but also in terms of gender, nationality and age. There are four male and four female Non-executive Directors, six nationalities (British, French, Dutch, American, Canadian and Togolese) and age ranges between 36 and 64.

The elements of a diverse composition are laid down in the Diversity Policy as per best practice provision 2.1.5 of the Code as well as in the Profile as per best practice provision 2.1.1. In line with the Diversity Policy, the Non-executive Directors are committed to ensuring that at least one third of the Board consists of women and at least one third of the Board consists of men, as well as to increasing the nationality, ethnicity and age diversity and creating and maintaining a variation in education and experience within the Board. These elements are all important drivers in the selection procedure and will all be considered when filling a vacancy. However, when filling a vacancy, the qualifications of a candidate and the requirements for the position shall in principle always prevail.

Independence

The Non-executive Directors endorse the principle that their composition shall be such that they are able to act independently and critically vis-à-vis one other, the Executive Directors and any particular interests.

Given the recentness of the Listing, the Non-executive Directors are of the opinion that, in the context of preserving the continuity of UMG and ensuring a focus on long-term value creation, it is in the Company's corporate interests and in the interests of the Company's stakeholders that among the Non-executive Directors, there is a fair and adequate representation of persons who are affiliated with or representing a (group of affiliated) shareholder(s) holding, directly or indirectly, more than 10% of the issued share capital of the Company, even if those persons are considered non-independent within the meaning of best practice provision 2.1.8 of the Code.

Currently, three out of eight Non-executive Directors are considered non-independent on the aforementioned basis, being:

- Cathia Lawson-Hall who is a member of the supervisory board of Vivendi SE which holds more than 10% of the issued share capital of the Company.
- James Mitchell who is a representative of the Tencent-led consortium which holds 20% of the issued share capital of the Company.
- Manning Doherty who is a representative of the Tencent-led consortium which holds 20% of the issued share capital of the Company.

In addition, three out of eight Non-executive Directors (two of whom are the same as above) are considered non-independent on the basis of being former Executive Directors, being:

- James Mitchell who was an Executive Director in the period from February 26, 2021 until September 20, 2021.
- Luc van Os who was an Executive Director in the period from December 4, 2020 until September 20, 2021.
- Manning Doherty who was an Executive Director in the period from February 26, 2021 until September 20, 2021.

Accordingly, four out of eight Non-executive Directors are considered non-independent, however, the other Non-executive Directors, who are independent, including the Chairman of the Board, are comfortable that Cathia Lawson-Hall, James Mitchell, Luc van Os and Manning Doherty are nonetheless able to act independently and critically.

Remuneration

On September 20, 2021, the General Meeting adopted the remuneration policy for the Non-executive Directors. The remuneration of the Non-executive Directors shall be determined by the Board with due observance of the remuneration policy. The remuneration policy is available on the investor relations part of the UMG website. In the Remuneration report, details of the individual remuneration of the Non-executive Directors are set out.

Board meetings and activities

Meetings

During 2021, the Board held one informal meeting and two formal meetings, which were attended by both the Executive Directors and the Non-executive Directors. In addition, these meetings were attended by several of the corporate executives. Due to the Covid-19 pandemic, none of these meetings were held in-person but all took place via video calls.

At the first (informal) meeting, which was held shortly prior to the Listing and even before the Directors' appointments by the General Meeting had become effective, and the second (formal) meeting, which was held shortly after the Listing, the Directors primarily discussed the Listing. Among the items discussed at the third (formal) meeting were the updates from the three committees of the Board on their work to date and the third quarter results 2021.

Education

Prior to September 20, 2021, being the date since which the Board in its current form has been in office, all Executive Directors and Non-executive Directors attended an educational session on their responsibilities as directors of a public limited liability company incorporated under the laws of the Netherlands, which shares are admitted to listing on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V.

Evaluation

Since the Board in its current form has only been in office since September 20, 2021, an evaluation of the functioning of the Board, the individual Directors and the committees will only be conducted in the second half of 2022. The Nomination Committee shall take the lead in the planning thereof.

Long-term value creation

Since the Board in its current form has only been in office since September 20, 2021, the Non-executive Directors have not yet had a session dedicated to the Company's long-term value creation strategy. However, the plan is for the Non-executive Directors to have an annual strategy session together with the Executive Directors and several of the corporate executives. In addition, the Board shall be responsible for approving the annual budget as well as any transaction with a value in excess of EUR 300,000,000.

Share positions

According to the AFM register, the following Executive Directors and Non-executive Directors held a capital interest and/or voting rights in the Company as at December 31, 2021:

Shareholder	Notification date	Capital interest	Voting rights
Sir Lucian Grainge	September 23, 2021	13,187	13,187
Vincent Vallejo	September 23, 2021	91,770	91,770
Cathia Lawson-Hall	September 23, 2021	2,356	2,356
Luc van Os	September 23, 2021	105	105

Committees

The Board has appointed from among its Non-executive Directors three committees to assist it in discharging its responsibilities: the Audit Committee, the Remuneration Committee and the Nomination Committee. Without prejudice to the collegiate responsibility of the Board, the duty of these committees is to prepare the decision-making of the Board.

The Board has drawn up regulations for each committee, setting out the role and responsibilities of the committee concerned, its composition and size and the manner in which its meetings should be held. These regulations are available on the investor relations part of the UMG website.

The current composition of the committees is detailed in the following table:

	Audit Committee	Remuneration Committee	Nomination Committee
Judy Craymer CBE		Member	Member
Antoine Fiévet		Member	
Anna Jones	Member	Chair	
Cathia Lawson-Hall	Member	Member	
Luc van Os	Chair		Member
Margaret Frerejean-Taittinger		Member	Chair
James Mitchell		Member	Member

The Audit Committee

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 prepares resolutions of the Board in relation thereto.

In addition to the foregoing, the Audit Committee's main responsibilities include: (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 preparation and submission of financial information by the Company, (iii) supervising the compliance with recommendations and observations of the Company's internal auditor and external auditors, (iv) supervising the functioning of the internal audit department, (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 auditors, (ix) implementing the procedure for the selection of the external auditors and submitting a recommendation to the Non-executive Directors for the (re)appointment or dismissal of the external auditors 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 auditors 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, (xiv) submitting a proposal to the Board for the external auditors' engagement to audit the financial statements, and (xv) considering and, where appropriate, approving the financial statements, the annual budget and major capital expenditures of the Company.

In 2021, the Audit Committee held one meeting, which took place via a video call and was also attended by, among others, the Chief Financial Officer, the Controller, the Head of Internal Audit and the Head of Treasury. Among the items discussed were the regulations of the Audit Committee, the third quarter results 2021, the functioning of the Treasury department, the internal audit plan for 2021, the proposed internal audit plan for 2022 and a number of internal policies, including the internal audit charter, the use of external auditors as consultants policy and the tax policy. Following this meeting, the chair of the Audit Committee provided an update to the Board on the discussions held.

Also, the Audit Committee members attended an educational session hosted by the Head of Internal Audit on the Company's internal audit and control environment.

In addition, the chair of the Audit Committee had regular update meetings with the Chief Financial Officer, the Head of Internal Audit, other relevant executives within the Company and the external auditors, and was informed of the Company's internal risk management and control systems, including the risk of material misstatement due to fraud.

Within the Audit Committee, Cathia Lawson-Hall is considered to have competence in accounting and/or auditing and the Audit Committee members as a whole are considered to have competence relevant to the sector in which the Company operates.

The Remuneration Committee

The Remuneration Committee advises the Board in relation to its responsibilities, undertakes preparatory work for the Board's decision-making regarding the determination of the remuneration of the individual Executive Directors and Non-executive Directors, with due observance of the remuneration policies for the Executive Directors and Non-executive Directors, respectively, and prepares resolutions of the Board in relation thereto.

In addition to the foregoing, the Remuneration Committee's main responsibilities include: (i) every four years submitting a proposal to the Board for the remuneration policies to be pursued and (ii) annually preparing the remuneration report, to be tabled at the General Meeting.

In 2021, the Remuneration Committee held one meeting, which took place via a video call and was also attended by, among others, the Chief People and Inclusion Officer. Among the items discussed were the Remuneration Committee calendar, the remuneration policies, the compensation for the Executive Directors for 2021, the proposed compensation for the Executive Directors for 2022 and the equity incentive plan.

Also, the Remuneration Committee members attended an educational session on the Remuneration Committee's main responsibilities under Dutch law and the regulations of the Remuneration Committee.

In addition, the chair of the Remuneration Committee had regular update meetings with the Chief Financial Officer, the Chief People and Inclusion Officer and other relevant executives within the Company.

The Nomination Committee

The Nomination Committee advises the Board in relation to its responsibilities, undertakes preparatory work for the Board's decision-making and prepares resolutions of the Board in relation thereto.

In addition to the foregoing, the Nomination Committee's main responsibilities include: (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 the individual Directors and the Board as a whole, and reporting on this to the Board, (iv) making recommendations for (re)appointments of Directors and (v) supervising the policy of the Board on the selection criteria and appointment procedures for senior management.

In 2021, the Nomination Committee held one meeting, which took place via a video call. Among the items discussed were the regulations of the Nomination Committee, the Nomination Committee calendar, the action plan regarding the evaluation of the functioning of the Board, the individual Directors and the committees and the identification of education requirements.

Attendance and availability

The table below provides an overview of the attendance rate of the individual Non-executive Directors at the Board and committee meetings. Attendance is expressed as a number of meetings attended out of the number of meetings held.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Judy Craymer CBE	2 - 2		1 - 1	1 - 1
Antoine Fiévet	2 - 2		1 - 1	
Anna Jones	2 - 2	1 - 1	1 - 1	
Cathia Lawson-Hall	2 - 2	1 - 1	1 - 1	
Luc van Os	2 - 2	1 - 1		1 - 1
Margaret Frerejean-Taittinger	2 - 2		1 - 1	1 - 1
James Mitchell	2 - 2		1 - 1	0 - 1
Manning Doherty	2 - 2			

All Non-executive Directors have had sufficient time available for their responsibilities as evidenced by their prompt responses to e-mails, their availability for meetings, educational sessions and calls and their well-preparedness for and active participation in such meetings, sessions and calls. Where a Non-executive Director was not so available, he or she was given the opportunity to provide input beforehand and was updated afterwards.

Appreciation

As the Non-executive Directors, we wish to express our gratitude to the Executive Directors and all UMG employees for their hard work and dedication in 2021, all the more since 2021 was, due to the Covid-19 pandemic and the Listing, a particularly demanding year.

The Non-executive Directors
Judy Craymer CBE
Antoine Fiévet
Anna Jones
Cathia Lawson-Hall
James Mitchell
Luc van Os
Manning Doherty
Margaret Frerejean-Taittinger

Hilversum, March 31, 2022

REMUNERATION REPORT

This is the first remuneration report since the Company's shares were first admitted to listing and trading on Euronext Amsterdam on 21 September 2021 (the "Listing"). This remuneration report offers insight into the remuneration provided to the Company's Executive Directors and Non-Executive Directors during 2021.

In connection with the Listing, the General Meeting on 20 September 2021 adopted the remuneration policies for the Executive Directors and Non-Executive Directors, outlining the framework to determine the remuneration for the Executive Directors and the Non-Executive Directors, respectively. Where, however, legacy arrangements are in place for the Executive Directors prior to being appointed to the Board, the Executive Directors' Remuneration Policy allows these arrangements to be respected even when not in line with the policy. For 2021, the remuneration of the Executive Directors reflects the legacy arrangements contractually agreed with each Executive Director prior to being appointed to the Board.

This remuneration report has been prepared in accordance with article 2:135b of the Dutch Civil Code and the Dutch Corporate Governance Code. It will be presented for an advisory vote to shareholders at the annual General Meeting to be held on 12 May 2022.

The Remuneration for the Executive Directors in 2021

In 2021, the Executive Directors were as follows:

Executive Director	Position
Sir Lucian Grainge	Chairman and Chief Executive Officer (CEO)
Vincent Vallejo	Deputy Chief Executive Officer

Executive Directors' Remuneration Policy

Pursuant to the Executive Directors' Remuneration Policy, the Board, at the recommendation of the Remuneration Committee, determines the remuneration of the Executive Directors. The remuneration structure for Executive Directors consists of the following elements:

- Base salary
- Short-term incentives
- Long-term incentives
- Retirement and other post-employment benefits
- Benefits

The Executive Directors' Remuneration Policy provides a compensation framework that allows the Company to attract, motivate and retain highly qualified Executive Directors and to incentivize and reward long-term, sustainable growth of the Company. The compensation offered under the Executive Directors' Remuneration Policy will be benchmarked periodically against peer companies, considering compensation levels and trends in the market as well as international remuneration standards. As explained above, however, the current Executive Directors are subject to legacy arrangements contractually agreed before the Listing and the adoption of the Executive Directors' Remuneration Policy and, therefore, the policy has not been applied when setting their remuneration for 2021.

Summary Overview of the Key Remuneration Elements and Approach to Remuneration for 2021

The below table sets out the key elements of the remuneration provided in the Executive Directors' Remuneration Policy versus the remuneration approach in 2021.

Element	Key remuneration elements per Executive Directors' Remuneration Policy	Remuneration approach for 2021
Base salary	Fixed level of cash compensation, aligned with the Executive Director's experience and scope of responsibilities	Pursuant to each Executive Director's contract, base salaries are as follows: - Chairman and CEO: €13,192,829 - Deputy CEO: €960,000
Short-term incentive ("STI")	Variable compensation paid annually in cash, shares, or a combination thereof, subject to the achievement of annually pre-established objectives to ensure executive alignment with, and motivate achievement of, the annual business priorities for the applicable year Target STI of up to 300% of base salary, maximum STI of 200% of target	Operation of STI for Executive Directors in 2021 was based on STI structure agreed in their pre-Listing contracts as follows: - Chairman and CEO: (i) an annual cash bonus equal to 1% of UMG's EBITA for the relevant financial year; and (ii) a contingent cash bonus of €8,795,220, subject to UMG meeting specific financial and non-financial targets - Deputy CEO: target cash bonus of 50% of annual base salary with a minimum payout of 0% and a maximum payout potential of two times the target bonus amount, subject to the achievement of specific financial targets
Long-term incentive ("LTI")	Variable compensation payable in cash, shares, or a combination thereof, subject to pre-established objectives and/or continued employment to retain Executive Directors necessary to execute the Company's strategy, to align the financial interests of Executive Directors with those of shareholders, and reward delivery of long-term performance objectives and shareholder value creation LTI grant value is capped at 500% of base salary	No LTI was granted in 2021
Retirement and other post-Employment	Customary retirement income and severance benefits to provide future income security, aligned with relevant market levels	For Chairman and CEO, the Pension Allowance equal 20% of base salary, capped at €1,343,428 of base salary per year, for a total potential maximum Pension Allowance of €268,686 For Deputy CEO, local statutory requirements apply
Benefits	Customary and market competitive arrangements to compensate for any reasonable costs incurred or perks required for the performance of their duties	Covers health and welfare, housing allowance, tax equalization, life insurance, security, and home leave

Short-Term Incentive

For 2021, in accordance with his contract, Sir Lucian Grainge was entitled to receive: (i) an annual cash bonus in an amount equal to 1% of UMG's 2021 EBITA which was paid in 2022; and (ii) a contingent cash bonus of €8,795,220, subject to UMG meeting specific financial and non-financial targets. For 2021, Sir Lucian Grainge's contingent cash bonus was subject to meeting one of the following performance measures: UMG's year-over-year EBITA, maintaining market share of the US recorded music market and success of UMG's exclusively signed artists on the Billboard 100 or 200 chart.

Vincent Vallejo, in accordance with his contract, was eligible for a target bonus of 50% of annual base salary.

For 2021, Vincent Vallejo's short-term incentive was based on the following performance metrics:

- UMG EBITA (50% weighting)
- UMG Cash Flow from Operations (50% weighting)

In 2021, actual UMG EBITA performance was between target and maximum and actual UMG Cash Flow from Operations was between target and maximum. As a result, Vincent Vallejo's resulting actual bonus was 166.8% of target or €602,859 after pro-rating for his partial year employment with the Company beginning on 1 April 2021.

Long-Term Incentive

The Company had not yet introduced a long-term incentive plan for 2021 and, as a result, did not grant Executive Directors any LTI in 2021.

Malus and Clawback

In 2021, no application of claw-back was applied on any kind of variable payments for the Executive Directors.

Severance Payments

No severance payments were made to any Executive Director in 2021.

Executive Directors are entitled to the following legacy severance benefits contractually agreed in their contracts:

- Sir Lucian Grainge: two years' salary, target bonus, pension contributions, car allowance, protection compensation and health and welfare benefits and €1,774,229 for lost value of Vivendi Restricted Stock Units in a lump sum in case of termination by Sir Lucian Grainge for good reasons or by the Company without cause
- Vincent Vallejo: pay out of remainder of fixed term contract including base salary, target bonus, contractually agreed exceptional premiums, and any unpaid retention bonus or other bonuses in a lump sum, in case of a termination by the Company without cause

Total Remuneration[4]

Total remuneration of the Executive Directors in 2021 is presented in the table below:

Name	Reported year	Fixed remuneration	Variable remuneration		Benefits and one-off amounts			Total remuneration[2]	Proportion fixed – variable remuneration
		Base salary	Short-Term Incentive	Long-Term Incentive	Retirement benefits	Other benefits	Other payments		
Sir Lucian Grainge, Chairman and CEO[1]	2021	€13,192,829	€24,673,885	€0	€0	€2,994,992	€0	€40,861,707	40% / 60%
Vincent Vallejo, Deputy CEO	2021	€720,000	€602,859	€0	€0	€62,838	€800,000[3]	€2,185,698	36% / 64%

1 In addition, other payments were made by Vivendi in connection with but not limited to the Listing. Reference is made to pages 129 and 131 of the Company's prospectus dated 14 September 2021, which is available on the investor relations part of the UMG website (the "Prospectus"), that outline the following payments: €17,530,000 for Tencent-led Consortium acquiring an additional 10% of the Shares in the Company, €20,909,789 for Pershing Entities acquiring their 10% interests in the Company and €194,982,887 for the Listing.

2 The Chairman and CEO and the Deputy CEO participated in Vivendi Share Schemes prior to the Listing that are not included. Reference is made to pages 131 - 133 of the Prospectus for further details.

3 Recognition award paid by UMG in connection with the Listing. The Deputy CEO will receive a similar €800,000 cash recognition award payment in April 2022 and a €800,000 cash retention payment in February 2023, provided that he remains employed until 1 February 2023.

4 This table includes information and figures that are audited as part of Note 25 of the Annual Consolidated Financial Statements and Note 12 of the Company Financial Statements

Remuneration and Company Performance Development

The overview below provides insight into the development of the remuneration of the Executive Directors, company performance and employee pay.

Element	2021[1]
Remuneration	
Chairman and CEO	€40,861,707
Deputy CEO	€2,185,698
Annual Change	Not applicable
Company performance	
Adjusted EBITDA *(in millions of euros)*	€1,788
Average annual remuneration on an FTE basis of employees	
Average annual[2]	€131,961
Annual change	Not applicable

1 The information in this table regards the financial year 2021 only, as this was the first financial year for UMG as a publicly listed company and the directors took office in February 2021.

2 Reflects the total personnel costs reported in Note 5, adjusted to be aptly comparable with the remuneration of Executive Directors disclosed above.

The Remuneration for the Non-Executive Directors in 2021

The fee structure for Non-Executive Directors has been designed to ensure that UMG attracts, retains and appropriately compensates a diverse and internationally experienced group of Non-Executive Directors. In 2021 from the Listing onwards, the Non-Executive Directors' remuneration for participating in the Board and Board committees was as follows:

- €90,000 per annum for performing their role as a Non-Executive Director;
- €50,000 per annum for performing the role of Chairman of the Board;
- €20,000 per annum for performing their role as a member of a Board committee; and
- €10,000 per annum for performing the role of chair of a Board committee.

Total Remuneration[2]

Total remuneration of the Non-Executive Directors paid in 2021 is presented in the table below:

	Commencement Date	Board	Audit Committee	Remuneration Committee	Nomination Committee	2021 Remuneration
J.S.J. Craymer	20/09/2021	Chairman		Member	Member	€49,932
A.R.J.C. Fievet	20/09/2021	Vice-Chairman		Member		€30,514
M. Frerejean-Taittinger	20/09/2021	Member		Member	Chair	€38,836
A.K. Jones	20/09/2021	Member	Member	Chair		€38,836
C.F.L. Lawson-Hall	20/09/2021	Member	Member	Member		€36,062
L.A.J. Van Os	20/09/2021	Member	Chair		Member	€38,836
J.G. Mitchell[1]	20/09/2021	Member		Member	Member	-
M.L. Doherty[1]	20/09/2021	Member				-

1 Voluntarily elected to not receive any Non-Executive Director remuneration in 2021.

2 This table contains information and figures that are audited as part of Note 25 of the Annual Consolidated Financial Statements and Note 12 of the Company Financial Statements.

Remuneration is reviewed annually and is not linked to the price of the Company's shares or UMG's performance. 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.

Deviation from Remuneration Policies since Last Shareholders' Vote

UMG did not deviate from the Remuneration Policies. As this remuneration report is the first remuneration report that is subject to an advisory vote since the Listing, there is no previous advisory vote of the General Meeting to consider this year.

UNIVERSAL MUSIC GROUP

Annual Consolidated Financial Statements

for the year ended December 31, 2021

Annual Consolidated Financial Statements

for the year ended December 31, 2021

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Consolidated Financial Statements for the year ended December 31, 2021

Consolidated Statement of Profit or Loss

		Year ended December 31,	
(in millions of euros)	Note	2021	2020
Revenues	3	**8,504**	**7,432**
Cost of revenues		(4,608)	(3,917)
Selling, general and administrative expenses		(2,502)	(2,285)
Income/(loss) from equity affiliates	13	5	(9)
Operating profit	3	**1,399**	**1,221**
Financial income	6	143	613
Financial expenses	6	(377)	(53)
		(234)	**560**
Profit before income taxes		**1,165**	**1,781**
Income taxes	7	(277)	(412)
Net profit		**888**	**1,369**
Of which:			
Net profit attributable to equity holders of the parent		*886*	*1,366*
Net profit attributable to non-controlling interests		*2*	*3*
Earnings per share (in euros)			
Basic, earnings for the period attributable to equity holders of the parent	8	0.49	0.75
Diluted earnings for the period attributable to equity holders of the parent	8	0.49	0.75

Consolidated Statement of Comprehensive Income

(in millions of euros)	Note	Year ended December 31, 2021	2020
Net profit		**888**	**1,369**
Actuarial gains/(losses) related to employee defined benefit plans, net of tax		(5)	6
Financial assets at fair value through other comprehensive income, net of tax		2	2
Items not subsequently reclassified to profit or loss, net of tax		**(3)**	**8**
Foreign currency translation adjustments		218	(194)
Comprehensive income/(loss) from equity affiliates, net of tax		5	(6)
Items to be subsequently reclassified to profit or loss, net of tax		**223**	**(200)**
Income and expenses directly recognized in equity, net of tax	21	**220**	**(192)**
Total comprehensive income, net of tax		**1,108**	**1,177**
Of which:			
Total comprehensive income attributable to equity holders of the parent		*1,106*	*1,174*
Total comprehensive income attributable to non-controlling interests		*2*	*3*

Consolidated Statement of Financial Position

(in millions of euros)	Note	As at December 31, 2021	2020 Restated[1]
ASSETS			
Goodwill	9	1,480	1,369
Non-current royalty advances	3,10	1,536	1,182
Catalogues	3,10	2,982	2,330
Other intangible assets	10	96	79
Property, plant and equipment	11	167	176
Rights-of-use relating to leases	12	388	416
Investments in equity affiliates	13	109	72
Non-current financial assets	19	1,592	1,962
Deferred tax assets	7	404	414
Other non-current assets		6	–
Non-current assets		**8,760**	**8,000**
Inventories		99	79
Current tax receivables		3	1
Current royalty advances	10	844	677
Trade and other receivables	14,15	1,803	1,641
Current financial assets	19	–	1
Cash and cash equivalents	17	585	1,141
Current assets		**3,334**	**3,540**
TOTAL ASSETS		**12,094**	**11,540**
EQUITY AND LIABILITIES			
Share capital		18,134	na
Additional paid-in capital		14,941	na
Treasury shares		(12)	na
Retained earnings		(31,033)	1,634
Non-controlling interests		–	–
Total equity		**2,030**	**1,634**
Non-current provisions	22	355	335
Long-term borrowings and other financial liabilities	17	2,277	2,369
Deferred tax liabilities	7	850	896
Long-term lease liabilities	12	421	447
Other non-current liabilities	19	769	851
Non-current liabilities		**4,672**	**4,898**
Current provisions	22	80	137
Short-term borrowings and other financial liabilities	17	318	640
Trade and other payables	14,16	4,875	4,126
Short-term lease liabilities	12	80	78
Current tax payables		39	27
Current liabilities		**5,392**	**5,008**
Total liabilities		**10,064**	**9,906**
TOTAL EQUITY AND LIABILITIES		**12,094**	**11,540**

1 Restated amounts are presented in Note 2.6
na: not applicable

Consolidated Statement of Cash Flows

(in millions of euros)	Note	2021	2020
		For the year ended December 31,	
			Restated[1]
Operating activities			
Operating profit	3	1,399	1,221
Adjustments	14	275	213
Royalty advances payments, net of recoupments	10	(364)	(588)
Gross cash provided by/(used for) operating activities before income tax paid		**1,310**	**846**
Other changes in net working capital	14	85	287
Net cash provided by/(used for) operating activities before income tax paid		**1,395**	**1,133**
Income tax paid	7	(255)	(207)
Net cash provided by/(used for) operating activities		**1,140**	**926**
Investing activities			
Catalogue investments	10	(388)	(929)
Other intangible assets investments	10	(48)	(37)
Capital expenditures	11	(13)	(29)
Purchases of consolidated companies, after acquired cash		(11)	(4)
Investments in equity affiliates	13	(28)	(2)
Purchase of financial assets		(43)	(3)
Investments		**(531)**	**(1,004)**
Proceeds from sales of property, plant, equipment and intangible assets		6	–
Proceeds from sales of consolidated companies, after divested cash		117	11
Disposal of equity affiliates		–	1
Proceeds from sale of financial assets		14	15
Divestitures		**137**	**27**
Dividends received from equity affiliates	13	2	2
Dividends received from unconsolidated companies		1	–
Net cash provided by/(used for) investing activities		**(391)**	**(975)**
Financing activities			
Distributions to shareowners	20	(785)	(283)
Other transactions with shareowners		–	(11)
Dividends paid by consolidated companies to their non-controlling interests		(2)	(5)
Transactions with shareowners		**(787)**	**(299)**
Proceeds from borrowings	17	3,185	2,294
Repayments of borrowings	17	(3,624)	(1,669)
Interest paid, net		(17)	(15)
Other cash items related to financing activities		(8)	(3)
Transactions on borrowings and other financial liabilities		**(464)**	**607**
Repayment of lease liabilities	12	(86)	(91)
Net cash provided by/(used for) financing activities		**(1,337)**	**217**
Net change in cash and cash equivalents		**(588)**	**168**
Foreign currency translation adjustments		32	(35)
Change in cash and cash equivalents		**(556)**	**133**
Cash and cash equivalents			
At beginning of the period	17	1,141	1,008
At end of the period	17	585	1,141

1 Restated amounts are presented in Note 2.6

Consolidated Statement of Changes in Equity

Year ended December 31, 2021

(in millions of euros, except number of shares)	Note	Number of shares (in thousands)	Capital: Share capital	Capital: Additional paid-in capital	Capital: Treasury shares	Capital: Subtotal	Retained earnings and other: Retained earnings	Retained earnings and other: Other compre-hensive income	Retained earnings and other: Subtotal	Total equity
Balance as of December 31, 2020[1]	2.6	–	–	–	–	–	2,117	(483)	1,634	1,634
Attributable to Universal Music Group		–	–	–	–	–	*2,116*	*(482)*	*1,634*	*1,634*
Attributable to non-controlling interests		–	–	–	–	–	*1*	*(1)*	–	–
Contributions by/(distributions to) shareowners		*1,813,376*	*18,134*	*14,941*	*(12)*	*33,063*	*(33,773)*	–	*(33,773)*	*(710)*
Dividends paid and payable by UMG N.V.	*20*	–	–	–	–	–	*(785)*	–	*(785)*	*(785)*
Contributions by shareowners of their UIM B.V. and UMG Inc. shares to UMG B.V.		*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*	–	–	–	–	–	–
Share-based compensation plans		*135*	*1*	*29*	*(12)*	*18*	*12*	–	*12*	*30*
Share-based compensation plans settled by Vivendi		–	–	*45*	–	*45*	–	–	–	*45*
Changes in equity attributable to Universal Music Group (a)		1,813,376	18,134	14,941	(12)	33,063	(33,773)	–	(33,773)	(710)
Contributions by (distributions to) non-controlling interests		–	–	–	–	–	*(2)*	–	*(2)*	*(2)*
Dividends paid by subsidiaries to non-controlling interests		–	–	–	–	–	*(2)*	–	*(2)*	*(2)*
Changes in equity attributable to non-controlling interests (b)		–	–	–	–	–	(2)	–	(2)	(2)
Net profit		–	–	–	–	–	888	–	888	888
Expenses and income directly recognized in equity	21	–	–	–	–	–	–	220	220	220
Total comprehensive income (c)		–	–	–	–	–	888	220	1,108	1,108
Total changes over the period (a+b+c)		1,813,376	18,134	14,941	(12)	33,063	(32,887)	220	(32,667)	396
Attributable to Universal Music Group Shareowners		*1,813,376*	*18,134*	*14,941*	*(12)*	*33,063*	*(32,887)*	*220*	*(32,667)*	*396*
Attributable to non-controlling interests		–	–	–	–	–	–	–	–	–
Balance as of December 31, 2021		1,813,376	18,134	14,941	(12)	33,063	(30,770)	(263)	(31,033)	2,030
Attributable to Universal Music Group Shareowners		*1,813,376*	*18,134*	*14,941*	*(12)*	*33,063*	*(30,770)*	*(263)*	*(31,033)*	*2,030*
Attributable to non-controlling interests		–	–	–	–	–	–	–	–	–

1 Restated to include the effects of the retrospective adjustment as presented in the 2020 Consolidated Statement of Changes in Equity as presented in Note 2.6.

Year ended December 31, 2020

(in millions of euros, except number of shares)	Note	Number of shares (in thousands)	Capital: Share capital	Capital: Additional paid-in capital	Capital: Treasury shares	Capital: Subtotal	Retained earnings and other: Retained earnings	Retained earnings and other: Other compre-hensive 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*
Restatement related to retrospective adjustment	2.6	–	–	–	–	–	202	–	202	202
Attributable to Universal Music Group		–	–	–	–	–	*202*	–	*202*	*202*
Attributable to non-controlling interests		–	–	–	–	–	–	–	–	–
Balance as of January 1, 2020 – restated	2.6	–	–	–	–	–	3,477	(291)	3,186	3,186
Attributable to Universal Music Group		–	–	–	–	–	*3,474*	*(290)*	*3,184*	*3,184*
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)		–	–	–	–	–	(2,724)	–	(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)
Net profit		–	–	–	–	–	1,369	–	1,369	1,369
Expenses and income directly recognized in equity	21	–	–	–	–	–	–	(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 - restated	2.6	–	–	–	–	–	2,117	(483)	1,634	1,634
Attributable to Universal Music Group Shareowners		–	–	–	–	–	*2,116*	*(482)*	*1,634*	*1,634*
Attributable to non-controlling interests		–	–	–	–	–	*1*	*(1)*	–	–

Notes to the Consolidated Financial Statements

Note 1. General information

Universal Music Group N.V. is a public company with limited liability incorporated under the laws of the Netherlands and listed on Euronext Amsterdam under the symbol 'UMG.AS'. As used herein, the term UMG is used for Universal Music Group N.V. ('the Company') and its subsidiaries within the meaning of Section 2:24b of the Dutch Civil Code. UMG's statutory seat is located in Amsterdam and its principal office is located at:

's-Gravelandseweg 80,
1217 EW Hilversum The Netherlands.

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 some of 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 Taylor Swift, Olivia Rodrigo, Justin Bieber and The Weeknd.

- 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.

Note 2. Basis of preparation

2.1 Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and comply with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code. The Consolidated Financial Statements are prepared by the Board of Management of the Company and authorized for issue on March 31 2022 and will be submitted for adoption to the Annual General Meeting of Shareholders on May 12 2022.

2.2 Separation from Vivendi

On February 13, 2021, Vivendi SE (Vivendi), owner of the controlling 80% of Universal Music Group (UMG) announced that it would 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 Universal International Music B.V (UIM B.V). and Universal Music Group Inc. (UMG Inc.) to a unique holding Universal Music Group B.V. (UMG B.V.), based on an equity value of €33,000 million for 100% of UMG. This internal reorganization of the shareholding structure of UMG B.V 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 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 UMG B.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 approved in principle a special distribution in kind of 60% of UMG's share capital to Vivendi's shareholders.

The prospectus relating to the admission to listing and trading of the shares of UMG on Euronext Amsterdam has been approved by the Dutch Authority for the Financial Markets (Stichting Autoriteit Financiële Markten) on September 14, 2021 and is available on the Vivendi and UMG websites (the "Prospectus").

On September 21, 2021, the shares of Universal Music Group N.V. (UMG N.V.) started trading on the regulated market of Euronext Amsterdam under the symbol 'UMG.AS' with an opening price of €25.25. Vivendi completed the distribution in kind of UMG shares to Vivendi shareholders on the basis of one UMG N.V. share for every eligible Vivendi share. The detachment date (ex-date) of the distribution in kind was September 21, 2021. Settlement occurred on September 23, 2021. UMG B.V. was converted to UMG N.V. on this date accordingly.

The total number of UMG N.V. shares distributed represents 59.87% of its share capital. Following this transaction, Vivendi held 10.13% of the share capital of UMG N.V. The total value of the distribution in kind combines:

A €5,312 million (€4.89 per Vivendi share) special dividend in kind paid out of existing reserves, approved by the shareholders of Vivendi on June 22, 2021. A €22,098 million (€20.36 per Vivendi share) special interim dividend in kind paid out of June 30, 2021 earnings, upon decision of the Management Board of Vivendi made on September 14, 2021. For the avoidance of doubt, these are distributions by Vivendi and do not impact the UMG Financial Statements.

As of December 31, 2021, transactions with Vivendi are still qualified as transactions with related parties under IAS 24 and are disclosed as such in these Consolidated Financial Statements. Commercial relationships among UMG and Vivendi subsidiaries prior and upon the separation, 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 management fees, share-based compensation plans and other costs of Vivendi SE's headquarters is allocated to UMG.

Equity sale of UMG

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 €30,000 million 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 €30,000 million 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.

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% of 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 €35,000 million 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 US regulatory processes.
- 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.

- On August 10, 2021, Pershing Square and its affiliates acquired 7.1% of the share capital of UMG B.V. for the price of USD 2,800 million, corresponding to an enterprise value of €35,000 million for 100% of UMG's share capital. On September 9, 2021, Pershing Square and its affiliates acquired 2.9% of the share capital of UMG B.V. for the price of USD 1,149 million, corresponding to an enterprise value of €35,000 million for 100% of UMG's share capital. After the transaction Pershing Square holds 10% of UMG's share capital.

2.3 Basis of measurement

Based on estimated economic outlook, identified risks and uncertainties, Management believes that no events or conditions, including the COVID-19 pandemic, give rise to doubt about the ability of UMG to continue in operation at least twelve months from the end of the reporting period. Therefore, the consolidated Financial Statements have been prepared on a going concern basis, and on a historical cost basis, except for the following items, which are measured at a different basis on each reporting date:

- derivative financial instruments and share-based compensation arrangements, which are measured at fair value;
- net defined benefit (asset)/liability, which is measured at the fair value of plan assets less the present
- value of the defined benefit obligation;
- contingent consideration assumed in a business combination, which is measured at fair value; and
- financial assets at fair value through profit or loss or other comprehensive income, which are measured at fair value.

For more detailed information on the measurement basis refer to the significant accounting policies listed below.

2.4 Basis of consolidation

The Consolidated Financial Statements include the accounts of UMG N.V. and its subsidiaries, and the Company's interests in jointly controlled entities and associates. Intra-group balances and transactions, any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealized gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Subsidiaries

Subsidiaries are all companies over which the Company has control. Control over an entity exists when the Company is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control commences until the date on which control ceases.

Loss of control

Upon the loss of control, the assets and liabilities, non-controlling interests and other components of equity related to the subsidiary are derecognized. Any profit or loss arising on the loss of control is recognized in profit or loss. If a non-controlling interest in the subsidiary is retained, such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity- accounted investee or as a financial asset, depending on the level of influence retained.

In addition, the Group accounts for all amounts previously recognised in the other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

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 €33,000 million 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, which is a common control business combination, has no impact on UMG's scope of combination or consolidation. 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 because pooling of interest accounting has been applied.

UMG's net equity remains unchanged before and after the contribution. As such, on February 26, 2021, in UMG B.V.'s Consolidated Financial Statements, the contribution of €33,000 million was directly recorded as an increase in equity attributable to UMG B.V. shareowners (€18,500 million in share capital and €14,500 million in additional paid-in capital), and the contribution of €33,000 million was fully neutralized in UMG B.V.'s retained earnings.

2.5 Comparative information

The 2020 comparative information for the period ended 31 December 2020, is derived from the 2020 Combined Financial Statements of UMG Inc. and UIM B.V. as included in the Prospectus.

Balances pertaining to transactions prior to the completion of the separation from Vivendi between UMG entities and other entities in the Vivendi Group have been presented on the Statement of Financial Position as third-party assets or liabilities.

2.6 Financial Statement presentation changes and prior years restatements

During 2021 UMG made some prior year restatements and updated, compared to the 2020 Combined financial statements and the financial statements included within Prospectus, the presentation of the Consolidated Statement of Profit or Loss, the Consolidated Statement of Financial Position and the Consolidated Statement of Cash Flows for and as at December 31, 2020 to further improve transparency and readability of these statements in line with market practice.

The financial statements include a retrospective adjustment to the comparative period in relation to certain publishing and recorded music broadcast income revenues that are collected through societies. In prior years, these revenues were recognised when the collection society notified UMG of the usage by the end customer and collectability was assured. Recognition is now based on its best available estimate of when the usage occurs and the amount of consideration which is probable to be collected. UMG uses its past experience and available forward looking information to support this estimate.

The above change resulted in the opening balance restatement as of January 1, 2020 in the Consolidated Statement of Financial Position as presented below. The impact on the Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flows in both 2020 and 2021 was not material. The Consolidated Statement of Changes in Equity is presented with the restatement.

(in millions of euros)	December 31, 2019	Restatement	January 1, 2020
Non-current assets	**6,055**	**–**	**6,055**
Inventories	90	–	90
Current tax receivables	–	–	–
Current royalty advances	591	–	591
Trade and other receivables	1,058	553	1,611
Current financial assets	28	–	28
Cash and cash equivalents	1,008	–	1,008
Current assets	**2,775**	**553**	**3,328**
TOTAL ASSETS	**8,830**	**553**	**9,383**
Retained earnings and others[1]	2,982	202	3,184
Non-controlling interests	2	–	2
Total equity	**2,984**	**202**	**3,186**
Non-current provisions	437	–	437
Long-term borrowings and other financial liabilities	1	–	1
Deferred tax liabilities	659	68	727
Long-term lease liabilities	510	–	510
Other non-current liabilities	106	–	106
Non-current liabilities	**1,713**	**68**	**1,781**
Current provisions	63	–	63
Short-term borrowings and other financial liabilities	15	–	15
Trade and other payables	3,981	283	4,264
Short-term lease liabilities	86	–	86
Current tax payables	(12)	–	(12)
Current liabilities	**4,133**	**283**	**4,416**
Total liabilities	**5,846**	**351**	**6,197**
TOTAL LIABILITIES & EQUITY	**8,830**	**553**	**9,383**

1 As described in the Consolidated Statement of Changes in Equity for 2020

Updates in the Consolidated Statement of Profit or Loss only concerned the names of certain line items or reclassifications between the lines and did not have any financial impact. Non-GAAP line item names were replaced with IAS 1 compliant. In particular:

- Statement of Earnings has been updated to Statement of Profit or Loss;
- EBIT has been updated to operating profit;
- Earnings before income tax has been updated to profit before income tax;
- Earnings has been updated to net profit.

Restructuring expenses were removed as a separate line item and merged into selling, general and administrative expenses.

Interest and Income from investments were removed as a separate line items and merged into financial income and financial expenses as appropriate, refer to Note 6.

In addition to the restatement change noted above which is reflected in the table below for December 31, 2020, Catalogues and Royalty advances were previously reported together under non-current content assets. The Current content assets line has been updated to current royalty advances with no financial impact. Software was previously reported under property, plant and equipment and has been moved to other intangible assets. Details on the impact on 2020 comparatives as at December 31, 2020 is presented in the table below.

	December 31, 2020			
(in millions of euros)	Before changes	Restatement[1]	Presentation changes	After changes
Goodwill	1,369	–	–	1,369
Non-current content assets	3,512	–	(3,512)	–
Royalty advances	–	–	1,182	1,182
Catalogues	–	–	2,330	2,330
Other intangible assets	1	78	–	79
Property, plant and equipment	254	(78)	–	176
Right-of-use relating to leases	416	–	–	416
Investments in equity affiliates	72	–	–	72
Non-current financial assets	1,962	–	–	1,962
Deferred tax assets	414	–	–	414
Non-current assets	**8,000**	**–**	**–**	**8,000**
Current assets	**2,987**	**553**	**–**	**3,540**
TOTAL ASSETS	**10,987**	**553**	**–**	**11,540**
Total equity	**1,432**	**202**	**–**	**1,634**
Non-current Liabilities	**4,830**	**68**	**–**	**4,898**
Current Liabilities	**4,725**	**283**	**–**	**5,008**
Total liabilities	**9,555**	**351**	**–**	**9,906**
TOTAL EQUITY & LIABILITIES	**10,987**	**553**	**–**	**11,540**

1 Changes to current assets, total equity, and current and non-current liabilities relate solely to the prior year restatements presented above

The Consolidated Statement of Cash Flows includes a retrospective adjustment to the comparative period in relation to the purchase of catalogues. In prior years, cash outflows related to the purchase of catalogues were reported together with artist advances as content assets and presented as cash flows from operating activities. These cash flows are now presented separately as part of cash flows from investing activities.

In addition, proceeds and repayments from borrowings were previously reported net as changes in short term and long-term borrowings. Details on the impact on 2020 comparatives are presented in the table below.

	December 31, 2020			
(in millions of euros)	Before changes	Restatement	Presentational changes	After changes
Operating activities				
Operating profit	1,221	–	–	1,221
Adjustments	213	–	–	213
Royalty advances payments, net of recoupments	(1,517)	929	–	(588)
Gross cash provided by/(used for) operating activities before income tax paid	**(83)**	**929**	**–**	**846**
Other changes in net working capital	287	–	–	287
Net cash provided by/(used for) operating activities before income tax paid	**204**	**929**	**–**	**1,133**
Income tax paid	(207)	–	–	(207)
Net cash provided by/(used for) operating activities	**(3)**	**929**	**–**	**926**
Investing activities				
Catalogue investments	–	(929)	–	(929)
Other intangible assets investments	–	(37)	–	(37)
Capital expenditures	(66)	37	–	(29)
Purchases of consolidated companies, after acquired cash	(4)	–	–	(4)
Investments in equity affiliates	(2)	–	–	(2)
Purchase of financial assets	(3)	–	–	(3)
Investments	**(75)**	**(929)**	**–**	**(1,004)**
Proceeds from sales of property, plant, equipment and intangible assets	–	–	–	–
Proceeds from sales of consolidated companies, after divested cash	11	–	–	11
Disposal of equity affiliates	1	–	–	1
Proceeds from sale of financial assets	15	–	–	15
Divestitures	**27**	**–**	**–**	**27**
Dividends received from equity affiliates	2	–	–	2
Dividends received from unconsolidated companies	–	–	–	–
Net cash provided by/(used for) investing activities	**(46)**	**(929)**	**–**	**(975)**
Financing activities				
Distributions to shareowners	(283)	–	–	(283)
Other transactions with shareowners	(11)	–	–	(11)
Dividends paid by consolidated companies to their non-controlling interests	(5)	–	–	(5)
Transactions with shareowners	**(299)**	**–**	**–**	**(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 borrowing	–	–	–	–
Other changes in short-term borrowings and other financial liabilities	625	–	(625)	–
Proceeds from borrowings	–	–	2,294	2,294
Repayments of borrowings	–	–	(1,669)	(1,669)
Interest paid, net	(15)	–	–	(15)
Other cash items related to financing activities	(3)	–	–	(3)
Transactions on borrowings and other financial liabilities	**607**	**–**	**–**	**607**
Repayment of lease liabilities	(91)	–	–	(91)
Net cash provided by/(used for) financing activities	**217**	**–**	**–**	**217**

Accounting policy changes
Amendments to IFRS standards applicable as from January 1, 2021, had no material impact on UMG's Consolidated 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).

UMG applied amendments to IAS 1 *Presentation of Financial Statements—Classification of Liabilities as Current or Non-current* for the preparation of these Consolidated Financial Statements. The amendments are required to be applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the Statement of Financial Position and are aligning UMG's previously adopted accounting policy further with IAS1. The amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items was not affected by the early application of the amendments.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

New IFRS standards and IFRIC interpretations in issue but not yet effective
At the date of authorisation of these Financial Statements, UMG has not applied the following new and revised IFRS Standards and amendments that have been issued but are not yet effective:

- IFRS 17 (including the June 2020 amendments to IFRS 17) *Insurance Contracts*
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
- Amendments to IFRS 3 *Reference to the Conceptual Framework*
- Amendments to IAS 16 *Property, Plant and Equipment—Proceeds before Intended Use*
- Amendments to IAS 37 *Onerous Contracts—Cost of Fulfilling a Contract*
- Annual Improvements to IFRS *Standards 2018-2020 Cycle*
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, IAS 1 and IFRS *Practice Statement 2 Disclosure of Accounting Policies*
- Amendments to IAS 8 *Definition of Accounting Estimates*[1]
- Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

UMG do not expect that the adoption of the Standards listed above will have a material impact on the Financial Statements of the Group in future periods.

2.7 Foreign currency translation
The Consolidated Financial Statements are presented in millions of euros, unless stated otherwise. 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 with foreign currency differences recorded to profit and loss.

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 Profit or Loss 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 expenses and income directly recognized in equity.

2.8 Earnings per share
UMG presents basic and diluted earnings per share (EPS) data for its shares. Basic EPS is calculated by dividing the net profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year, adjusted for the weighted average number of own shares held in the year. Diluted EPS is determined by dividing the profit or loss attributable to shareholders by the weighted average number of shares outstanding, adjusted for the weighted average number of own shares held in the year and for the effects of all dilutive potential shares which comprise share rights granted to employees.

1 Not yet endorsed by the EU as per 28 December 2021. On 19 November 2021, the IASB has published a new exposure draft on the following topic Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

2.9 Consolidated Statement of Cash Flows

Net cash provided by operating activities

Net cash provided by operating activities is calculated using the indirect method based on Operating profit. Operating profit is adjusted for non-cash items and changes in net working capital.

Net cash used for investing activities

Net cash used for investing activities includes changes in cash flows related to investments and divestures of 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 related to dividend distributions, proceeds and repayments of borrowings, cash flows related to changes in ownership interests in a subsidiary that do not result in a loss of control (including increases in ownership interests).

2.10 Significant judgements and estimates

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

The main significant judgements relate to the measurement of:

- goodwill, content assets and other intangible assets: valuation methods used to identify intangible assets acquired through business combinations, refer to Note 2.15 and 2.16;
- revenue: significant judgement is required to identify performance obligations under contracts with customers, whether these performance obligations are satisfied at a point of time or overtime, contract price allocation in relation to every performance obligation, and probability that collectability is assured and significant reversal will not occur, refer to Note 2.12;
- provisions: risk judgements, 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, refer to Note 2.26;
- lease liabilities and right-of-use assets: judgement in determining the lease term of contracts with renewal and termination options at the commencement date of each lease contract, refer to Note 2.18;
- uncertain tax positions and deferred taxes: judgement in assessing the uncertainty of whether it is probable that a taxation authority will accept or revise the uncertain tax treatment, any changes of the tax rates and future results enabling realisation of deferred taxes, refer to Note 2.28;
- common control: judgements in relation to valuation method and assumptions used to calculate the fair value of the business combination under common control, refer to Note 2.4; and
- financial instruments: judgement in relation to valuation methods and assumptions used to calculate a fair value of certain financial instruments, according to the three following classification levels, refer to Note 2.20 and 2.23:
  - 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), being for example, price on the last transactions on over-the-counter (OTC) markets; 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 main significant estimates relate to the measurement of:

- goodwill, content assets and other intangible assets: assumptions relating to impairment tests performed on each of the group's cash-generating units (CGUs) or intangible assets, future cash flows and discount rates are updated annually, refer to Note 2.15 and Note 2.16;
- artist royalty advances: estimates of the future performance of artists and repertoire owners who are paid advances that are recognized in the Statement of Financial Position, refer to Note 2.16;
- revenues: estimation on the timing of the consequent usage and the amounts that are probable to be collected, refer to Note 2.12;
- lease liabilities and right-of-use assets, estimates of the incremental borrowing rate, refer to Note 2.18;
- provisions: estimate of the amount to settle the obligation, refer to Note 2.26;
- uncertain tax positions and deferred taxes: the ultimate tax effects of transactions may be uncertain for a considerable period of time, requiring management to estimate the related current and deferred tax treatments, refer to Note 2.28; and
- share based payment: estimates of the grant date fair value and number of equity instruments, refer to Note 2.29.

For more details on these significant judgement areas and resulting estimates refer to the accounting policies below.

2.11 Accounting for associates and joint arrangements

Associates are entities in which UMG has significant influence, but not control or joint control. Significant influence is generally obtained by ownership of more than 20% but less than 50% of the voting rights. Joint ventures are the arrangements in which UMG has joint control.

UMG's investments in associates and joint ventures are accounted for using the equity method of accounting, meaning they are initially recognised at cost.
The Consolidated Financial Statements include UMG's share of the net profit or loss of the associates and joint ventures whereby the result is determined using the accounting policies of UMG. When UMG's share of losses exceeds the carrying amount of the associate or joint venture, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that UMG has an obligation or has made a payment on behalf of the associate or joint venture.

2.12 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.

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 control over 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 and in line with the sale or usage.

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.

UMG does not adjust the transaction price for the effects of significant financing component if, at contract inception, it is expected that the period between customer payment and the transfer of goods or services is one year or less. This applies to the majority of sales transactions.
The transaction price may be variable due to discounts, rebates or similar arrangements. In determining the transaction price UMG considers the fair value of any non-cash consideration. Revenue is only recognized for the part of the consideration for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Judgment is required in determining the probability and level of discounts and rebates that will be granted. The estimate is updated throughout the term of the contract.

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.

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 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 catalogue of Recorded Music as it exists throughout the license period considering potential add-ons to, or withdrawals from, the catalogue 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.

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 catalogue of Recorded Music, as these intellectual property licenses are dynamic licenses. For these contracts, revenues are recognised on the basis of sales and usage royalties, using the best available estimate on the timing of the consequent usage and the amounts that are probable to be collected.

Merchandising
Revenues from Merchandising are recognized when control has been passed 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; or for sales of rights attached to Merchandising products when a contract is signed and collectability is probable and on a sales and usage basis.

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.

Cost of revenues primarily includes product costs and artists costs.

Selling, general and administrative expenses primarily include salaries and employee benefits, consulting and service fees, insurance costs, travel and entertainment expenses, amortization of music catalogues and publishing rights, depreciation of capital expenditure and right of use assets, administrative department costs, provisions for receivables, restructuring expenses and other operating expenses and are expensed when incurred.

Advertising costs are expensed when incurred.

Slotting fees and cooperative advertising expenses are recorded as a reduction in revenues. However, cooperative advertising is not treated as a reduction of transaction price but marketing expense and expensed when its distinct and can be estimated.

2.13 Operating segments
Operating segments are components of UMG's business activities about which separate financial information is available that is evaluated regularly by the chief operating decision maker. The operating segments are Recorded Music, Music Publishing and Merchandising. The segments are organized based on the nature of the business. 'Corporate Centre' represents amounts not allocated to the operating segments and includes certain costs related to central activities as well as group enabling functions.

The operating segment reporting follows the internal reporting used by Management of the Company, to manage the business, assess the performance based on the available financial information and to allocate the resources. The most important performance measures is EBITDA (see definitions in the appendix to the annual report) as management believes this is key in evaluating the results of the segments relative to other companies that operate within the same industry. However, Management also receives information about the segment's revenue and assets. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2.14 Business combinations
UMG accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Company. In determining whether a particular set of activities and assets is a business, the Company assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

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.

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 Profit or Loss. Acquisition-related costs are recognized as expenses when incurred.

Transactions with non-controlling interests

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.

2.15 Goodwill

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 purchase price allocation shall be performed within 12 months after the acquisition date. Subsequent to the acquisition date, goodwill is measured at its initial amount less recorded accumulated impairment losses.

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

2.16 Content assets and other intangible assets

Intangible assets separately acquired are recorded at cost, and intangible assets acquired in 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.

Amortisation is accrued for assets with a finite useful life. Useful life is reviewed at the end of each reporting period.

Content assets include royalty advances to artists, songwriters and co-publishers as well as Recorded Music and Music Publishing catalogues, artists' contracts and rights. Music catalogues, trade names, subscribers' bases and market shares generated internally are not recognized as intangible assets.

Music catalogues and publishing rights

The majority of the music catalogues are amortised over 20 years on a straight-line basis. Some significant catalogues can be amortized over longer period of time. Amortisation of music catalogues and publishing rights is recorded in Selling, general and administrative expenses.

Advances to artists and repertoire owners

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.

Other intangible assets

Other intangibles mainly includes software for internal use. Direct internal and external costs incurred for the development of software for internal use, are capitalized during the development stage if the resulting product or process is technically and commercially feasible, cost can be reliably measured, UMG has sufficient resources and the intention to complete its development. Research costs are expensed when incurred. Costs of significant upgrades and enhancements resulting in additional functionality are also capitalized.

The software for internal use is amortized generally over 3 years and included within amortisation expense. Other subsequent expenses such as maintenance, minor upgrades, and enhancement costs are expensed as they are incurred.

2.17 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.

Land and assets under construction are not depreciated. When assets under construction are ready for its intended use, they are transferred to the relevant category and depreciation starts. When property, plant and equipment include significant components with different useful lives, they are recorded and depreciated separately. Depreciation 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.

2.18 Leases

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.

Right-of-use assets

Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Amounts received for leasehold improvements are depreciated over a period not longer than the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

UMG recognizes lease liabilities initially measured at the present value of future lease payments over the lease term. The lease payments include in-substance fixed payments (less any lease incentives), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include payments of penalties for terminating a lease, if UMG has the option to terminate and it is reasonably certain that this option will be exercised. In calculating the present value of lease payments, UMG uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments.

Short-term leases and leases of low-value assets

UMG applies the short-term lease recognition exemption to the real-estate leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of office chattels and other equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Estimates in accounting for leases

UMG determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. When determining the lease term, UMG considers all relevant facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. These circumstances include UMG's real estate planning.

In estimating the lessee's incremental borrowing rate, UMG takes into account the residual lease term and its duration to reflect the interest rate of a loan with a similar payment profile to the lease payments.

2.19 Impairment of non-financial assets

Each time events or changes in the economic environment indicate a risk of impairment of goodwill, content assets and other intangible assets, property, plant and equipment, investments in associates and joint ventures, rights-of-use assets UMG re-examines the value of these assets. In addition, in accordance with applicable accounting standards, goodwill 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) 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 content businesses.

Each business offers different products and services that are marketed through various channels. CGUs for goodwill correspond to the Group's operating segments.

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, in the case of goodwill, an impairment test is performed by UMG for each CGU.

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, 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 Operating profit. In the case of operating segments, 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.

2.20 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 transaction costs, if any). Thereafter, financial assets are measured at fair value or at amortized cost depending on which financial asset category they belong to.

Financial assets 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 UMG'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 are considered in full to determine whether their cash flows are SPPI.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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.

These financial assets are recognized initially on trade date when the Company becomes a party to the contractual provisions of the instrument. Dividend income is recognised when the Group's right to receive payment is established.

Financial assets at amortized cost

Financial assets at amortised cost include trade receivables, other receivables, loans issued and bank deposits which are not cash equivalents. Loans, receivables and deposits are recognized on the date they are originated.

Financial assets at amortized cost consist of debt instruments as described above 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.

2.21 Impairment of financial assets

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

Trade accounts receivable are initially recognised at their transaction price. Expected loss rates on trade receivables and contract assets 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.

2.22 Cash and cash equivalents

Cash and cash equivalents include all cash balances and short-term highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash.

Bank overdrafts form an integral part of UMG's cash management and often fluctuate from being positive to overdrawn and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

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.

2.23 Financial liabilities

A liability is recognized when UMG becomes party to a contract. Regular way purchases and sales of financial instruments are accounted for at the trade date. Initial measurement of financial liabilities is at fair value, including any attributable transaction costs. Financial liabilities are all classified and subsequently measured at amortized cost, except for financial liabilities at fair value via profit and loss, for example derivatives, contingent consideration in a business acquisition. Such contingent consideration shall subsequently be measured at fair value with changes recognized in profit or loss. For the financial liabilities subsequently measured at amortised cost the effective interest method is applied. The effective interest rate is the internal yield rate that discounts future cash flows over the term of the financial instrument.
In addition, where the financial liability comprises an embedded derivative or an equity instrument, the amortized cost is calculated for the debt component only, after separation of the embedded derivative or equity instrument, if the embedded derivative is not closely related to the host contract and therefore needs to be separated.

2.24 Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. Subsequent accounting for derivatives depends on whether or not the derivatives are designated as hedging instrument in a cash flow, fair value or net investment hedge. Derivatives with positive fair values are recorded as assets and negative fair values as liabilities. UMG did not apply hedge accounting to the derivatives in 2021.

UMG measures all derivative financial instruments at fair value derived from market prices of the instruments or calculated as the present value of the estimated future cash flows based on observable interest yield curves, basis spread and foreign exchange rates. These calculations are tested for reasonableness by comparing the outcome of the internal valuation with the valuation received from the counterparty.

2.25 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. Inventories at UMG mostly comprise of finished goods.

2.26 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.

2.27 Employee benefit plans

Defined contribution plans

Contributions to defined contribution and multi-employer plans are expensed during the year when related services are provided.

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 discount rate is 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 expected return on plan assets is estimated by using the selected discount rate to value the obligations of the previous year.

The calculation is performed separately for each 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 expenses and income, consists of the unwinding of the interest component of the discount, 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.

2.28 Income 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 net profit, 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 Profit or Loss.

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 net profit, 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 profit if the tax relates to items that are credited or charged directly to equity. Current tax liabilities not expected to be paid within the next 12 months are recorded as long term current tax liability.

2.29 Share-based compensation

Prior to the separation from Vivendi, the cost of share-based compensation were allocated to UMG, pro rata to the number of equity instruments granted to the UMG employees and recharged by Vivendi. UMG accounted for these share-based compensations as equity settled.

Equity-settled share-based compensation expense is recognized as a personnel cost over the vesting period of the award at the fair value of the equity instruments granted at the grant date with a corresponding increase in equity. In cases when grant date occurs after the employees to whom the equity instruments were granted have begun rendering services (for example, if a grant of equity instruments is subject to shareholder approval), UMG estimates the grant date fair value of the equity instruments by estimating the fair value of the equity instruments at the end of the reporting period, for the purposes of recognising the services received during the period between service commencement date and grant date. Once the date of grant has been established, UMG revises the earlier estimate so that the amounts recognised for services received in respect of the grant are ultimately based on the grant date fair value of the equity instruments.

Fair value of the shares granted is fixed at the grant date and is equal to the share price at the grant date with a deduction for the aggregate discounted value of the dividends that will not be received over the vesting period and after taking into account the discount for non-transferability during the retention period.

The cumulative expense recognized for equity-settled transactions at each reporting date reflects the extent to which the vesting period has expired and UMG's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the Statement of Profit or Loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period. Service and non-market performance conditions are not considered when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of UMG's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

2.30 Related parties

A related party is a person or an entity that is related to the Group. These include both people and entities that have, or are subject to, the influence or control of the Group (e.g. key management personnel). Transactions with related parties are accounted for in accordance with the requirements of relevant IFRSs and take into account the substance as well as the legal form.

2.31 Contingent assets and liabilities

Non-financial guarantees are accounted for as a contingent liability until such time it becomes probable that UMG will be required to make a payment under the guarantee.

Contingent liabilities are possible or present obligations of sufficient uncertainty that it does not qualify for recognition as a provision, unless it is assumed in a business combination. Contingent liabilities are reviewed continuously to assess whether an outflow of resources has become probable.

2.32 Financial guarantees

Financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised at fair value and are subject to the expected credit loss model, and a credit loss is recognized for expected cash shortfalls.

COVID-19 pandemic impacts

Although the COVID-19 pandemic is having a more significant impact on certain countries or businesses, for example in the live and touring sectors as well as performance income collections, in 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 continuously monitors the current and potential consequences of the crisis and 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.

Information and considerations regarding areas of significant judgments and estimates have been included below.

Goodwill

An impairment test for goodwill was performed in the fourth quarter of 2021. All key assumptions were updated to reflect management's current best estimates, including the recovery of the global economy from COVID-19 pandemic. Taking into account the performance achieved during year 2021, UMG did not identify any indications of a decrease in the recoverable amount compared to December 31, 2020. See details in the related note below.

Content assets

Market developments driven by the COVID-19 pandemic may provide an indicator that the carrying amount of the music catalogues and publishing rights as reported in the Statement of Financial Position might not be recoverable. UMG performs periodic assessment to identify if any of the impairment triggers exist, which can lead to the recoverable amount being lower than carrying value of these assets.

In the initial months of the COVID-19 global pandemic in 2020 there was a period of decline in engagement in the streaming and subscription market. However, the consumption of music and other audio content swiftly recovered. Artists continued to provide new content and services to drive engagement and connect to their fans. Even with the initial short period of decline in engagement streaming and subscription revenues have continued to grow, whilst physical sales remained strong throughout 2020 and into 2021 (subsequent to the initial closure of retail in some territories due to COVID-19 restrictions).

Therefore, UMG did not identify any indications of impairment for its material catalogues due to the COVID-19 pandemic. The earnings for royalty advances to artists, songwriters, and co-publishers may have experience a short term impact (due to the above) but UMG does not expect there to be any longer term consequences on the probable future recoupment across the life of the deals. Any specific impact on individual royalty advances or catalogues has been included in UMG's standard impairment process and reflected in the results.

Financial assets and liabilities

As a result of COVID-19 pandemic, global financial markets experienced prolonged periods of volatility. UMG has certain investments in equity instruments of publicly listed companies, which are accounted for at fair value via profit and loss. As the investments are valued at their listed share price as at December 31, 2021, UMG has no impairment to the amount reflected on the Statement of Financial Position as of this date.

According to its accounting policy, UMG calculates the lifetime expected credit loss for trade receivables based on historical data that also incorporates forward-looking information, which in its turn reflects COVID-19 impact. Collection of trade receivables was strong in 2021, as a result, UMG's expected credit loss allowance as of December 31, 2021 has not increased materially compared to the allowance as of December 31, 2020. Furthermore, there were no material write offs in 2021.

Financial borrowings of UMG generally bare variable interest rates, which reflect the impact of the pandemic as well as market risk in general. See details in the market risk disclosures below in the notes.

Deferred tax

UMG has also assessed whether it is still probable that deferred tax assets recognised on the Statement of Financial Position will be realised. None of the deferred tax assets were derecognised as a result of this assessment.

Post-employment benefits

The significant economic uncertainty associated with the COVID-19 pandemic may continue to affect specific assumptions in the measurement of defined benefit obligations and plan assets: such as the interest rates and investment performance. UMG performed an updated quantification of the net defined benefit liability as at December 31, 2021 based on the most recent assumptions. Details can be found in the notes below.

Government support

In response to COVID-19, many governments provided support through incentives, changed tax policies aimed at deferring tax filings and payments and provided tax relief. For UMG the impact of government support received was not significant in 2021.

Leases

Impairments to right-of-use assets could occur as a result of business closures, supply chain disruption, or other consequences of the pandemic that negatively affect the future cash flows expected to be derived from the use of the underlying asset. However, UMG's business activities demonstrated resilience and none of the above circumstances impacted UMG's lease contracts materially.

Climate change

UMG does not expect that climate change-related risks will have significant impact on the Company and would qualitatively influence management's decisions.

Note 3. Segment data

Operating segment data

The operating segment reporting follows the internal reporting used by Management of the Company, to manage the business, assess the performance based on the available financial information and to allocate the resources. The most important performance measure is EBITDA, a non-IFRS measure as management believes this is key in evaluating the results of the segments relative to other companies that operate within the same industry. EBITDA is defined in the definition section of the appendix to the Annual Report.

Main aggregates of the Statement of Profit or Loss

	Year ended December 31, 2021					
(in millions of euros)	Recorded Music	Music Publishing	Merchandising and other	Corporate centre	Elimination of intersegment transactions	Total
Revenues	6,822	1,335	363	–	(16)	8,504
EBITDA	**1,614**	**307**	**16**	**(251)**	**–**	**1,686**
Amortisation and depreciation expense	(148)	(95)	(2)	(32)	–	(277)
Income/(loss) from equity affiliates	–	2	–	3	–	5
Restructuring expenses	(18)	(2)	–	–	–	(20)
Gain on sale of assets	2	–	–	–	–	2
Other non-recurring items	3	–	–	–	–	3
Operating profit	**1,453**	**212**	**14**	**(280)**	**–**	**1,399**
Financial income						143
Financial expenses						(377)
Profit before income taxes						**1,165**

	Year ended December 31, 2020					
(in millions of euros)	Recorded Music	Music Publishing	Merchandising and other	Corporate centre	Elimination of intersegment transactions	Total
Revenues	5,967	1,186	292	–	(13)	7,432
EBITDA	**1,360**	**269**	**21**	**(163)**	**–**	**1,487**
Amortisation and depreciation expense	(139)	(65)	(1)	(31)	–	(236)
Income/(loss) from equity affiliates	–	2	–	(11)	–	(9)
Restructuring expenses	(18)	(1)	(1)	–	–	(20)
Loss on sale of assets	–	–	–	(1)	–	(1)
Other non-recurring items	–	–	–	–	–	–
Operating profit	**1,203**	**205**	**19**	**(206)**	**–**	**1,221**
Financial income						613
Financial expenses						(53)
Profit before income taxes						**1,781**

Revenues by geographic area

The Company has a global network and operates in local countries, which enables it to maintain the relationships with clients and to understand the local market, legal and other conditions. As a result, the geographic basis of the operating companies is the basis in determining the split of revenues from external customers per geographical areas.

	Year ended December 31,			
(in millions of euros)	2021		2020	
USA	4,082	48%	3,539	48%
UK	785	9%	672	9%
Japan	628	7%	550	7%
Germany	465	6%	456	6%
France	388	5%	355	5%
Rest of the world[1]	2,156	25%	1,860	25%
Total revenues	**8,504**	**100%**	**7,432**	**100%**

1 Revenues for the Netherlands was €183 million in 2021 and €109 million in 2020

Disaggregated revenue information

Subscriptions and streaming represents the largest type of Recorded Music revenue and is recognised over time and is 53% (52% in 2020) of total UMG revenues. Physical Recorded Music revenues are recognised at a point in time and represent 13% (13% in 2020) of total UMG revenues.

Other Recorded Music revenues mostly include neighbouring rights income which are recognized over time.

Merchandising revenue is recognised at a point in time. Publishing revenue is mostly recognised over time.

In 2021, UMG had 2 customers that each individually represented over 10% of total revenues (2 customers in 2020) and which represented total revenues of 18% and 12% respectively (18% and 14% in 2020). Each customer reports revenues in both Recorded Music and Publishing segments.

Segment assets

Segment assets by segment

Segment assets that are reported to the executive board include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets mainly comprise of cash and deferred tax assets which are managed at the Group level.

		Year ended December 31, 2021				
(in millions of euros)	Note	Recorded Music	Music Publishing	Merchandising and Other	Corporate Centre	Total
Goodwill	9	653	727	100	–	1,480
Royalty advances, non-current	10	877	559	100	–	1,536
Catalogues	10	1,165	1,817	–	–	2,982
Property, plant and equipment	11	111	6	–	50	167
Other intangible assets	10	24	21	–	51	96
Right of use relating to leases	12	235	27	–	126	388
Royalty advances, current	10	421	362	61	–	844
Other assets		2,913	469	36	191	3,609
Total segment assets[1]		**6,399**	**3,988**	**297**	**418**	**11,102**
Unallocated assets						992
Total assets						**12,094**

1 Total segment assets in the Netherlands was €1,769 million in 2021, (€1,934 million in 2020)

	Note	Recorded Music	Music Publishing	Merchandising and Other	Corporate Centre	Total
			Year ended December 31, 2020			
Goodwill	9	601	674	94	–	**1,369**
Royalty advances, non-current	10	637	443	102	–	**1,182**
Catalogues	10	1,026	1,304	–	–	**2,330**
Property, plant and equipment[1]	11	119	6	–	51	**176**
Other intangible assets[1]	10	19	17	–	43	**79**
Right of use relating to leases	12	256	30	–	130	**416**
Royalty advances, current	10	304	338	35	–	**677**
Other assets[1]		2,992	453	28	1,096	**4,569**
Total segment assets[1,2]		**5,954**	**3,265**	**259**	**1,320**	**10,798**
Unallocated assets						**742**
Total assets[1]						**11,540**

1 Restated as presented in Note 2.6
2 Total segment assets in the Netherlands was €1,769 million in 2021, (€1,934 million in 2020)

Content assets and other intangibles by segment

(in millions of euros)	Note	Recorded Music	Music Publishing	Merchandising and Other	Total
			December 31, 2021		
Catalogues (of music and publishing rights)		1,165	1,817	–	2,982
Royalty advances (to artists and repertoire)		1,298	921	161	2,380
Of which: non-current		*877*	*559*	*100*	*1,536*
current		*421*	*362*	*61*	*844*
Content assets, net	10	**2,463**	**2,738**	**161**	**5,362**
Current content assets		421	362	61	844
Non-current content assets		2,042	2,376	100	4,518

(in millions of euros)	Note	Recorded Music	Music Publishing	Merchandising and Other	Total
			December 31, 2020		
Catalogues (of music and publishing rights)		1,026	1,304	–	2,330
Royalty advances (to artists and repertoire)		941	781	137	1,859
Of which: non-current		*637*	*443*	*102*	*1,182*
current		*304*	*338*	*35*	*677*
Content assets, net	10	**1,967**	**2,085**	**137**	**4,189**
Current content assets		304	338	35	677
Non-current content assets		1,663	1,747	102	3,512

Note 4. Acquisitions and divestments

UMG did not have any material acquisitions in 2021.

In June 2021 UMG divested its interest in Alamo Records for the total cash consideration of € 102 million. Total gain on disposal amounted to € 98 million.

Note 5. Cost of revenues and selling, general and administrative expenses

(in millions of euros)	Note	Year ended December 31, 2021	2020
Included in cost of revenues:			
Artist costs		3,800	3,283
Product costs		808	634
Of which:			
Personnel costs		*27*	*27*
Included in selling, general and administrative expenses:			
Amortization of intangible assets	10	175	138
Depreciation of tangible assets	11	34	29
Depreciation of right of use assets	12	68	69
Personnel costs		1,380	1,234

Personnel costs and average employee numbers

(in millions of euros)	Note	Year ended December 31, 2021	2020
Salaries		1,117	1,059
Social security and other employment expenses		148	139
Wages and expenses		**1,265**	**1,198**
Share-based compensation plans	24	79	10
Employee defined contribution plans		41	36
Employee defined benefit plans	23	5	5
Other		17	12
Personnel costs		**1,407**	**1,261**
Annual average number of full-time equivalent employees (in thousands)		9.1	8.8

Note 6. Financial income and expenses

(in millions of euros)	Note	Year ended December 31, 2021	2020
Interest income from cash, cash equivalents and other		6	10
Change in fair value of financial instruments through profit or loss		23	599
Gain on disposal of consolidated companies	4	98	–
Expected return on plan assets related to employee benefit plans	23	3	3
Foreign exchange gain		11	–
Other		2	1
Financial income		**143**	**613**
Interest expense on borrowings		(21)	(25)
Change in fair value of financial instruments through profit or loss		(320)	–
Unwinding of interest component		(1)	(1)
Interest cost related to employee benefit plans	23	(5)	(5)
Interest expenses on lease liabilities	12	(16)	(18)
Cost of finance		(11)	(2)
Other		(3)	(2)
Financial expenses		**(377)**	**(53)**
Net total financial income and (expenses)		**(234)**	**560**

Note 7. Income taxes

Income taxes and income tax paid by geographic area

	Year ended December 31,	
(in millions of euros)	2021	2020
(Expense)/income		
Current		
United States	(141)	(105)
United Kingdom	(14)	(20)
Rest of Europe	(47)	(60)
Rest of the world	(117)	(94)
	(319)	(279)
Deferred		
United States	(4)	7
United Kingdom	16	(20)
Rest of Europe (a)	27	(123)
Rest of the world	3	3
	42	**(133)**
Income taxes	**(277)**	**(412)**

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 € 71 million in 2021, compared to € 143 million expense in 2020.

Income tax paid

	Year ended December 31,	
(in millions of euros)	2021	2020
United States	(139)	(80)
United Kingdom	(20)	(26)
Rest of Europe	(37)	(50)
Rest of the world	(59)	(51)
Income tax (paid)/collected	**(255)**	**(207)**

Effective tax rate

(in millions of euros, except %)	Year ended December 31, 2021	2020
Net profit	**888**	**1,369**
(Income)/loss from equity affiliates	(5)	9
Income taxes	277	412
Profit before income taxes excluding (income)/loss from equity affiliates	**1,160**	**1,790**
Dutch statutory tax rate	25%	25%
Theoretical provision for income taxes based on Dutch statutory tax rate	**(290)**	**(448)**
Reconciliation of the theoretical and effective provision for income taxes		
Earnings tax rate differences	32	36
Impacts of the changes in tax rates	(14)	4
Use or recognition of tax attributes[1]	83	25
Adjustments to tax expense from previous years	(3)	10
Withholding taxes	(56)	(47)
United States tax components		
Base Erosion and Anti-Abuse tax (BEAT) addback[2]	(48)	(16)
Foreign Derived Intangible Income (FDII) deduction	22	17
State Taxes (net of Federal Income Tax benefit)	(25)	(20)
Other	22	27
Provision for income taxes	**(277)**	**(412)**
Effective tax rate	**23.9%**	**23.0%**

1 Tax attributes includes tax losses and tax credits, both for the use of previously unrecognized attributes as for prior years attributes recognised this year for expected utilisation in future years. If these had been recognised in earlier periods (pre-2020) the benefit (after adjusting for the offsetting impact of BEAT) of €42 million (2020: €9 million) would result in an increase of the effective tax rate in 2021 of 3.6% (2020: 0.5%).
2 In the United States the benefit of €80m on the utilisation of tax attributes is, by virtue of how the tax rules apply, largely offset by the Base Erosion and Anti-Abuse Tax addback.

Excluding previous years' adjustments to income tax expense, the effective tax rate would have been 24.1% in 2021 and 23.6% in 2020.

Deferred tax assets and liabilities

Changes in deferred tax assets/(liabilities), net

(in millions of euros)	Year ended December 31, 2021	2020[1]
Opening balance of deferred tax assets/(liabilities)	**(482)**	**(360)**
Income taxes	42	(133)
Expenses and income directly recorded in equity	4	(3)
Other business combinations	–	(1)
Changes in foreign currency translation adjustments and other	(10)	15
Closing balance of deferred tax assets/(liabilities), net	**(446)**	**(482)**

1 Restated as presented in Note 2.6

Components of deferred tax assets and liabilities

(in millions of euros)	Year ended December 31, 2021	2020[1]
Deferred tax assets		
Recognizable deferred taxes		
Tax attributes (a)	111	188
Of which:		
Universal Music US and its subsidiaries	*8*	*95*
Universal Music UK and its subsidiaries	*61*	*46*
Universal Music and its subsidiaries in the rest of Europe	*22*	*26*
Universal Music and its subsidiaries in the rest of the world	*20*	*21*
Other	415	429
Of which:		
Non-deductible provisions	*49*	*44*
Employee benefits	*21*	*32*
Working capital	*158*	*161*
Other	*187*	*192*
Total deferred tax assets	**526**	**617**
Deferred taxes, unrecognized		
Tax attributes (a)	(103)	(179)
Of which:		
Universal Music US and its subsidiaries	*(5)*	*(95)*
Universal Music UK and its subsidiaries	*(59)*	*(43)*
Universal Music and its subsidiaries in the rest of Europe	*(19)*	*(20)*
Universal Music and its subsidiaries in the rest of the world	*(20)*	*(21)*
Other	*(19)*	*(24)*
Total deferred tax assets, unrecognized	**(122)**	**(203)**
Recorded deferred tax assets	**404**	**414**
Deferred tax liabilities		
Asset revaluations (b)	(204)	(201)
Working capital	(226)	(197)
Financial instruments (c)	(351)	(434)
Other	(69)	(64)
Recorded deferred tax liabilities	**(850)**	**(896)**
Deferred tax assets/(liabilities), net	**(446)**	**(482)**

1 Restated as presented in Note 2.6

a. As shown in this table, the amounts of gross tax attributes (including tax losses and tax credits) 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. 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.

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

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 2020 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 unfavourable 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 8. Earnings per share

Until February 26, 2021, as the combined group was not a legal entity, the number of shares outstanding was not determinable. Following the contribution by Vivendi and the consortium led by Tencent to UMG B.V. on February 26, 2021, the number of ordinary shares outstanding is determinable. As a result of the contribution the calculation of basic and diluted earnings per share was adjusted retrospectively, for all periods presented.

	December 31,	
(in millions of euros and shares)	2021	2020
Net profit attributable to equity holders of the parent	886	1,366
Weighted average number of shares outstanding (after deduction of treasury shares) during the year	1,813	1,813
Potential dilutive effects related to share-based compensation	1	–
Diluted weighted average number of shares	**1,814**	**1,813**
Earnings per share (in euros)		
Basic earnings per share	0.49	0.75
Diluted earnings per share	0.49	0.75

Note 9. Goodwill

Changes in goodwill

(in millions of euros)	2021	2020
Balance as at January 1		
Goodwill, gross	1,451	1,577
Accumulated impairment losses	(82)	(89)
Goodwill, net	**1,369**	**1,488**
Changes in book value:		
Acquisitions	9	7
Impairment losses	–	–
Foreign currency translation adjustments	102	(126)
Total changes	**111**	**(119)**
Balance as at December 31		
Goodwill, gross	1,567	1,451
Accumulated impairment losses	(87)	(82)
Goodwill, net	**1,480**	**1,369**

Goodwill by cash generating unit

(in millions of euros)	December 31, 2021	2020
Recorded Music	653	601
Publishing	727	674
Merchandising & Other	100	94
Closing balance	**1,480**	**1,369**

Cash generating units

For impairment testing, goodwill is allocated to cash-generating units, which represent the lowest level at which the goodwill is monitored internally for management purposes. The cash-generating units correspond to the operating segments. 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 separation in 2021, UMG tested goodwill at the cash -generating units level which corresponds to the operating segments as disclosed in Note 3 above.

Goodwill impairment test

UMG conducted the full annual impairment test in the fourth quarter of 2021.

The goodwill was tested for impairment by comparing it with a 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 2.

Key assumptions used in the impairment tests for the cash-generating units were sales growth rates and the rates used for discounting the projected cash flows. These cash flow projections were determined using management's internal forecasts that cover an initial period of 2022 to 2026 that matches the period used for our strategic planning process, after which a terminal value was calculated. The sales growth rates used to estimate cash flows are based on:

- past performance, including the label pool revenue forecasts derived from commercial agreements with customers;
- external market growth assumptions among which is the overall population and corresponding growth in streaming penetration rate among the population;
- expected market share developments;
- industry long-term growth averages.

These assumptions take into account the estimated impact from the COVID-19 pandemic and expected recovery for example, in relation to publishing performance revenue projections.

Key assumptions

In % per year	Compound Annual revenue growth 2022-2026	Extrapolation revenue growth rate after 2026	Pre-tax discount rates
Recorded Music	7.3%	2.5%	6.9%
Music Publishing	5.6%	2.5%	6.9%
Merchandising	9.4%	2.5%	6.9%

The annual impairment test for Recorded Music, Music Publishing and Merchandising showed significant headroom and management did not identify an impairment for these CGUs. The sensitivity analysis around the key assumptions in the impairment tests have indicated that a reasonably possible change in any of the assumptions would not cause the recoverable amount to be less than the carrying value.

In the 2020 Combined Financial Statements, the goodwill impairment test was performed at the level of UMG. The recoverable amount was determined in reference to the below transactions:

- 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 €30,000 million for 100% of UMG's share capital, with the option to acquire, until January 15, 2021, on the same valuation basis, an additional mount 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 €30,000 million for 100% of UMG's share capital.

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

Note 10. Content assets (catalogues and royalty advances) and other intangibles

Net book value of content assets and other intangibles

	December 31, 2021		
(in millions of euros)	Asset value, gross	Accumulated amortization and impairment losses	Net book value
Catalogues (of music and publishing rights)	5,284	(2,302)	2,982
Royalty advances (to artists and repertoire owners)	2,380	–	2,380
Content assets	**7,664**	**(2,302)**	**5,362**
Other intangible assets	437	(341)	96

	December 31, 2020		
(in millions of euros)	Asset value, gross	Accumulated amortization and impairment losses	Net book value
Catalogues (of music and publishing rights)	4,345	(2,015)	2,330
Royalty advances (to artists and repertoire owners)	1,859	–	1,859
Content assets	**6,204**	**(2,015)**	**4,189**
Other intangible assets[1]	352	(273)	79

1 Restated as presented in Note 2.6

Changes in content assets and other intangibles

(in millions of euros)	Catalogues (of music and publishing rights)	Royalty advances (to artists and repertoire owners)	Other Intangibles[1]	Total
Balance December 31, 2019	**1,594**	**1,266**	**91**	**2,951**
Amortization	(108)	–	(30)	(138)
Additions	929	1,612	37	2,578
Disposals	–	–	–	–
Recoupments	–	(1,024)	–	(1,024)
Business combinations	–	–	–	–
Changes in foreign currency translation and other	(85)	5	(19)	(99)
Balance December 31, 2020	**2,330**	**1,859**	**79**	**4,268**
Amortization	(144)	–	(31)	(175)
Additions	388	1,608	48	2,044
Disposals	–	–	–	–
Recoupments	–	(1,244)	–	(1,244)
Business combinations	–	–	–	–
Changes in foreign currency translation adjustments and other	408	157	–	565
Balance December 31, 2021	**2,982**	**2,380**	**96**	**5,458**

1 2020 restated as presented in Note 2.6

Royalty advance payments, net on the Consolidated Statement of Cash Flows consists of additions and recoupments from the changes in content assets table above.

The significant music catalogues and publishing rights were acquired through business combinations of BMG Publishing (BMG) and EMI Recorded Music (EMI). The BMG catalogue was acquired in 2007 with a fair value of €1,241 million and has carrying amount of €413 million (2020: €404 million) with a remaining useful life of 6 and 36 years for the respective catalogue components.
The EMI catalogue was acquired in 2012 with a fair value of €1,046 million, and has a carrying amount of €553 million (2020: € 545 million) with a remaining useful life of 11 and 41 years for the respective catalogue components.

Note 11. Property, plant and equipment

(in millions of euros)	Land and buildings	Equipment and machinery	Other fixed assets	Assets under construction	Total
Cost					
Balance as at January 1, 2021	220	77	65	19	381
Additions	3	3	3	4	13
Transfers and reclassifications	4	15	3	(22)	–
Disposals	(4)	–	–	–	(4)
Changes in foreign currency translation adjustments and other	11	16	3	8	38
Balance as at December 31, 2021	234	111	74	9	428
Depreciation and impairment losses					
Balance as at January 1, 2021	(103)	(59)	(43)	–	(205)
Depreciation during the year	(18)	(10)	(6)	–	(34)
Disposals	–	–	–	–	–
Changes in foreign currency translation adjustments and other	1	(21)	(2)	–	(22)
Balance as at December 31, 2021	(120)	(90)	(51)	–	(261)
Carrying amount					
As at January 1	117	18	22	19	176
As at December 31	114	21	23	9	167

(in millions of euros)	Land and buildings	Equipment and machinery	Other fixed assets	Assets under construction	Total[1]
Cost					
Balance as at January 1, 2020	220	65	66	26	377
Additions	3	4	–	22	29
Transfers and reclassifications	11	12	7	(30)	–
Disposals	–	–	(1)	–	(1)
Changes in foreign currency translation adjustments and other	(14)	(4)	(7)	1	(24)
Balance as at December 31, 2020	220	77	65	19	381
Depreciation and impairment losses					
Balance as at January 1, 2020	(97)	(54)	(41)	–	(192)
Depreciation during the year	(14)	(8)	(7)	–	(29)
Disposals	4	1	2	–	7
Changes in foreign currency translation adjustments and other	4	2	3	–	9
Balance as at December 31, 2020	(103)	(59)	(43)	–	(205)
Carrying amount					
As at January 1	123	11	25	26	185
As at December 31	117	18	22	19	176

1 Restated as presented in Note 2.6

Note 12. Leases

Changes in the rights-of-use

(in millions of euros)	December 31, 2021	2020
Opening balance	**416**	**472**
Depreciation	(68)	(69)
Additions	32	39
Disposals	(12)	–
Foreign currency translations and other	20	(26)
Closing balance	**388**	**416**

Lease liabilities

(in millions of euros)	Note	December 31, 2021	2020
Opening balance		**525**	**595**
Additions		32	39
Disposals		(15)	–
Accretion of interest	6	16	18
Payments		(86)	(91)
Of which: interest		*(16)*	*(18)*
principal		*(70)*	*(73)*
Foreign currency translations and other		29	(36)
Closing balance		**501**	**525**

Maturity of lease liabilities

(in millions of euros)	December 31, 2021	2020
Maturity		
< 1 year	80	78
Between 1 and 5 years	256	265
> 5 years	165	182
Lease liabilities	**501**	**525**

Cash outflow for leases and lease-related expenses

Total cash outflow and expenses for the leases of real-estate with maturity shorter than 12 months and expense relating to low-value assets recorded in the Statement of Profit or Loss amounted to € 13 million for the year ended December 31, 2021 (compared to €13 million for the year ended December 31, 2020).

Note 13. Investments in equity affiliates

UMG has certain interests in joint ventures and companies where UMG has significant influence. The main company over which UMG had significant influence at the reporting date was Vevo LLC (Vevo). Vevo is a global music videos and entertainment services platform and its country of incorporation is the United States. UMG owns 49.2% of the voting interest and the carrying amount of this investment was € 70 million on December 31, 2021 (2020: € 62 million).

Change in value of investments in equity affiliates

(in millions of euros)	December 31, 2021	2020
Opening balance	**72**	**88**
Acquisitions	28	2
Business combinations	–	–
Income/(loss) from equity affiliates	5	(9)
Change in other comprehensive income	5	(6)
Dividends	(2)	(2)
Translation difference	1	(1)
Closing balance	**109**	**72**

Note 14. Capital and financial risk management

Capital risk management

UMG objectives when managing capital are to safeguard UMG's ability to continue to create value for shareholders, support the sustainable growth of the Company, and to maintain an optimal capital structure that optimizes its cost of capital. As a result, the Company endeavours to maintain a satisfactory economic return for its shareholders and guarantee economic access to external sources of funds.

Consistent with the debt covenants agreed with the banks, the Group monitors capital on the basis of the average financial Net Debt to EBITDA ratio as defined in the debt agreement. This ratio is calculated as interest-bearing debt minus cash and cash equivalents divided by EBITDA as defined in the debt agreement. EBITDA as defined in the debt agreement is consistent with the EBITDA definition in the Appendix to the Annual Report, but further adjusted to include the impact of leases and excludes share-based compensation. Net Debt as defined in the debt agreement is consistent with the Financial Net Debt definition in the Appendix to the Annual Report. This capital management approach was established after the separation from Vivendi, when the external bank borrowings were obtained, refer to Note 17 Cash position and borrowings for more details.

The Group and its subsidiaries are not subject to external capital requirements, other than debt covenants as disclosed in the notes to these Financial Statements. During 2021, UMG strategic goal on financing was to maintain the financing Net Debt to EBITDA ratio to be equal or below 4.0 in order to secure access to finance at a reasonable cost.

In order to support this strategic goal, UMG management remains focused on robust performance of Free Cash Flow, a non-IFRS measure as defined in the definitions in the Appendix to the Annual Report, and effective working capital management, details on both are presented on the next page.

Free cash flow

(in millions of euros)	December 31, 2021	2020
Operating profit	**1,399**	**1,221**
Amortization and depreciation expense	277	236
Changes in provision, net	8	(33)
(Income)/loss from equity affiliates	(5)	9
(Gain)/loss on sale of assets	(2)	1
Other non-recurring items	(3)	–
Adjustments	**275**	**213**
Royalty advance payments, net of recoupments	(364)	(588)
Other changes in net working capital	85	287
Net cash provided by/(used for) operating activities before income tax paid[4]	**1,395**	**1,133**
Income tax paid	(255)	(207)
Net cash provided by/(used for) operating activities[4]	**1,140**	**926**
Net cash provided by/(used for) investing activities[4]	**(391)**	**(975)**
Repayment of lease liabilities	(86)	(91)
Interest paid, net	(17)	(15)
Other cash items related to financing activities	(8)	(3)
Free cash flow	**638**	**(158)**

In 2021 and 2020 there were no significant non-cash investing activities.

Changes in working capital

(in millions of euros)	December 31, 2020[4]	Changes in operating working capital[1]	Business combinations	Changes in foreign currency translation adjustments	Other[2]	December 31, 2021
Inventories[3]	79	17	–	3	–	99
Trade accounts receivable and other	1,641	126	–	40	(4)	1,803
Of which:						
Trade accounts receivable	*538*	*17*	–	*12*	*(17)*	*550*
Expected credit losses	*(62)*	*9*	–	*(1)*	*8*	*(46)*
Working capital assets	**1,720**	**143**	**–**	**43**	**(4)**	**1,902**
Trade accounts payable and other	(4,126)	(226)	–	(201)	(322)	(4,875)
Other non-current liabilities	(851)	(2)	–	(19)	103	(769)
Working capital liabilities	**(4,977)**	**(228)**	**–**	**(220)**	**(219)**	**(5,644)**
Net working capital	**(3,257)**	**(85)**	**–**	**(177)**	**(223)**	**(3,742)**

1 Excludes content investments
2 Mainly includes the change in net working capital relating to content investments, capital expenditures and other investments
3 Total inventory obsolescence expense for the period was €40 million
4 2020 restated as presented in Note 2.6

(in millions of euros)	January 1, 2020[5]	Changes in operating working capital[1]	Business combinations	Changes in foreign currency translation adjustments	Other[2]	December 31, 2020[5]
Inventories[3]	90	(6)	–	(5)	–	79
Trade accounts receivable and other	1,611	133	2	(54)	(51)	1,641
Of which:						
Trade accounts receivable	*507*	*62*	*1*	*(20)*	*(12)*	*538*
Expected credit losses	*(42)*	*(8)*	*–*	*3*	*(15)*	*(62)*
Working capital assets	**1,701**	**127**	**2**	**(59)**	**(51)**	**1,720**
Trade accounts payable and other	(4,264)	(413)	1	241	309[4]	(4,126)
Other non-current liabilities	(106)	(1)	(6)	17	(755)[4]	(851)
Working capital liabilities	**(4,370)**	**(414)**	**(5)**	**258**	**(446)**	**(4,977)**
Net working capital	**(2,669)**	**(287)**	**(3)**	**199**	**(497)**	**(3,257)**

1 Excludes content investments
2 Mainly includes the change in net working capital relating to content investments, capital expenditures and other investments
3 Total inventory obsolescence expense for the period was €38 million
4 Included royalty provisions for €279 million as of December 31, 2020
5 Restated as presented in Note 2.6

Financial risk management

UMG business activities expose the Group to a variety of risks associated with financial instruments, including credit risk, liquidity risk, interest rate risk, foreign currency risk and market risks.

These risks are inherent to the way UMG operates as a multinational with locally operating subsidiaries. To manage these risks, UMG has developed specific policies. The essence of measuring performance is to strike a balance between managing risks and contributing to the financial results of the company. UMG policies are risk adverse in that regard. Enforcement of procedures related to financial risk management are carried out by UMG Group Treasury in line with the guiding principles of the Group Treasury Policies, as approved by the CFO in June 2021.

Credit risk

Credit risk can be defined as the risk of loss arising from the failure of a counterparty to perform its obligations under a contract.

Credit risk maximum exposure is equal to the carrying amounts of trade and other receivables, refer to the Note 15, and cash and cash equivalents, refer to Note 17, as presented in the Statement of Financial Position. Also, for the derivatives and assets at fair value via profit and loss, the maximum exposure to credit risk at the end of the reporting period is equal to the carrying amount, refer to Note 19 *Financial assets and liabilities*. The maximum credit risk exposure on guarantees issued corresponds to their nominal amounts, as presented in Note 18 *Contractual obligations and other commitments.*

UMG aims to centralize its businesses and treasury related operations with its Tier 1 banks, of which all the banks have credit ratings of minimum of A-.

UMG 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. UMG's operational subsidiaries have set up procedures and systems for tracking their trade accounts receivable and recovering outstanding amounts. In addition, some subsidiaries have insured their main client credit risks worldwide with a leading credit insurer.

UMG performs ongoing evaluations of the financial and non-financial condition of UMG customers and adjusts credit limits when appropriate. In instances where the creditworthiness of a customer is determined not to be sufficient to grant the credit limit required, there are a number of mitigation tools that can be utilized to close the gap, including reducing payment terms, cash on delivery, prepayments and pledges on assets.

Liquidity risk

Liquidity risk is the risk that UMG will not be able to meet its financial obligations as they fall due.

The primary objective of liquidity management is providing sufficient cash and cash equivalents to enable UMG to meet its liabilities when due, under both normal and stressed conditions, without incurring losses.

Neither the aged receivables of individual customers, nor the profile of the accounts receivable portfolio per segment, impose a significant threat to UMG's liquidity planning.

UMG Treasury provides for the short-term day-to-day cash management needs of the Group by organizing sweeps between international cash poolings. For medium term financing requirements, UMG Group Treasury determines the Group's overall debt position and its planned evolution based on the Group's 13 month rolling cash forecast. A liquidity analysis is performed to ensure the proper funding is in place to face medium-term needs.

Total cash and cash equivalents position as at December 31, 2021 is disclosed in Note 17 Cash positions and borrowings. Contractual obligations and their timing are disclosed in Note 18 *Contractual obligations and other commitments*. In addition, as at December 31, 2021 UMG has undrawn Revolving Credit Facility (RCF) of € 553 million.

Market risk

Market risk is the possibility that an entity will experience losses due to factors that affect the financial markets. Market risk includes currency risk and interest rate risk as addressed below, but also risk of change in fair value of the financial instruments, including those traded on the active markets. As at December 31, 2021 UMG held financial instruments measured at fair value as disclosed in Note 19, where the exposure of the risk and sensitivity are presented.

The main goals of UMG market risk management policies are first, to avoid financial distress, and second to prevent an adverse impact on the Group's chosen strategy as a result of unexpected financial losses that would hinder management to pursue key strategies.

Interest rate risk

Interest rate risk is the risk of the fair value or future cash flows of a financial instrument fluctuating because of changes in the market interest rates. Financial instruments included in the borrowings create an inherent interest rate risk. UMG monitors interest rate coverage, short-term and long-term interest rate developments and has the flexibility to opt for different short-term interest periods for the variable debt instruments at roll-over dates.

As of December 31, 2021, UMG had a ratio of fixed-rate debt to total outstanding debt of approximately 25%, including lease liabilities. A sensitivity analysis conducted in January 2022 on the gross debt portfolio shows that if short term EURIBOR were to increase instantaneously by 0.5% from their level of December 31, 2021, with all other variables held constant, the annualized interest expense result would be immaterial because of the interest floor applied on the EUR Loan. If USD interest rates were to increase by 0.5% from their level of December 31, 2021, the annualized interest expense would increase by € 2 million.

Foreign currency risk

As any multinational company, UMG faces various types of foreign exchange transactional exposures on committed and expected cash in and outflows, denominated in a currency other than the respective functional currencies of UMG entities. Subsequently, UMG also faces translational risk, which is the risk resulting from the translation of foreign operations into the euro. The main currencies that drive the foreign currency risk of UMG are US Dollar, British Pound and Japanese Yen.

In 2020, UMG was a part of Vivendi and its hedged portfolio was fully intercompany. From the second half of 2021, UMG started derivative trading with external banks. UMG's exposure to FX transactional risk is greatly limited due to the offsetting of inflows/outflows in the different currencies to the extent possible as a natural hedge. UMG Treasury mainly focuses on managing foreign exchange rate risk exposure on balance sheet positions, mostly cash concentration in various currencies at the top cash pooling entity. Group Treasury foreign exchange risk management policy is to hedge recognized assets and liabilities nominated in foreign currencies above a predefined threshold. UMG uses forward exchange rate contracts and foreign exchange swaps to manage this exposure. All material foreign currency balance sheet exposures are offset by derivatives, so potential foreign currency rate fluctuations as of December 31, 2021 would have no significant impacts on UMG's profit and loss. In 2021, UMG did not apply hedge accounting to these derivatives. Currency derivatives are not used for speculative purposes. Average maturity of these contracts is one month.

The table below summarises the net nominal value of the foreign currency balance sheet exposure and foreign exchange rate derivatives used to offset it as of December 31, 2021.

(in millions of euros)	USD	GBP	JPY	Other	Total
Nominal value of Balance sheet exposure	**95**	**112**	**143**	**299**	**649**
Foreign exchange rate derivatives	(95)	(112)	(143)	(299)	(649)
Net exposure	–	–	–	–	–

Note 15. Trade and other receivables

Trade and other receivables are made up of the following:

	December 31,	
(in millions of euros)	2021	2020[1]
Trade receivables	504	476
Contract assets	1,094	1,006
Other receivables	205	159
Trade receivables, net of value allowance	**1,803**	**1,641**

1 Restated as presented in Note 2.6.

The aging of trade receivables was as follows:

	December 31,	
(in millions of euros)	2021	2020
Current	449	416
Overdue 0 - 30 days	44	32
Overdue 31 – 180 days	11	17
Overdue >180 days	–	11
Trade receivables, net	**504**	**476**

For the movements of the expected credit loss allowance and the credit risk management policies and procedures of UMG please refer to the Note 14 *Working capital and financial risk management.*

Note 16. Trade and other accounts payable

	December 31,	
(in millions of euros)	2021	2020[1]
Trade accounts payable	146	121
Music royalties to artists and repertoire owners	3,020	2,588
Accrued expenses	385	331
Other payables	936	632
Trade and other accounts payable	**4,487**	**3,672**
Contract liabilities	388	454
Trade accounts payable and other	**4,875**	**4,126**

1 Restated as presented in Note 2.6.

Out of the total amount of € 454 million recognized in contract liabilities at the beginning of 2021, € 355 million has been recognized as revenue for the year ended December 31, 2021.

Note 17. Cash position and borrowings

Cash position

		December 31,	
(in millions of euros)	Note	2021	2020
Loans to Vivendi SE		–	815
of which			
Universal Music Group Treasury with Vivendi	25	–	*815*
Cash equivalents		297	220
Cash		288	106
Cash and cash equivalents		**585**	**1,141**

UMG operates in a number of territories where regulations do not authorise participation of local entities to the UMG global cash pooling. Only dividends and intra-group invoices are available to extract cash from these territories. The amount of cash held by UMG entities in these countries amounted to €332 million as of December 31, 2021.

Borrowings and other financial liabilities

		December 31, 2021			December 31, 2020		
	Note	Total	Long-term	Short-term	Total	Long-term	Short-term
Term facility		**998**	798	200	**–**	–	–
Drawn revolving credit facility		**1,447**	1,447	–	**–**	–	–
Vivendi SE borrowings	25	**–**	–	–	**2,368**	2,368	–
Vivendi SE credit lines drawn		**–**	–	–	**422**	–	422
UMG own credit lines drawn		**–**	–	–	**213**	–	213
Bank overdrafts		**13**	–	13	**5**	–	5
Other		**137**	32	105	**1**	1	–
Borrowings at amortized cost		**2,595**	**2,277**	**318**	**3,009**	**2,369**	**640**

New financing

In the context of the separation from Vivendi, see Note 2 Basis of preparation for more details, on March 24, 2021, UMG entered into a syndicated euro-nominated term loan of €1,000 million maturing yearly for 20% of the amount with the final repayment in October 2026 as well as the multi-currency revolving credit facility (RCF) for approximately €2,000 million, both with two one-year extension options.

The ability of 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. To finance the repayment of UMG's borrowing from Vivendi, the term loan of €1,000 million was used, as well as the revolving credit facility for € 1,240 million.

The term loan and the committed multi-currency RCF bear interest at a variable rate based on the relevant EURIBOR and LIBOR respectively with zero-floor plus a margin. The margin was 0.6% as of December 31, 2021 and is subject to adjustment based on the level of net debt to EBITDA ratio as at every financial year-end.

Financial covenants

The leverage covenant for the newly issued RCF and term loan prescribes that the financial net debt to EBITDA ratio is not to exceed the maximum ratio of 4.0 which is confirmed to the lenders twice a year. At December 31, 2021 the financial net debt to EBITDA ratio was 1.2. No other financial covenants are imposed on UMG by any of the borrowings.

Movements of borrowings

The movement in borrowings were as follows:

(in millions of euros)	Term facility	Drawn revolving credit facility	Vivendi SE borrowings	Vivendi SE credit lines drawn	UMG own credit lines drawn	Bank overdrafts	Other debt	Total
Balance December 31, 2019	**–**	**–**	**–**	**–**	**–**	**14**	**1**	**15**
New borrowings	–	–	860	1,069	338	–	27	2,294
Repayments	–	–	(930)	(611)	(118)	(9)	(1)	(1,669)
Translation differences and other movements	–	–	2,438 [1]	(36)	(7)	–	(26)	2,369
Balance December 31, 2020	**–**	**–**	**2,368**	**422**	**213**	**5**	**1**	**3,009**
New borrowings	998	1,981	–	40	20	9	137	3,185
Repayments	–	(556)	(2,368)	(465)	(235)	–	–	(3,624)
Translation differences and other movements	–	22	–	3	2	(1)	(1)	25
Balance December 31, 2021	**998**	**1,447**	**–**	**–**	**–**	**13**	**137**	**2,595**

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

Note 18. Contractual obligations and other commitments

Universal Music Group (UMG)'s material contractual obligations and contingent assets and liabilities include:

- contractual content commitments 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 as a received commitment;
- certain contractual obligations relating to the group's business operations, including leases and off-balance sheet commercial commitments, such as long-term service contracts and purchase or investment commitments; and
- commitments related to UMG's financing: term loan and drawn committed bank credit facilities.

Contractual obligations

The table below analyses UMG's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. Interest on long-term debt is based on floating rate adjustments according to market expectations.

	Minimum future payments as of December 31,				
(in millions of euros)	2021				2020
		Payments due in			
	Total	1 year	2-5 years	After 5 years	Total
Borrowings and other financial liabilities	2,618	309	2,309	–	3,009
Lease liabilities	562	94	292	176	611
Music royalties to artists and repertoire owners	3,034	3,020	14	–	2,598
Creative talent and employment agreements and others	757	459	282	16	456
Other payables	1,425	968	457	–	1,414
Consolidated statement of financial position items	**8,396**	**4,850**	**3,354**	**192**	**8,088**
Contractual content commitments	1,570	778	769	23	1,337
Other commitments	71	40	28	3	49
Net off-balance sheet commitments	**1,641**	**818**	**797**	**26**	**1,386**
Total	**10,037**	**5,668**	**4,151**	**218**	**9,474**

Note 19. Financial assets and liabilities

The following table shows the carrying amounts and fair values of financial assets and liabilities according to their fair value hierarchy. Based on the nature, maturity or the magnitude of the amounts, UMG considers that the fair value of trade and other receivables, short-term deposits, loans receivable, borrowings, trade and other payables are not materially different from their carrying value.

	December 31, 2021				
(in millions of euros)	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Listed equity securities		1,413	–	–	1,413
Unlisted equity securities		–	44	–	44
Warrants		–	19	–	19
Other financial assets		–	–	100	100
Financial assets at fair value through other comprehensive income					
Listed equity securities		–	–	–	–
Unlisted equity securities		–	–	16	16
Financial assets at amortised cost					
Trade and other receivables	1,803	–	–	–	1,803
Loans receivable		–	–	–	–
Total financial assets	**1,803**	**1,413**	**63**	**116**	**3,395**
Financial liabilities at fair value through profit or loss					
Contingent considerations		–	–	–	–
Derivatives financial instruments		–	–	–	–
Other financial liabilities		–	–	–	–
Financial liabilities at amortised cost					
Trade and other payables	(4,875)	–	–	–	(4,875)
Borrowings, excluding bank overdrafts	(2,582)	–	–	–	(2,582)
Other financial liabilities	(769)	–	–	–	(769)
Total financial liabilities	**(8,226)**	**–**	**–**	**–**	**(8,226)**

(in millions of euros)	December 31, 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit and loss					
Listed equity securities		1,862	–	–	1,862
Unlisted equity securities		–	43	–	43
Financial assets at fair value through other comprehensive income					
Unlisted equity securities		–	–	14	14
Financial assets at amortised cost		**–**	**–**	**–**	–
Trade and other receivables[1]	1,641	–	–	–	1,641
Other financial assets	44	–	–	–	44
Total financial assets	**1,685**	**1,862**	**43**	**14**	**3,604**
Financial liabilities at fair value through profit and loss					
Contingent considerations		–	–	–	–
Derivatives financial instruments		–	–	–	–
Other financial liabilities		–	–	–	–
Financial liabilities at amortised cost					
Trade and other payables[1]	(4,126)	–	–	–	(4,126)
Borrowings, excluding bank overdrafts	(3,004)	–	–	–	(3,004)
Other financial liabilities	(851)	–	–	–	(851)
Total financial liabilities	**(7,981)**	**–**	**–**	**–**	**(7,981)**

1 Restated as presented in Note 2.6

Listed equity portfolio

	December 31, 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)[1]	Sensitivity at +/-10 pts
	(in thousands)		(€/share)		(in millions of euros)			
Spotify	6,487	3.37%	6.58	206.38	1,339	(330)	1,296	+134/−134
Tencent Music Entertainment	12,246	0.74%	na	6.04	74	(119)	74	+7/−7
Total					**1,413**	**(449)**	**1,370**	

1 Includes revaluation losses of €315 million in 2021 as recognized in Note 6

	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)[1]	Sensitivity at +/-10 pts
	(in thousands)		(€/share)		(in millions of euros)			
Spotify	6,487	3.37%	6.58	257.34	1,669	798	1,627	+167/−167
Tencent Music Entertainment	12,246	0.74%	na	15.74	193	64	193	+19/−19
Other					–	(1)	–	
Total					**1,862**	**861**	**1,820**	

1 Includes revaluation gains of €591 million in 2020 as recognized in Note 6

a. Includes acquisition fees and taxes.

na: not applicable

Note 20. Equity

Share capital
The Company has an authorized share capital of € 27,000 million divided into 2,700,000,000, ordinary shares with a nominal value of € 10 per share. On December 31, 2021, the issued and fully paid share capital consisted of 1,813,375,796 ordinary shares with a nominal value of € 10 per share (2020: 100,000 ordinary shares with a nominal value of € 1 per share).

Share premium
Share premium represents the premium paid in excess of the par value of shares at the time of the issuance of new shares.

Treasury shares
As at December 31, 2021 (2020: not applicable) the Company held 466,783 shares as Treasury shares for the purpose of delivering on the share-based executive incentive plan, refer to Note 24 for more details.

Dividend Distribution
On April 29, 2021 the shareholders approved a dividend distribution of €0.23 per ordinary share, corresponding to a total distribution of € 422 million, payable in April 2021.

On July 28, 2021 the shareholders approved an interim dividend distribution of €0.20 per ordinary share, corresponding to a total distribution of € 363 million payable in October 2021.

The Company plans 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.

A proposal will be submitted to the 2021 Annual General Meeting of Shareholders to pay a dividend of € 0.20 per ordinary share corresponding to a total distribution of € 363 million, in cash, from the 2021 retained earnings reserve (or if dividend exceeds is from the free distributable reserves) of the Company, payable in Q2 2022.

Note 21. Expenses 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 comprehensive income	Foreign currency translation adjustments	Other comprehensive (income)/loss from equity affiliates, net	Other comprehensive income
Balance as of December 31, 2019	**(48)**	**(17)**	**(224)**	**(2)**	**(291)**
Expenses and income directly recognized in equity	8	3	(194)	(6)	(189)
Tax effect	(2)	(1)	–	–	(3)
Balance as of December 31, 2020	**(42)**	**(15)**	**(418)**	**(8)**	**(483)**
Expenses and income directly recognized in equity	(6)	–	218	5	217
Tax effect	1	2	–	–	3
Balance as of December 31, 2021	**(47)**	**(13)**	**(200)**	**(3)**	**(263)**

Note 22. Provisions

(in millions of euros)	Note	December 31, 2021	2020
Post-retirement employee benefits	23	220	225
Royalty audit claims[1]		116	123
Deferred employee compensation		27	21
Restructuring costs		12	11
Litigations		4	4
Other		56	88
Provisions		**435**	**472**
Deduction of current provisions		(80)	(137)
Non-current provisions		**355**	**335**

1 Up to the completion of such audit, the timing and the amount of the potential payouts is uncertain. UMG makes its best possible estimate of the outcome using any available data, including history of claims with rights owners. When the estimate is performed for large homogonous claims and contract terms, the statistical valuation method is used. Based on the historical utilisation rate, UMG expects the provision will be utilized mainly within next 3 years

Movements in provisions

(in millions of euros)	Restructuring	Litigation	Royalty audit claims	Other	Total
Balance as at January 1, 2021	**11**	**4**	**123**	**88**	**226**
Additions	15	–	30	2	47
Utilizations	(10)	–	(35)	(41)	(86)
Releases	(4)	–	(6)	(7)	(17)
Changes in foreign currency translation adjustments	–	–	4	14	18
Balance as at December 31, 2021	**12**	**4**	**116**	**56**	**188**
Current	12	–	42	10	64
Non-current	–	4	74	46	124

Note 23. Post-retirement employee benefits

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 other post-employment benefits to eligible (former) employees and such of their beneficiaries who meet the required conditions. Post-retirement benefits are provided for substantially all employees through defined contribution plans, which are integrated with local social security, 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. Refer to Note 5 for the contribution to defined contribution plans. Post-employment benefits covered in this note relate to defined-benefit pension and other post-retirement defined benefit plans, including medical plans and life insurance. The benefits provided by these plans are based on employees' years of service and compensation levels.

Refer to the table below for the present value of the net defined benefit obligations and plan assets per country as at 31 December.

	2021			2020		
(in millions of euros)	Obligation	Fair value of plan assets	Net obligation/ (asset)	Obligation	Fair value of plan assets	Net obligation/ (asset)
Germany	183	(1)	182	184	(2)	182
United Kingdom	171	(169)	2	162	(156)	6
United States	20	-	20	21	-	21
Other	53	(49)	4	56	(49)	7
	427	(219)	208	423	(207)	216

Germany

The post-retirement benefit plans in Germany aim to provide pension benefits to eligible (former) employees and such of their beneficiaries who meet certain conditions. The total obligation as presented above includes multiple plans, from which three are material. These plans are closed to new entrants since 2003 and earlier. In accordance with current regulations, these plans are not funded and are not covered by the plan assets. The main risks for the group relate to changes in discount rates.

United Kingdom

The biggest post-retirement benefit plan relates to pension benefits in the United Kingdom for the eligible participants. In December 2017, the fund purchased a buy-in insurance policy, covering pension benefits. This insurance policy is an asset to the plan. In November 2021, UMG paid the true-up premium to the insurance company to complete the plan buyout. As a result of this transaction, the benefit obligations are equal to the plan's assets, and no net pension liability is recorded in the Consolidated Statement of Financial Position. The release of UMG from all obligations related to this plan is expected in early 2022.

United States

The defined benefit liability in the United States mainly relates to the post-retirement medical care benefits. Post-retirement medical benefit plans in the United States are not covered by plan assets in accordance with local laws and practices.

Cash flow impact for 2022

In 2022 UMG expects a cash outflow of €13 million in relation to all defined benefit plans.

Net defined benefit liability

Movements of the net defined benefit obligation for the year ended on December 31, are presented in the table below.

		December 31,					
(in millions of euros)	Note	2021			2020		
		Benefit obligation	Fair value of plan assets	Net obligation/ (asset)	Benefit obligation	Fair value of plan assets	Net obligation/ (asset)
Opening balance		423	(207)	216	440	(216)	224
Current service cost		2	–	2	3	–	3
(Gain)/loss on settlements		(1)	1	–	–	–	–
Other		1	–	1	–	–	–
Impact on selling & administrative		**2**	**1**	**3**	**3**	**–**	**3**
Interest cost	6	5	–	5	5	–	5
Expected return on plan assets	6	–	(3)	(3)	–	(3)	(3)
Impact on other financial income		**5**	**(3)**	**2**	**5**	**(3)**	**2**
Included in the statement of profit or loss	5	**7**	**(2)**	**5**	**8**	**(3)**	**5**
Actuarial losses/(gains) related to:							
Experience adjustments		4	(1)	3	–	(1)	(1)
Financial assumptions		3	–	3	(6)	–	(6)
Demographic assumptions		–	–	–	(1)	–	(1)
Included in other comprehensive income	21	**7**	**(1)**	**6**	**(7)**	**(1)**	**(8)**
Contributions by employers		–	(19)	(19)	–	(12)	(12)
Benefits paid by the fund		(2)	2	–	(1)	1	–
Benefits paid by the employer		(17)	17	–	(15)	15	–
Foreign currency and other		9	(9)	–	(2)	9	7
Closing balance		**427**	**(219)**	**208**	**423**	**(207)**	**216**
of which							
wholly or partly funded benefits		*219*			*212*		
wholly unfunded benefits (a)		*208*			*211*		
assets related to employee benefit plans				*(12)*			*(9)*
provisions for employee benefit plans				*220*			*225*

a. Included a current liability of €15 million as of December 31, 2021, €16 million as of December 31, 2020

Assumptions used in the valuation of the net defined benefit liability

The mortality tables used for UMG's major defined benefit schemes in Germany are Richttafeln 2018 G K. Heubeck.

Other key assumptions used in the valuation of the net defined benefit plans liability are: discount rate, expected return on plan assets, and rate of compensation increase. The assumptions used to calculate the defined-benefit obligation as of December 31 were as follows:

	Germany		United Kingdom		United States		Weighted average for all plans	
	2021	2020	2021	2020	2021	2020	2021	2020
Discount rate	0.75%	0.75%	2.00%	1.50%	3.00%	2.50%	1.3%	1.1%
Rate of compensation increase (weighted average)	1.75%	1.75%	na	na	na	na	0.9%	0.9%
Duration of the benefit obligation (in years)							16.6	16.9

na: not applicable.

A 50 basis point increase (or a 50 basis point decrease, respectively) to the 2021 discount rate would have led to a decrease of €1.0 million in pre-tax expense (or an increase of €1.0 million, respectively) and would have led to a decrease in the defined benefit obligation of €35 million (or an increase of €36 million, respectively), assuming all other assumptions remain unchanged.

Pension plan assets allocation

	December 31,	
(in millions of euros)	2021	2020
Insurance contracts	89%	88%
Equity securities	4%	4%
Debt securities	3%	3%
Diversified funds	1%	1%
Cash and other	3%	4%
Total	**100%**	**100%**

Note 24. Share-based compensation plans

Prior to the separation, share-based compensation plans for UMG employees have been granted by Vivendi and settled with Vivendi's shares or cash. The purpose of the share-based compensation incentives was to align the interests of the executive management and employees of Vivendi and its subsidiaries 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 maintained the following share-based compensation plans for UMG participants:

- performance share plans;
- share purchase plans;
- stock options.

In 2021 UMG issued certain share-based compensation plans which are expected to be settled in UMG's own shares.

Total share-based compensation costs of UMG for the year ended December 31, 2021 was €79 million (period ended December 31, 2020: €10 million), of which €19 million related to UMG shares granted to the Executive Vice President, Chief Financial Officer and President of Operations related to the company's direct listing on the Euronext Amsterdam, €45 million (2020: not applicable) related to UMG shares awarded by Vivendi to UMG executives in connection with the company's direct listing on the Euronext Amsterdam, €14 million (2020: not applicable) related to the UMG's performance share awards, €1 million related to the Vivendi performance share plans (2020: €4 million) and € nil million to Vivendi's employee stock purchase and leveraged plans (2020: €6 million). UMG had no costs associated with Vivendi's stock options in 2020 or 2021.

Performance share plans of Vivendi

Subject to certain performance conditions, the performance shares vest at the end of a three-year service period and are settled after an additional two-year retention period. The cost is recognized on a straight-line basis over the vesting period. Based on the recharge arrangement between Vivendi and UMG pre and post-separation, UMG reflected these costs in its Statement of Profit or Loss accordingly.

Vesting of the performance shares is conditional on the achievement of the following targets by Vivendi assessed over a three-year consecutive period:

- Internal indicators (with a weighting of 70%):
  - the adjusted net income per share (50%); and
  - the group's cash flow from operations after interest and income tax paid - CFAIT (20%).
- 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%).

In addition, all granted plans are conditional upon active employment at the vesting date.

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.

Below is the overview of the Vivendi performance share plans as at December 31, 2021.

Granted in	Vested/expected to vest in	Expected settlement	Final vesting rate
2017	2020	2022	75%
2018	2021	2023	75%
2019	2022	2024	Ongoing, subject to the relevant 3-year Vivendi performance criteria
2020	2023	2025	Ongoing, subject to the relevant 3-year Vivendi performance criteria

Of the performance share awards none participated in the distribution or were otherwise adjusted pursuant to the separation of UMG. The relevant performance targets for unvested grants may be adjusted by Vivendi after UMG's separation and listing.

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 separation of UMG with all conditions remain unchanged, except for the performance targets as described above.

The table below summarizes Vivendi's equity-settled performance shares awards granted to UMG participants.

(in thousands)	Number of outstanding performance shares
Balance as of December 31, 2019	**1,122**
Granted	163
Vested	(276)
Forfeited	-
Performance adjustment	(55)
Balance as of December 31, 2020	**954**
Granted	-
Vested	(267)
Forfeited	-
Performance adjustment	(81)
Other	16
Balance as of December 31, 2021	**622**

As of the grant date of the last Vivendi performance shares on February 13, 2020, the Vivendi's share price was €25.19 and the expected dividend yield was 2.38%. After taking into account the cost associated with the retention period of the shares, the discount for non-transferability was set at 7.0%. Consequently, the fair value of each granted performance share was estimated at €21.68, corresponding to an aggregate fair value of the plan and UMG's expense of €4 million. The weighted-average remaining period before delivering performance shares was 1.6 years as at December 31, 2021.

UMG Performance shares

To compensate for any effect of the distribution on the Vivendi share price, UMG announced that it will issue its own shares for every Vivendi share earned by the UMG participants of the Vivendi's Performance Share Plans, which were granted in 2017 – 2020. These awards are subject to the shareholders' approval and to be settled in UMG's own shares or in cash, if such approval will not be obtained.

For fully vested Vivendi performance shares granted in 2017 and 2018, the amount of UMG shares to be granted and vested in 2022 was determined using 1-to-1 ratio with Vivendi shares fully earned by the participants. Vivendi's performance shares granted in 2019 and 2020 are not yet vested and are subject to the performance conditions of the original Vivendi's performance share plans as described above. Therefore, the amount of Vivendi shares (and accordingly UMG shares in 1-to-1 ratio) estimated to be vested for these ongoing plans will be further adjusted at the end of the original performance period of Vivendi's performance share plans.

These UMG shares are subject to the retention period in line with the original conditions of the related Vivendi's performance share plans.

Fair value of these grants as at December 31, 2021 was estimated using UMG's share price as at that date. The total expense for the completed service periods of €14 million was recognised in 2021, matching the timing of the services provided by employees under the conditions of Vivendi's performance share plans.

UMG shares granted upon separation from Vivendi and direct listing on the Euronext Amsterdam

A number of UMG executives were granted 3,181,754 UMG shares in total pursuant to the award by Vivendi with vesting conditions related, amongst other things, to the UMG's admission to the Euronext Amsterdam. Grant date fair value of these shares was estimated at €16.54 per share, primarily based on the enterprise value of €30,000 million determined in connection with the sale of an additional 10% of the share capital of Universal Music Group (UMG) to a Tencent-led consortium in December 2020. These awards vested at the listing date and were settled in UMG's shares held by Vivendi post-separation. UMG recognised an expense in its Consolidated Statement of Profit or Loss for the year ended December 31, 2021.

A total of 762,095 UMG shares, constituting a recognition award, were granted and vested to the Executive Vice President, Chief Financial Officer and President of Operations, Boyd Muir immediately after the UMG's listing date. These shares will settle over three years, from which one third was settled in 2021, a further third is expected to settle on the first anniversary of the Company listing and the final third is expected to settle on the second anniversary of the Company listing. Grant date fair value of these shares was estimated at UMG' share market price as of that date and was €25.25 per share. Cost of this award of €19 million was recorded in UMG's Statement of Profit or Loss within Personnel expenses with the corresponding entry to equity at the grant date.

Employee stock purchase and leveraged plan of Vivendi

In 2021, there were no new employee shareholding schemes implemented by Vivendi which would impact the 2021 Consolidated Financial Statements of UMG.

On July 21, 2020, Vivendi SE carried out an employee shareholding plan, through the sale of treasury shares acquired earlier, under an employee stock purchase plan and leveraged plan, reserved for employees, retirees and corporate officers of UMG.

Under the leveraged plan of Vivendi, 2,613 thousand shares were acquired by the participants in 2020 through a company mutual fund at a price of €16.554 per share. The leveraged plan entitles employees and retirees of UMG 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 hedged this transaction. Accordingly, in 2020 UMG booked a € 6 million expense in relation to this plan.

Note 25. Related parties

UMG's related parties include the Corporate Executives and non-executive board members.

Corporate Executive compensation

As of December 31, 2021 and 2020, UMG's Corporate Executives are comprised of 9 (2020: 11) members, of which 2 (2020: 0) were Executive Directors on the UMG N.V. board. The Corporate Executives are as defined in the Appendix of the Annual Report. The Executive Directors are also members of the UMG N.V. board. Their aggregate compensation is presented in the table below.

	Year ended December 31,			
(in millions of euros)	2021			2020
	Other Corporate Executives	Executive Directors	Corporate Executives	Corporate Executives
Short-term employee benefits	30	43	**73**	111
Post-employment benefits	–	–	**–**	3
Other long-term benefits	–	–	**–**	–
Termination benefits	–	–	**–**	–
Share-based payments	45	2	**47**	3
Corporate Executives compensation	**75**	**45**	**120**	**117**

As disclosed in the listing prospectus, certain other bonuses to UMG's Corporate Executives as a result of the sale of UMG equity and the listing process, were paid and born by Vivendi (totalling €257 million). Refer to the Renumeration Report section in the Annual Report for more detail.

Non-Executive Board compensation

As of December 31, 2021 UMG's non-executive board received director fees of €0.2 million.

Other related-party transactions

Other related parties include:

- companies fully consolidated by UMG. The transactions between these companies have been eliminated for the preparation of UMG's Annual Financial Statements;
- companies over which UMG exercises a significant influence; (e.g. Vevo)
- all companies that are controlled or jointly controlled by corporate executives or their close relatives ;
- minority shareholders exercising a significant influence over UMG's subsidiaries; and
- all companies that have a significant influence over UMG, (e.g., Vivendi SE and the Bolloré Group)

For the reorganization in 2021 and the main transactions by shareholders reference is made to Note 2.

For UMG's borrowings to Vivendi reference is made to Note 17 *Cash position and borrowings*.

UMG distributes its cash surpluses to shareowners through dividends and share capital reductions (please refer to Note 20 *Equity*). Vivendi and UMG entered into a transition and services agreement in connection with the separation, the terms of which Vivendi and its subsidiaries will provide to UMG, and UMG will provided 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 direct listing on the Euronext Amsterdam.

The balances and transactions with the parties described above are summarised in the table below:

		December 31, 2021			
(in millions of euros)	Note	Associates	Shareholders	Other	Total
Assets					
Cash and Cash equivalents		–	–	–	**–**
Trade accounts receivable		31	4	–	**35**
Royalty advances		–	–	21	**21**
Liabilities					
Long-term borrowings and other financial liabilities	17	–	–	–	**–**
Trade accounts payable		–	2	12	**14**
Statement of Profit or Loss					
Revenue		252	10	–	**262**
Cost of revenues		–	(12)	(9)	**(21)**
Selling, general and administrative expenses		(4)	(10)	–	**(14)**
Financial income		–	2	–	**2**
Financial expenses		–	(10)	–	**(10)**
Services billed by Shareholders included in profit or loss					
Management fees		–	–	–	**–**
Share-based compensation plans		–	(1)	–	**(1)**

(in millions of euros)	Note	Associates	Shareholders	Other	Total
			December 31, 2020		
Assets					
Cash and cash equivalents		–	815	–	**815**
Trade accounts receivable		39	21	–	**60**
Liabilities					
Long-term borrowings and other financial liabilities		–	2,368	–	**2,368**
Trade accounts payable	17	–	1	–	**1**
Statement of Profit or Loss					
Revenue		180	11	–	**191**
Cost of revenues		–	(5)	–	**(5)**
Selling, general and administrative expenses		(3)	(40)	–	**(43)**
Financial income		–	5	–	**5**
Financial expenses		–	(22)	–	**(22)**
Services billed by Shareholders included in profit or loss					
Management fees		–	(15)	–	**(15)**
Share-based compensation plans		–	(10)	–	**(10)**

Note 26. Litigation

In the normal course of its business, UMG 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.

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. Provisions recorded by UMG for all claims and litigation was €4 million as of December 31, 2021.

The status of proceedings disclosed hereunder is described as of December 31, 2021.

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 purported grants of US copyright rights in sound recordings to UMG pursuant to Section 203 of the Copyright Act which allows, under certain conditions, a creator who has contractually granted the rights to his or her work to a third party to terminate US rights under such grants after 35 years. The complaint seeks to have the Court recognize the termination of US grants of the artists involved in the litigation and also alleges copyright infringement, where UMG continued to use the recordings in the US after the purported termination of the of the grant. 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, the plaintiffs filed a Second Amended Complaint, adding the Dream Syndicate as an additional plaintiff and Capitol Records as an additional defendant. On September 30, 2020, UMG and Capitol filed a response in which they brought a counterclaim against plaintiffs Joe Ely and Syd Straw, alleging that they had exploited certain recordings owned by them without authorization. On November 18, 2020, following a settlement reached between UMG and Joe Ely, Ely's claims were dismissed by the Court. The parties are in the process of completing discovery before plaintiffs file a motion for class certification.

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, UMG Recordings, Inc. and Universal Music Publishing Group (along with the other major labels and publishers including Sony and Warner) filed a complaint for copyright infringement 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, 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 denied, and the judge upheld the jury's verdict in the amount of $1 billion. Cox has appealed the judgement and posted security to stay execution of the judgment pending the appeal. The appeal is fully briefed, and oral argument is scheduled for March 2022. UMG has in progress similar cases against other Internet access and service providers, including Charter and Brighthouse.

David Marks against UMG Recordings, Inc. and Capitol Records, LLC

On May 13, 2021, David Marks, a former member of the Beach Boys, filed individual and putative class action claim against UMG Recordings, Inc. in the US 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 and seeks to represent a class of recording artists who he contends are similarly situated. After the Court granted UMG's motion to dismiss plaintiff's First Amended Complaint on August 31, 2021, Marks filed a Second Amended Complaint, which among other things, added Capitol Records, LLC as a defendant. On January 6, 2022, UMG and Capitol filed a motion to dismiss the Second Amended Complaint, and the motion is fully briefed.

Note 27. List of consolidated entities

The Consolidated Financial Statements comprise the assets and liabilities of approximately 388 legal entities. Set out below is a list of material subsidiaries, representing more than 73% of the consolidated company sales.

All the entities are 100% owned.

Legal entity name	Principal country of business
Universal Music Group N.V.	**Netherlands**
Universal Music Group, Inc.	**United States**
Universal Music Group Holdings, Inc.	United States
UMG Recordings, Inc.	United States
Universal International Music B.V.	**Netherlands**
Universal Music Entertainment GmbH	Germany
Universal Music LLC	Japan
Universal Music Holdings Ltd.	United Kingdom
Universal Music Group Treasury S.A.S.	France

UMG does not have subsidiaries that have non-controlling interests that are material for its Consolidated Financial Statements.

Note 28. Statutory auditors fees

Fees for audit services include the audit of the Financial Statements of the Company and its subsidiaries. Fees for other audit services include review of interim Financial Statements, sustainability, and other audits. Fees for tax services include tax compliance and tax advice. Fees for other non-audit services include agreed-upon procedures and advisory services. Fees for tax and other non-audit services are related to the network outside the Netherlands and are in accordance with local independence regulation.

	Year ended December 31,			
(in millions of euros)	2021		2020	
	Deloitte Accountants B.V.	Ernst & Young Accountants LLP	Deloitte Accountants B.V.	Ernst & Young Accountants LLP
Audit of UMG and its subsidiaries	4	4	3	4
Other statutory services	–	–	–	–
Tax services	–	–	–	–
Other non-audit services	–	–	–	–
Total[1]	4	4	3	4

1 Total fees charged by the Dutch organization of Deloitte and EY were €1.4 million (2020: € nil) and€1.7 million (2020: € nil) respectively.

Note 29. Audit exemptions

The Company has provided guarantees to the following Universal Music Group subsidiaries, incorporated in the Netherlands, under the registered number indicated, under section 403 of Book 2 of the Dutch Civil Code. As these companies' financial data is consolidated within these Financial Statements, the Dutch entities are allowed to prepare abridged Financial Statements which are exempt from publication and audit.

Name	Company Number
Universal International Music B.V.	31018439
Universal Music Publishing International B.V.	31037866
Universal Music Publishing B.V.	32101966
CMHL B.V.	32140273

Note 30. Subsequent events

In February 2022, UMG entered into a new short-term floating rate $500M revolving credit facility.

In March 2022, as a result of the Russia-Ukraine conflict, UMG announced that it would suspend all operations in Russia effective immediately. Revenues and EBITDA in Russia and Ukraine in 2021 were not material.

Company Financial Statements

for the year ended December 31, 2021

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Company Statement of Profit or Loss and Other Comprehensive Income

		Year ended December 31,	
(in millions of euros)	Note	2021	2020
Dividend income	4	785	–
General and administrative expenses	5	(23)	–
Operating profit		**762**	
Financial income	6	13	–
Financial expenses	6	(10)	–
Profit before income taxes		**765**	**–**
Income taxes		–	–
Net profit after income tax		**765**	**–**
Other comprehensive (loss)/income		–	–
Total comprehensive (loss)/income		**765**	**–**
Basic, earnings for the period attributable to equity holders of the parent		765	–
Diluted earnings for the period attributable to equity holders of the parent		765	–

Company Statement of Financial Position

		As at December 31,		As at December 4,
(in millions of euros)	Note	2021	2020	2020
ASSETS				
Property, plant and equipment		1	–	–
Rights-of-use assets		1	–	–
Investments in subsidiaries	7	33,000	–	–
Non-current financial assets	8	2,178	–	–
Non-current assets		**35,180**	**–**	**–**
Current financial assets	8	262	0	0
Cash and cash equivalents	9	53	–	–
Current assets		**315**	**–**	**–**
TOTAL ASSETS		**35,495**	**–**	**–**
EQUITY AND LIABILITIES				
Share capital		18,134	0	0
Additional paid-in capital		14,941	–	–
Treasury shares		(12)	–	–
Retained earnings		(8)	–	–
Total equity	11	**33,055**	**–**	**–**
Long-term borrowings	9	1,848	–	–
Long-term lease liabilities		1	–	–
Non-current liabilities		**1,849**	**–**	**–**
Short-term borrowings	9	584	–	–
Trade and other payables		7	–	–
Current liabilities		**591**	**–**	**–**
Total liabilities		**2,440**	**–**	**–**
TOTAL EQUITY AND LIABILITIES		**35,495**	**–**	**–**

Company Statement of Cash Flows

(in millions of euros)	Note	For the year ended December 31, 2021	2020
Operating activities			
Operating profit		762	–
Changes in net working capital		7	–
Adjustment for accrued interest		3	–
Net cash provided by operating activities before income tax paid		**772**	**–**
Income tax paid		–	–
Net cash provided by/(used for) operating activities		**772**	**–**
Investing activities			
Capital expenditures		(1)	–
Increase in financial assets	8	(2,368)	–
Interest received		7	–
Net cash provided by/(used for) investing activities		**(2,362)**	**–**
Financing activities			
Distributions to equity holders	11	(785)	–
Transactions with equity holders		**(785)**	**–**
Proceeds from borrowings	9	2,842	–
Repayment of borrowings	9	(410)	–
Interest paid		(4)	–
Net cash provided by/(used for) financing activities		**1,643**	**–**
Change in cash and cash equivalents		**53**	**–**
Cash and cash equivalents			
At beginning of the period	9	–	–
At end of the period	9	53	–

Company Statement of Changes in Equity

Year ended December 31, 2021

(in millions of euros, except number of shares)	Number of shares (in thousands)	Share capital	Additional paid-in capital	Treasury shares	Subtotal	Retained earnings	Total equity
BALANCE AS OF DECEMBER 4, 2020	–	–	–	–	–	–	–
Share issue (refer to Note 11)	100	0	–	–	0	–	0
IFRS adjustment	–	–	–	–	–	–	–
BALANCE AS OF DECEMBER 31, 2020	100	0	–	–	0	–	0
Contributions by/ (distributions to) equity holders	*1,813,276*	*18,134*	*14,941*	*(12)*	*33,063*	*(773)*	*32,290*
Share cancellation (refer to Note 11)	(100)	–	–	–	–	–	–
Dividends paid (refer to Note 11)	–	–	–	–	–	(785)	(785)
Contributions by shareowners of their UIM B.V. and UMG Inc. shares to UMG B.V. (refer to Note 3)	1,847,874	18,479	14,521	–	33,000	–	33,000
Reduction in number of shares and effective capital contribution (refer to Note 11)	(34,633)	(346)	346	–	–	–	–
Share-based compensation plans (refer to Note 11)	135	1	29	(12)	18	12	30
Share-based compensation plans settled by Vivendi	–	–	45	–	45	–	45
CHANGES IN EQUITY ATTRIBUTABLE TO EQUITY HOLDERS	1,813,276	18,134	14,941	(12)	33,063	(773)	32,290
CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	–	–	–	–	–	–	–
Net profit	–	–	–	–	–	765	765
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	765	765
BALANCE AS OF DECEMBER 31, 2021	1,813,376	18,134	14,941	(12)	33,063	(8)	33,055

Notes to the Company Financial Statements

Note 1. General information

Universal Music Group N.V. ("the Company") is a public company with limited liability incorporated under the laws of The Netherlands and listed on Euronext Amsterdam under the ticker symbol 'UMG'.

The Company was formed to ultimately act as a holding company for Universal Music Group ("UMG").

The Company's official seat (statutaire zetel) is in Amsterdam, The Netherlands, and the Company's principal office are located at 's-Gravelandseweg 80, 1217 EW Hilversum The Netherlands. The Company is registered with the Dutch Chamber of commerce under number 81106661.

Note 2. Basis of preparation

2.1 Statement of compliance

For the year ended December 31, 2020, the Company prepared its Financial Statements in accordance with local generally accepted accounting principles (Dutch GAAP). These Financial Statements for the year ended December 31, 2021 are the first the Company have prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code. The Company Financial Statements are prepared by the Board of Management of the Company and authorized for issue on March 31, 2022 and will be submitted for adoption to the Annual General Meeting of Shareholders on May 12, 2021.

2.2 First-time adoption IFRS

The company have prepared Financial Statements that comply with IFRS applicable as at December 31, 2021, together with the comparative period data for the year ended December 31, 2020. In preparing the Financial Statements, the Company's opening statement of financial position was prepared as at December 4, 2020 in accordance with IFRS. This note explains the principal adjustments made by the Group in restating its Dutch GAAP Financial Statements, including the Statement of Financial Position as at December 31, 2020 and the Financial Statements as of, and for, the year ended December 31,2020.

Reconciliation of equity as at December 4, 2020 (date of transition to IFRS)

The Statement of Financial Position as at December 4, 2020 consisted of current accounts receivable and a share capital balance. The accounting policies, classifications, measurements and estimates at December 4, 2020 in accordance with Dutch GAAP are consistent with those made for December 31, 2020 in accordance with IFRS for these balances. The company did not have any activity from its incorporation date of December 4, 2020 until December 31, 2020 that had an impact on its Statement of Profit or Loss. The transition from Dutch GAAP to IFRS on December 4, 2020 had no effect on the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cashflow or Statement of changes in Equity.

(in millions of euros)	December 4, 2020 Dutch GAAP	Adjustments	December 4, 2020 IFRS
Assets			
Current accounts receivable	0.1	–	0.1
Total assets	**0.1**	**–**	**0.1**
Equity and Liabilities			
Share capital	0.1	–	0.1
Total equity and liabilities	**0.1**	**–**	**0.1**

2.3 Basis of measurement

The Company Financial Statements were prepared using the same accounting policies as set out in the notes to the consolidated Financial Statements at December 31, 2021 (the "Consolidated Financial Statements"), except for the measurement of the investments as presented under "Investments in subsidiaries and dividend income" in the Company Financial Statements. The accounting policies were consistently applied to all periods presented.

2.4 Foreign currency translation

The Company Financial Statements are presented in millions of euros, unless stated otherwise. The functional currency of the Company is euro.

Foreign currency transactions

Foreign currency transactions are initially recorded in the euros 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 with foreign currency differences recorded to profit and loss.

2.5 Recent accounting developments

Amendments to IFRS standards applicable as from January 1, 2021, had no material impact on the Company's 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).

The Company applied amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent for the preparation of these Financial Statements. The amendments are required to be applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and are aligning UMG's previously adopted accounting policy further with IAS1. The amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items was not affected by the early application of the amendments.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

New IFRS standards and IFRIC interpretations in issue but not yet effective

At the date of authorisation of these Financial Statements, the Company has not applied the following new and revised IFRS Standards and amendments that have been issued but are not yet effective:

- IFRS 17 (including the June 2020 amendments to IFRS 17) Insurance Contracts
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies
- Amendments to IAS 8 Definition of Accounting Estimates[1]
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Company do not expect that the adoption of the Standards listed above will have a material impact on its Financial Statements in future periods.

2.6 Significant judgements and estimates

The preparation of Company financial statements in compliance with IFRS requires management to make certain judgements and estimates that they consider reasonable and realistic. Although these judgements and estimates are regularly reviewed by management, based, in particular, on past or anticipated achievements, facts and circumstances may lead to changes in these judgements and estimates which could have an impact on the reported amount of group assets, liabilities, equity or profit.

1 Not yet endorsed by the EU as per 28 December 2021. On 19 November 2021, the IASB has published a new exposure draft on the following topic Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

The main significant judgements relate to the measurement of:

- Investment in subsidiaries: valuation method used to identify the recoverable amount of the asset, refer to Note 2.8;
- Financial guarantees: valuation method used to identify the fair value of financial guarantees, refer to Note 2.18;
- Lease liabilities and right-of-use assets: judgement in determining the lease term of contracts with renewal and termination options at the commencement date of each lease contract, refer to Note 2.11; and
- Uncertain tax positions and deferred taxes: judgement in assessing the uncertainty of whether it is probable that a taxation authority will accept or revise the uncertain tax treatment, any changes of the tax rates and future results enabling realisation of deferred taxes, refer to Note 2.15.

The main significant estimates relate to the measurement of:

- Expected credit losses on loans receivable and financial guarantees: estimation of loss allowance requires assessment of the probability of default on the part of the borrower on a prospective basis. 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 is used to assess whether there is significant increase in credit risk, refer to Note 2.12 and 2.18;
- Lease liabilities and right-of-use assets: estimates of the incremental borrowing rate, refer to Note 2.11;
- Investments in subsidiaries: assumptions on the recoverable amount of the asset, refer to Note 2.8; and
- Uncertain tax positions and deferred taxes: the ultimate tax effects of transactions may be uncertain for a considerable period of time, requiring the Company to estimate the related current and deferred tax treatments, refer to Note 2.15.

For more details on these significant judgement areas and resulting estimates refer to the accounting policies below.

2.7 Investments in subsidiaries and dividend income

Investments in subsidiaries are stated at cost, less impairment.

Dividend income from the Company's subsidiaries is recognized in the Statement of Profit or Loss when the right to receive payment is established.

2.8 Impairment of investments in subsidiaries

At each reporting date, the Company assesses whether there is an indication that investments in subsidiaries may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. The recoverable amount is defined as the higher of the fair value of the investment less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Any resulting impairment is recognized in the income statement. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount, up to a maximum of the carrying amount that would have been determined if no impairment loss had been recognized for the asset in prior periods. Such a reversal is recognized in the income statement.

2.9 General and administrative expenses

General and administrative expenses primarily include salaries and employee benefits, consulting and service fees, overhead recharges, insurance costs, travel and entertainment expenses, administrative department costs, provisions for receivables and other operating expenses and are expensed when incurred.

2.10 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 depreciated separately. Depreciation 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.

2.11 Leases

The lease contracts for the Company correspond to real estate leases for which the Company is the lessee. Real estate leases for which the Company 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.

Right-of-use assets

Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Amounts received for leasehold improvements are depreciated over a period not longer than the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

The Company recognizes lease liabilities initially measured at the present value of future lease payments over the lease term. The lease payments include in-substance fixed payments (less any lease incentives), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include payments of penalties for terminating a lease, if the Company has the option to terminate and it is reasonably certain that this option will be exercised. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments.

Significant judgements in accounting for leases

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. When determining the lease term, the Company considers all relevant facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

2.12 Loans receivable

Loans receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method, less any value allowances.

The Company assesses the expected credit loss associated with the loans receivable 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, the Company 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.

2.13 Cash and cash equivalents

Cash and cash equivalents include all cash balances and short-term highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash.

There are no liens, pledges, collateral or restrictions on cash and cash equivalents. Cash and cash equivalents do not include amounts in UMG cash management pools.

2.14 Financial liabilities

A liability is recognized when the Company becomes party to a contract. Financial liabilities of the Company are all classified as subsequently measured at amortized cost and measured using the effective interest rate method.

Transaction costs relating to financial liabilities

Non-recurring costs incurred at inception of financial liabilities are loan origination fees by substance and are directly attributable to the issue of the financial liability and would not be otherwise incurred. These costs also form integral part of the effective interest.

These costs are to be capitalised and recognised going forward as an adjustment to the effective interest rate for the Term Loan.

2.15 Income taxes

Current and deferred taxes are recognized as income tax benefit or income tax expense and are included in the income statement for the period, except tax arising from a transaction or event which is recognized, in the same or a different period, either in other comprehensive income/(loss) or directly in equity.

2.16 Related parties

A related party is a person or an entity that is related to t he Group. These include both people and entities that have, or are subject to, the influence or control of the Group (e.g. key management personnel). Transactions with related parties are accounted for in accordance with the requirements of relevant IFRSs and take into account the substance as well as the legal form.

2.17 Contingent assets and liabilities

Non-financial guarantees are accounted for as a contingent liability until such time it becomes probable that UMG will be required to make a payment under the guarantee.

Contingent liabilities are possible or present obligations of sufficient uncertainty that do not qualify for recognition as a provision, unless it is assumed in a business combination. Contingent liabilities are reviewed continuously to assess whether an outflow of resources has become probable.

2.18 Financial guarantees

Financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Issued financial guarantees are initially recognised at fair value and are subject to the expected credit loss model, and a credit loss is recognized for expected cash shortfalls.

Note 3. Incorporation

The Company was incorporated on December 4, 2020. On February 26, 2021, the Company obtained all of the shares (“contribution shares”) of Universal International Music B.V. and Universal Music Group, Inc. from Vivendi and the consortium led by Tencent by issuing 1,847,873,775 new shares, with a nominal value of €10 each, to its shareholders. To the contribution shares a value is attached of €33,000,000,000. Refer to Note 2.2 “Separation from Vivendi” of the Consolidated Financial Statements for detailed disclosure regarding this transaction.

This internal reorganization of the shareholding structure of the 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.

The prospectus relating to the admission to listing and trading of the shares of the Company on Euronext Amsterdam has been approved by the Dutch Authority for the Financial Markets (Stichting Autoriteit Financiële Markten) on September 14, 2021 and is available on the Company’s websites.

On September 21, 2021, the shares of the Company started trading on the regulated market of Euronext Amsterdam with an opening price of €25.25. Vivendi completed the distribution in kind of the Company’s shares to Vivendi shareholders on the basis of one of the Company’s shares for every eligible Vivendi share. The detachment date (ex-date) of the distribution in kind was September 21, 2021. Settlement occurred on September 23, 2021. The Company was converted from Universal Music Group B.V. to Universal Music Group N.V. on September 20, 2021.

Note 4. Dividend income

Dividend income for the year ended December 31, 2021 amounted to € 785 million and related to dividends from Universal International Music B.V., approved and paid in April, 2021 (€ 422 million) and July, 2021 (€ 363 million).

Note 5. General and administrative expenses

General and administrative costs consisted of the following:

	Year ended December 31,	
(in millions of euros)	2021	2020
Salaries	6	–
Pension	–	–
Social security and other employment expenses	–	–
Wages and expenses	**6**	**–**
Legal and professional services	5	–
Audit fees	3	–
Other	9	–
Total	**23**	**–**
Annual average number of full-time equivalent employees, of which none worked from outside of the Netherlands	27	–

Legal and professional services mainly relate to listing fees and expenses for legal, financial and consulting services.

Note 6. Financial income and expenses

Financial income and expenses consisted of the following:

	Year ended December 31,	
(in millions of euros)	2021	2020
Interest income on intercompany loans	13	–
Financial income	**13**	**–**
Interest expense on borrowings	6	–
Other financial expenses	4	–
Financial expenses	**10**	**–**

Other financial expenses primarily includes recurring bank fees related to the borrowings.

Note 7. Investments in subsidiaries

Investments in subsidiaries consist of the following investments:

(in millions of euros)	Voting % interest	Net carrying value of equity affiliates December 31, 2021	December 31, 2020
Universal International Music B.V.; Hilversum; The Netherlands	100	18,150	–
Universal Music Group, Inc.; Santa Monica; USA United States	100	14,850	–
		33,000	**–**

Refer to Note 3 Incorporation for further disclosure regarding the acquisition of these investments.

Net result and equity as per most recent adopted Financial Statements:

(in millions)	December 31, 2020 Net result	Shareholders' Equity
Universal International Music B.V. (in euros)	727	7,202
Universal Music Group Inc. (in USD)	560	1,960

For a list of indirect subsidiaries and other group entities, refer to Note 27 of the Consolidated Financial Statements.

Note 8. Current and non-current financial assets

At December 31, 2021, current and non-current financial assets consist primarily of loans receivable of €2,372 million (nil at December 31, 2020) from Universal International Music B.V. ("UIM"). These loans were issued primarily for the purpose of refinancing of debt granted by Vivendi SE to UIM. Loans receivable are denominated in Euro.

The principal amount of the first loan is €1,000 million, and it is repayable in 5 yearly instalments (€200 million) on 1 October of each year, the first instalment on 1 October 2022. The loan bears interest at a rate of EURIBOR 3 months plus margin. Margin for 2021 was set at 1.03%.

The second loan, being in principle a credit facility, consists of a commitment of €2,000 million, of which a total amount of €1,368 million have been drawn at December 31, 2021 and bears interest at a rate of EURIBOR 1 month plus margin. Margin for 2021 was set at 1.13%. UIM may utilize the facility, to be made available within 1 business day upon written request. The loan is fully repayable on 6 July 2026.

The current part of the loans receivable consists of the €200 million receivable under the term loan on 1 October 2022 from UIM; accrued interest on the term loan of €2 million and accrued interest on the credit facility of €0.8 million.

Other non-current financial assets consist of capitalized bank fees of €10 million paid to banks as part of obtaining the credit facility as disclosed in Note 10, less amortization over the term of the facility.

Other current financial assets consisted of the following:

	December 31,	
(in millions of euros)	2021	2020
Current intercompany receivables	14	–
Other intercompany receivables related to share-based compensation	45	–
	59	**–**

Current intercompany receivables primarily consist of a short-term receivable from Universal Music Group, Inc for expenses paid on behalf of Universal Music Group, Inc.

The €45 million receivable related to shares of the Company awarded by Vivendi to UMG executives in connection with the company's direct listing on the Euronext Amsterdam. For more details on share-based compensation, refer to Note 24 of the Consolidated Financial Statements.

The Company is exposed to credit risk embedded in these loans receivable and being the credit risk of UIM. The Company assessed potential credit losses on the loans receivable based on the expected credit loss model ("ECL"), which is designed to be forward-looking. The ECL estimates were unbiased and included reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions. UMG Treasury reporting and forecasting proves sufficient cash generated from the operation of the subsidiary to fulfill these borrowings. The effect of the recognized expected credit losses is negligible. The loans are performing in accordance with the agreements.

Note 9. Cash position and borrowings

Cash position

Cash and cash equivalents amounted to €53 million at December 31, 2021 (€0 at December 31, 2020) and were denominated in Euro.

Credit risk associated with cash and cash equivalents is considered limited as the counterparties are leading national and international banks.

Borrowings

			Total December 31,	
(in millions of euros)	Long-term	Short-term	2021	2020
Term facility	798	200	998	–
Drawn revolving credit facility	1,050	–	1,050	–
Intercompany payable	–	384	384	–
Borrowings at amortized cost	**1,848**	**584**	**2,432**	**–**

New financing

In the context of the separation from Vivendi, see Note 2 Basis of preparation of the Consolidated Financial Statements for more details, on March 24, the Company entered into a syndicated euro-nominated term loan of €1,000 million maturing yearly for 20% of the amount with the final repayment in October 2026 as well as the multi-currency revolving credit facility (RCF) for approximately €2,000 million, both with two one-year extension options.

The ability of 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. To finance the repayment of UMG's borrowing from Vivendi, the term loan of €1,000 million was used, as well as the revolving credit facility for €1,240 million.

The term loan and the committed multi-currency RCF bear interest at a variable rate based on the relevant EURIBOR and LIBOR respectively with zero-floor plus a margin. The margin was 0.6% as of December 31, 2021 and is subject to adjustment based on the level of Net Debt to EBITDA ratio as at every financial year-end.

The intercompany payable consist of a short-term payable to Universal Music Group Treasury S.A.S. under a Cash Management Agreement.

Financial covenants

The leverage covenant for the newly issued RCF and Term loan prescribes that the financial net debt to EBITDA ratio of UMG Group is not to exceed the maximum ratio of 4.0 which is confirmed to the lenders twice a year. No other financial covenants are imposed on the Company by any of the borrowings.

Movements of borrowings

The movement in borrowings were as follows:

(in millions of euros)	Term Facility	Drawn Revolving Credit Facility	Inter-company payable	Total
Balance December 31, 2020	**–**	**–**	**–**	**–**
New borrowings	998	1,460	384	2,842
Repayments	–	(410)	–	(410)
Balance December 31, 2021	**998**	**1,050**	**384**	**2,432**

The above borrowings create an inherent interest rate risk. Failure to effectively hedge this risk could negatively impact financial results. The Company monitors interest rate coverage, short-term and long-term interest rate developments and has the flexibility to opt for different short-term interest periods for the variable debt instruments at roll-over dates and/or could enter into derivative financial instruments to fix interest rates for a certain period of time.

As of December 31, 2021, the Company had only variable-rate debts. The Company also earns interest on its loans granted at variable rates, mitigating its exposure to interest rate risk. A sensitivity analysis conducted in January 2022 shows that if interest rates were to increase instantaneously from their level of December 31, 2021, with all other variables held constant, the annualized interest earned on loans granted will exceed annualized interest expense on debts, as loans granted position is in excess of debts. This would have a positive effect on the Statement of Profit or Loss.

Note 10. Contractual obligations and other commitments

The table below analyzes the Company's material financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. Interest on Long-term debt is based on floating rate adjustments according to market expectations.

Contractual obligations

	Minimum future payments as of December 31, 2021				Total minimum future payments as of December 31, 2020
(in millions of euros)	Total	Payments due in 1 year	Payments due in 2-5 years	Payments due After 5 years	
Drawn revolving credit facility	1,055	–	1,055	–	–
Term loan	1,030	208	822	–	–
Lease liabilities	1	–	1	–	–
Total commitments	**2,086**	**208**	**1,878**	**–**	**–**

Liquidity risk

The Company is exposed to the liquidity risk. Liquidity risk management ensures the ability to meet financial obligations as they fall due.

The primary objective of liquidity management is providing for sufficient cash and cash equivalents to enable the Company to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company.

The loans receivable bear interest at an interest rate higher than the interest rate on the borrowings from the banks. The Company believes that the cash flow generated by the operations of its investments, its cash surpluses, net of amounts used to reduce UMG's debt, as well as funds available through undrawn committed bank credit facilities will be sufficient to cover cash outflows necessary for its operations as well as its debt service for the foreseeable future.

Over the course of the year, fluctuations occur in the working capital needed to finance operations. The Company strives to have a good liquidity position at all times and optimize daily cash management. Moreover, the Company strictly controls working capital by optimizing billing and collection.

Contingent liabilities

At December 31, 2021, the Company provided guarantees over certain debt of the following subsidiaries: Universal Music Group Inc. €2,000 million; Universal Music Group Treasury S.A.S. €100 million; Universal Music Ltda. (Brazil) €31 million; Universal Music AB (Sweden) €8 million.
No material allowances for credit losses was recognized in the Statement of Financial Position for both years presented, as the expected credit loss estimation were insignificant and the loans are fully performing in accordance with the agreements.

For intercompany financial guarantees issued by the Company no material expected credit loss was estimated, and therefore the financial guarantees are not recognised. In addition, the Company has provided guarantees to the following Universal Music Group subsidiaries, incorporated in the Netherlands, under the registered number indicated, under section 403 of Book 2 of the Dutch Civil Code.

Name	Company Number
Universal International Music B.V.	31018439
Universal Music Publishing International B.V.	31037866
Universal Music Publishing B.V.	32101966
CMHL B.V.	32140273

Note 11. Equity

Share capital

The Company has an authorized share capital of € 27,000,000,000, divided into 2,700,000,000, ordinary shares with a nominal value of € 10 per share.
On December 31, 2021, the issued and fully paid share capital consisted of 1,813,375,796 ordinary shares with a nominal value of € 10 per share (2020: 100,000 ordinary shares with a nominal value of € 1 per share).

The following table summarizes the changes in the number of issued and fully paid up shares of the Company for the year ended December 31, 2021:

(in millions of euros)	Ordinary Shares	Priority Shares	Total
Issued and fully paid up shares as at December 31, 2020	**100,000**	**–**	**100,000**
Reduction of share capital (1)	(100,000)	–	(100,000)
Shares issued (2)	1,847,873,774	1	1,847,873,775
Shares cancelled (3)	(34,632,615)	–	(34,632,615)
Shares converted (4)	1	(1)	–
Shares issued (5)	134,636	–	134,636
Issued and fully paid up shares as at December 31, 2021	**1,813,375,796**	**–**	**1,813,375,796**

(1) Immediately prior to the issuance of the new shares as described in (2), the issued share capital of the Company consisted of 100,000 ordinary shares with a par value of €1. These 100,000 shares were cancelled on 26 February 2021, when the articles of association of the Company were amended.

(2) On February 26, 2021, the Company issued - in total - 1,847,873,775 new shares, with a nominal value of €10 each, to its shareholders in exchange for a non-cash contribution consisting of all the shares of Universal International Music B.V. and Universal Music Group, Inc. to which a value is attached of €33,000,000,000. Since the value of the contribution shares exceeded the payment obligation, the balance constituted share premium.

(3) On June 24, 2021, the Company reduced its issued share capital by way of cancellation of 34,632,615 of its ordinary shares. The nominal value of the shares was recorded against share premium.

(4) On September 20, 2021, the Company converted from a BV to a NV and cancelled its ordinary shares. Shareholders holding priority shares were issued ordinary shares in a 1 to 1 ratio.

(5) On September 28, 2021, the Company issued 134,636 shares for the purpose of delivering on share-based executive incentive plan, refer to Note 24 of the Consolidated Financial Statements for more details.

Share Premium

Since the value of the contribution exceeded the par value of the shares, the balance constituted share premium.

Treasury shares

As at December 31, 2021 (2020: not applicable) the Company held 466,783 shares as Treasury shares for the purpose of delivering on the share-based executive incentive plan, refer to Note 24 of the Consolidated Financial Statements for more details.

Dividend Distribution

On April 29, 2021, the shareholders approved a dividend distribution of €0.23 per ordinary share, corresponding to a total distribution of € 422,000,000, payable in April 2021.

On July 28, 2021, the shareholders approved a dividend distribution of €0.20 per ordinary share, corresponding to a total distribution of € 362,581,803, payable in October 2021.

The Company plans 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.

A proposal will be submitted to the 2022 Annual General Meeting of Shareholders to pay a dividend of € 0.20 per ordinary share corresponding to a total distribution of € 363 million, in cash, from the 2021 retained earnings reserve (or if dividend exceeds it from the free distributable reserves) of the Company, payable in Q2 2022.

Pursuant to Dutch law, limitations exist relating to the distribution of shareholders' equity up to at least the total amount of the share capital, the legal reserve, as well as other reserves mandated per the Company Articles of Association. At December 31, 2021, the legal and non-distributable reserves of the Company amounted to €18,134 million (December 31, 2020: €0.1million)

Reconciliation of equity and net (loss)/profit

The reconciliation of equity and net(loss)/profit as per the Consolidated Financial Statements to equity and net(loss)/profit as per the Company Financial Statements is provided below:

(in millions of euros)	December 31, 2021
Equity attributable to Universal Music Group equity holders in the Consolidated Financial Statements as at 31 December, 2021	**2,030**
Equity attributable to Universal Music Group equity holders in the Consolidated Financial Statements as at 31 December, 2020	(1,634)
Intra-group restructuring (refer to Note 3)	33,000
Results of subsidiaries in the Consolidated Financial Statements	(906)
Dividend	785
Income directly recognized in equity in the Consolidated Financial Statements	(220)
Equity in the Company Financial Statements as at December 31, 2021	**33,055**

(in millions of euros)	December 31, 2021
Net (loss)/profit attributable to equity holders of the parent in the Consolidated Financial Statements	**886**
Results of subsidiaries in the Consolidated Financial Statements	(906)
Dividend Income	785
Net (loss)/profit in the Company Financial Statements as at December 31, 2021	**765**

Since the Company became the ultimate holding company of the Group in 2021, no reconciliation of equity and net (loss)/profit have been disclosed for the year ended December 31, 2020.

Note 12. Related parties

Detailed information on the remuneration of the Board of Directors and senior management is included in the "Corporate Governance" and "Remuneration of Directors" sections to the Annual Report.

Executive management compensation

As of December 31, 2021 there were 2 (2020:0) Executive Directors on the UMG N.V. board. Their aggregate compensation is presented in the table below.

	Year ended December 31,	
(in millions of euros)	2021	2020
Short-term employee benefits	2	–
Executive management compensation[1]	**2**	**–**

1 The Chairman and CEO is directly remunerated by another group company and this remuneration is not recharged to UMG N.V.

Non-executive board compensation

As of December 31, 2021, UMG's non-executive board received director fees of €0.2 million.

Other related parties include:

- Overhead costs recharged from and to Universal International Music B.V. to a net amount of €7 million. Disclosed under "Other" in Note 5;
- Investments in subsidiaries (Note 7);
- Long term receivables from Universal International Music B.V. (Note 8);
- Financial income on loans granted (Note 6);
- Intercompany payables (Note 9);
- Financial Guarantees provided to subsidiaries (Note 10);
- Guarantee fees received to the amount of €0,3 million on guarantees provided to subsidiaries (Note 10);

Note 13. Statutory auditors fees

The fees for services provided by the Company's independent auditors, Ernst & Young Accountants LLP and Deloitte Accountants B.V, and its member firms and/or affiliates, consisted of the following:

	Year ended December 31,			
(in millions of euros)	2021		2020	
	Ernst & Young Accountants LLP	Deloitte Accountants B.V.	Ernst & Young Accountants LLP	Deloitte Accountants B.V.
Audit of UMG N.V.	1.4	1.4	–	–
Other audit fees	0.3	–	–	–
Total fees	**1.7**	**1.4**	**–**	**–**

Note 14. Subsequent events

The Company has evaluated subsequent events and no events have been identified that could have an material impact on its financial statements.

OTHER INFORMATION

DISTRIBUTION OF PROFITS

Pursuant to article 32 of the Articles, the distribution of profits shall be made after the adoption of the financial statements by the General Meeting from which it appears that the distribution is allowed. The Company may only make distributions to the extent the shareholders' equity of the Company exceeds the sum of the issued and called-up part of the share capital of the Company and any reserves that must be maintained pursuant to Dutch law.

The Board may determine which part of the profits shall be reserved, with due observance of the dividend policy. The General Meeting may resolve to distribute any part of the profits remaining after such 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.

Subject to Dutch law, 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 shareholders' equity of the Company exceeds the sum of the issued and called-up part of the share capital of the Company and any reserves that must be maintained pursuant to Dutch law.

The Board, or the General Meeting, at the proposal of the Board, may resolve that a distribution shall not be paid in whole or in part in cash but in kind or in the form of Shares or that Shareholders shall be given the option to receive the distribution in cash or in kind or in the form of Shares (and with due observance of the Articles), and may determine the conditions under which such option can be given to the Shareholders.

Any distribution shall be made pro rata to the respective shareholdings. In calculating the amount of any distribution, Shares held by the Company shall be disregarded, unless such Shares are encumbered with a right of usufruct or a right of pledge.

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.

INDEPENDENT AUDITORS' REPORT

To the shareholders and the non-executive directors of Universal Music Group N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the financial statements for the year ended 31 December 2021 of Universal Music Group N.V. ('the company' or 'UMG'), based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Universal Music Group N.V. as at 31 December 2021 and of its result and its cash flows for the year ended 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. The consolidated and company statement of financial position as at 31 December 2021.
2. The following statements for the year ended 31 December 2021: the consolidated and company statements of profit and loss, comprehensive income, changes in equity and cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Universal Music Group N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INFORMATION IN SUPPORT OF OUR OPINION

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 60 million. The materiality is based on profit before tax and amounts to 5,2% of profit before tax. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the non-executive directors that misstatements in excess of € 3 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds

Scope of the joint group audit

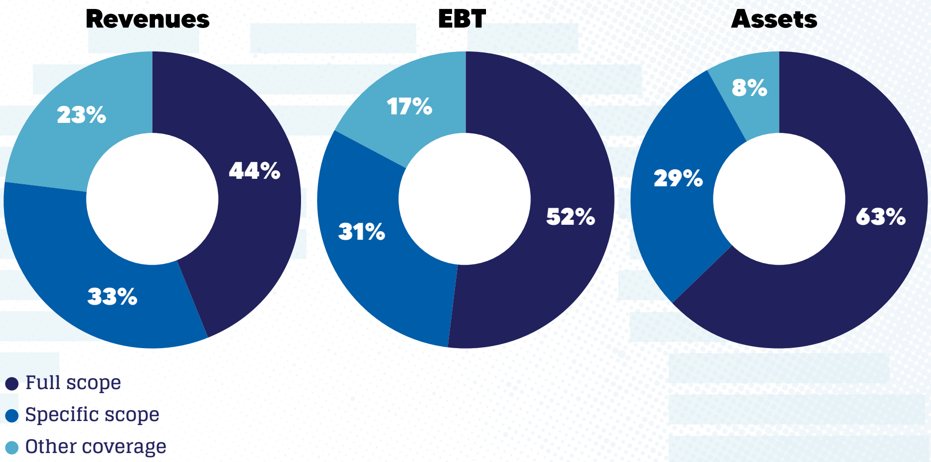
Universal Music Group N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Universal Music Group N.V.

Our joint group audit mainly focused on significant group entities in terms of size and financial interest or where significant risks or complex activities were present, leading us to involve component auditors for component entities. We have jointly performed audit procedures ourselves at UMG corporate entities and certain operations in the Netherlands. Furthermore, we jointly performed audit procedures at group level on areas such as consolidation, disclosures, impairment testing for goodwill and other non-current assets, financial instruments, acquisitions and divestments, share-based compensation, loans and borrowings and equity investments. Specialists were involved amongst others in the areas of treasury, information technology, tax, accounting, forensic, pensions and valuations. For selected component audit teams, the joint group audit team provided detailed written instructions, which, in addition to communicating the requirements of component audit teams, detailed significant audit areas and information obtained centrally relevant to the audit of individual components, including awareness for risks related to management override of controls.

Furthermore, we developed jointly a plan for overseeing each component audit team based on its relative significance and specific risk characteristics, also considering COVID-19 related travel and containment restrictions. Our joint ISA 600 procedures included remote working paper reviews for France, Germany, Japan, United Kingdom and the United States of America, virtual meetings with the component auditors and component management. We also jointly reviewed component audit team deliverables for the countries listed above to gain a sufficient understanding of the work performed based on our instructions. Due to current realities, almost all oversight procedures have been performed remotely whereby we varied the nature, timing and extent of these procedures based on both quantitative and qualitative considerations. For smaller components, we have jointly performed review procedures or specific audit procedures at group level.

By jointly performing the procedures mentioned above at group entities, together with additional joint procedures at group level, we have been able to obtain sufficient appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

For further details regarding the joint audit, we refer to the key audit matter "First Year Joint Audit" in section 3.



Fraud and non-compliance with laws and regulations

In accordance with Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error.

Inherent to our responsibilities for the audit of the financial statements, there is an unavoidable risk that material misstatements go undetected, even though the audit is planned and performed in accordance with Dutch law. The risk of undetected material misstatements due to fraud is even higher, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Also, we are not responsible for the prevention and detection of fraud and non-compliance with all laws and regulations. Our audit procedures differ from a forensic or legal investigation, which often have a more in-depth character.

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and board of directors' process for responding to the risks of fraud and monitoring the system of internal control and how the non-executive directors exercise oversight, as well as the outcomes. We refer to the risk management section of the board report for the fraud risk assessment and to the non-executive board report in which the non-executive directors reflect on this fraud risk assessment. In identifying potential risks of material misstatement due to fraud and non-compliance with laws and regulations, we, in close co-operation with our forensic specialists evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We held inquiries with executive directors, non-executive directors and others within the group, including but not limited to, in-house legal teams, compliance officers, internal audit and financial reporting teams.

Following these procedures and the presumed risks under the prevailing audit standards, we considered fraud risks related to management override of controls and we presumed that there are risks of fraud in revenue recognition, primarily associated with the accurate accounting in accordance with IFRS 15 of new contracts and the estimate associated with the publishing and recorded music broadcast revenues that are collected through societies. Our audit procedures to respond to these fraud risks include, amongst others, an evaluation of relevant internal controls and supplementary substantive audit procedures, including journal entry testing and evaluation of the accounting of new contracts. We refer to our key audit matter for our procedures related to the estimate associated with the publishing and recorded music broadcast revenues that are collected through collecting societies. Data analytics, including analyses for high-risk journal entries, are part of our audit approach to address fraud risks, which could have a material impact on the financial statements.

Further, we performed procedures including the following:

- Incorporated an element of unpredictability in the selection of the nature, timing and extent of our audit procedures. In addition, we included a periodical reassessment of the group audit scope, planning and audit findings meetings or video calls with auditors of reporting components. Reference is made to the section "Scope of the group audit".
- Evaluated whether the judgments and decisions made by the board in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Significant accounting estimates and judgements that might have a major impact on the financial statements are disclosed in note 2.10 of the financial statements. Certain accounting estimates and judgements are considered most significant to our audit; reference is made to the section "Our key audit matters".
- Performed a retrospective review of management judgments and assumptions related to significant accounting estimates, as disclosed in note 2.10 of the financial statements, reflected in prior year financial statements.

Resulting from our risk assessment procedures, and whilst considering that effects from non-compliance could considerably vary, we considered adherence to (corporate) tax and pension laws and financial reporting regulations. Also we considered the requirements under EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures to the extent material for the financial statements. Apart from these, the company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation. Examples of such other laws and regulations are those relating to anti-bribery and corruption, competition laws and data privacy laws. As required by auditing standards, we performed audit procedures to identify non-compliance with these laws and regulations through inquiries with executive directors, non-executive directors and others within the group and inspection of relevant correspondence with regulatory authorities. We also inspected lawyers' letters and remained alert to indications of (suspected) non-compliance throughout the audit, held inquiries with group legal counsel and internal audit, and obtained a written representation that all known instances of (suspected) non-compliance with laws and regulations were disclosed to us.

Going concern

Our responsibilities, as well as the responsibilities of the board, related to going concern under the prevailing standards, are outlined in the "Description of responsibilities regarding the financial statements" section below. In fulfilling our responsibilities, we performed procedures including evaluating the board's assessment of the company's ability to continue as a going concern.

We considered whether the board's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the company's ability to continue as a going concern. Based on these procedures, we did not identify any reportable findings related to the company's ability to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the non-executive directors. The key audit matters are not a comprehensive reflection of all matters discussed.

Key audit matter description	How our audit responded to the key audit matter	Key observations
1. Estimate associated with the publishing and recorded music broadcast revenues that are collected through collecting societies		
The Financial Statements include a retrospective adjustment to the comparative period in relation to certain publishing and recorded music broadcast income revenues that are collected through societies. As described in note 2.12, these publishing revenues relate to the use by third parties of the copyrights on musical works owned or administered by the company and the recorded music broadcasting revenue relate to the use by third parties of the sound recordings owned or administered by the company. These are dynamic intellectual property licenses and provide a right to access a catalogue of songs, so the revenue is recognised over time in accordance with IFRS 15 Revenue from Contracts with Customers. The consideration paid by the third parties, notably collection societies, is mostly variable consideration, in the form of a usage-based royalty. Revenue from music publishing and recorded broadcasting was previously accounted for when the collection society notified UMG of the usage by the end customer. This information from the collection societies was and continues to be reported on a quarterly, semi-annual or annual basis and payments are made at predetermined dates thereafter. Per note 2.6 and note 2.12 recognition is now based on its best available estimate of when the usage occurs and the amount of consideration which is probable to be collected. Accordingly, the opening balance has been retrospecively adjusted. The period end revenue estimate and related receivable, 2021: EUR 553 million (2020: EUR 553 million) are based on the catalogues of songs' historic performance for previous periods, adjusted for the board's assessment of the usage until the reporting date. Revenue is also one of the key performance indicators for the company. Revenue accruals of the contractual arrangements with the collection societies, which may report with a significant delay, could have a material impact on the recognition of revenue and the associated assets and accruals. We presumed that there are risks of fraud in revenue recognition, primarily associated with the estimate associated with the publishing and recorded music broadcast revenues that are collected through societies. As a result, revenue and the associated assets and accruals are considered to be a key audit matter.	We obtained an understanding of and evaluated the company's processes, internal controls and revenue recognition policies related to music publishing and recorded music broadcasting. We evaluated the company's revenue recognition accounting policies for compliance with IFRS 15 Revenue from Contracts with Customers'. We performed the following procedures in testing the current and prior period-end revenue and the associated assets and accruals: • We obtained an understanding of and evaluated the design of the relevant internal controls over revenue recognition and the estimation process; • We evaluated the methodology applied by the board in developing the period-end revenue estimate; • We reviewed contractual terms of agreements with collection societies on a sample basis; • We evaluated the underlying information used by the board in the revenue asset and accrual calculations by reconciling revenue recorded in the reporting period to the data from collection societies (royalty statements) and cash receipts (where applicable) on a sample basis; • We evaluated the reasonableness of the revenue accrual assumptions made by the board against supporting information and contradictory information; • We tested the arithmetic accuracy of the revenue accrual calculation; and • We performed retrospective testing by comparing the prior year revenue assets and accruals to subsequently received royalty statements in order to assess the accuracy of the estimates made by the board; • We also considered the adequacy of the disclosures in the consolidated financial statements in relation to the revenue assets and accruals related to the music publishing and recording broadcasting.	Applying the aforementioned materiality, we did not identify any reportable findings in the board's assessment of the revenue accruals related to the music publishing and recorded music broadcast revenues for the year ended December 31, 2021, and the disclosures in note 3, other than as disclosed in note 2.6.

Key audit matter description	How our audit responded to the key audit matter	Key observations
2. Valuation of Royalty advances to artists and repertoire owners		
The company provides royalty advances to artists in order to support the artist in future performances. In 2021, the total amount of royalty advances amounts to EUR 2,4 billion (2020: EUR 1,9 billion). As described in note 2.16 and note 10 to the financial statements, these 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 future recoupment of such royalty advances against future earnings otherwise payable to them is reasonably assured. 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. As described in note 2.10 to the financial statements, the significant judgements in making the estimate whether capitalized royalty advances are recoverable against future royalties mainly relate to the estimated future performance of beneficiaries who received advances. We consider this to be a key audit matter based on the significant judgements in making the estimate.	We obtained an understanding of the processes of making the aforementioned estimate and the related accounting policies. We evaluated the company's accounting policies for recognition and measurement of royalty advances for compliance with IAS 38 'Intangible assets'. Furthermore, we performed, amongst others, the following audit procedures: • We obtained an understanding of and evaluated design of the relevant internal controls over the valuation of royalty advances; • We obtained the contracts and payments relating to material royalty advances during the year; • We tested the recoupment during 2021 to supporting documentation; • We evaluated the recoverability of exposed advances by challenging the assumptions used by the board in their recoverability analysis; • We utilized recoverability analyses to assess the appropriateness of current vs non-current classifications of advances.	Applying the aforementioned materiality, we did not identify any reportable findings in the board's assessment of the royalty advances and the disclosures in notes 2.10, 2.16 and note 10.

Key audit matter description	How our audit responded to the key audit matter	Key observations
3. First year joint audit		
The financial year ended December 31, 2021 is the first year that Deloitte Accountants BV and Ernst & Young Accountants LLP jointly audited the Financial statements of the company. This joint audit resulted from the company's desire to continue the joint audit, because the company, prior to being incorporated in the Netherlands, was part of the French Vivendi SE and subject to joint audits. This initial and joint audit involved a number of complex considerations. As a result the first year joint audit is considered to be a key audit matter. We refer to our responses related to these complex considerations below.	After being appointed as the company's joint auditors by the general meeting on 20 September 2021, we developed a comprehensive plan to ensure an effective transition from the predecessor auditors. In order to develop an appropriate audit strategy and audit plan in the initial audit engagement at the company, specific planning activities were necessary. These included, but were not limited, to: • Initial introduction to the company. Various partner-led joint meetings between the auditors with predecessor auditors took place. During these meetings we discussed and evaluated the prior years audit strategy, scoping, risk assessment and all relevant findings resulting from prior years audit; • Gaining an initial understanding of the company and its business including background information, strategy, business risks, IT landscape, its financial reporting and internal controls framework to assist in performing risk assessment procedures to develop the audit strategy and plan; • Obtaining sufficient and appropriate audit evidence regarding the opening balances including the selection and application of accounting principles; • Obtaining sufficient and appropriate audit evidence about whether the accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements, and whether changes in the accounting policies have been appropriately accounted for and adequately presented and disclosed in accordance with EU-IFRS; • Establishing collaboration protocols between the audit firms, performing audit procedures collectively and reviewing and overseeing each other's work; • Active knowledge sharing with Business, Finance, Risk and Internal Audit functions to understand their perspectives on the business, risks and key findings from their work; • Communicating with the predecessor auditors as well as the auditors of the component teams in France, Germany, Japan, United Kingdom and United States of America, including reviews of audit working papers for previous periods as well as the evaluation of key accounting positions and audit matters from prior years; for smaller components, we have performed review procedures or specific audit procedures at group level; • Reviewing the prior year audit procedures performed including the audit summary memorandum as well as all reported deliverables to the company.	The aforementioned has been used as a basis for our audit plan. We discussed and agreed our audit plan with the Audit Committee and Executive Board of the company and have reported status updates, progress reports and key findings from our audit process on a regular basis.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The annual report contains other information, in addition to the financial statements and our auditor's report thereon. Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information regarding the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS AND ESEF

Engagement

We were engaged by the general meeting on 20 September 2021 as auditors of Universal Music Group N.V. for the financial year ending 31 December 2021 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Format ("ESEF")

UMG has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report, prepared in the XHTML format, including the partially marked-up consolidated financial statements, as included in the reporting package by UMG, complies in all material respects with the RTS on ESEF.

The board of directors is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the board of directors combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (the Netherlands Institute of Chartered Accountants), included amongst others:

- Obtaining an understanding of the UMG's financial reporting process, including the preparation of the reporting package;
- Obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared in accordance with the technical specifications as included in the RTS on ESEF; and
- Examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of the board of directors for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The non-executive directors are responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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 financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on

Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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.
- Obtaining 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 the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of directors' 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 the company'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 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 auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the non-executive directors 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, related safeguards.

From the matters communicated with the non-executive directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, March, 31, 2022.

Deloitte Accountants B.V.	Ernst & Young Accountants LLP
Was signed on the original:	Was signed on the original:
I.A. Buitendijk	J.L. Geutjes

APPENDIX

BIOS CORPORATE EXECUTIVES

Sir Lucian Grainge

Chairman and 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.

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 in 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 and CEO, 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 of Business and 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. 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 Oficer 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, 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.

Vincent Vallejo

Deputy Chief Executive Officer, 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 led a number of corporate initiatives related to the Company's listing on the Euronext NV in Amsterdam. Vallejo joined UMG in 2021 and has worked closely across UMG matters since he joined Vivendi in 1998, where he served 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, CergyPontoise, France.

BIOS BOARD OF DIRECTORS

Sir Lucian Grainge

Male, Age: 62, Nationality: British
Chairman and Chief Executive Officer and Executive Director

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

Male, Age: 61, Nationality: French
Deputy Chief Executive Officer, Corporate and Executive Director

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 led a number of corporate initiatives related to the Company's listing on the Euronext NV in Amsterdam. Vallejo joined UMG in 2021 and has worked closely across UMG matters since he joined Vivendi in 1998, where he served 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, CergyPontoise, France.

Judy Craymer CBE

Female, Age: 64, Nationality: British
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 Fiévet

Male, Age 58, Nationality: French
Vice Chairman of the Board and Independent Non-Executive Director

Antoine Fiévet 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 Fiévet's leadership, Bel Group adopted concrete actions to address sustainable agriculture, healthy food, responsible packaging, the fight against climate change and product accessibility. Fiévet received a graduate degree from Université Paris II Panthéon Assas and an undergraduate degree from Institut Supérieur de Gestion.

Anna Jones

Female, Age: 46, Nationality: British
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 UK 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 UK adults. As Hearst Magazines UK'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

Female, Age: 50, Nationality: French and Tongolese
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

Male, Age: 48, Nationality: British
Non-Executive Director

James Mitchell is a Senior Executive Vice President and Chief Strategy Officer of Tencent Holdings Limited (HKEX:0700), where he has worked since July 2011. James Mitchell also serves as the Chairman and Non-Executive director of the board of China Literature Limited (HKEX: 0772) since June 2017. He is a director of certain other listed companies, including Frontier Developments Plc (AIM: FDEV), NIO Inc. (NYSE: NIO, HKEX: 09866) and Tencent Music Entertainment Group (NYSE: TME), and of 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

Male, Age: 55, Nationality: Dutch
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, The 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 is a member of the Supervisory Board of de Mediafederatie, the national association of media companies and publishers in The Netherlands, and a member of the Supervisory Board of VNO-NCW, the national employers association in the Netherlands.

Margaret Frerejean-Taittinger

Female, Age: 36, Nationality: American
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

Male, Age: 49, Nationality: Canadian
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 US 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.

DEFINITIONS

In this Annual Report release, UMG presents certain financial measures when discussing UMG's performance that are not measures of financial performance or liquidity under IFRS ("non-IFRS"). These non-IFRS measures (also known as alternative performance measures) are presented because management considers them important supplemental measures of UMG's performance and believes that they are widely used in the industry in which UMG operates as a means of evaluating a company's operating performance and liquidity. UMG believes that an understanding of its sales performance, profitability, financial strength and funding requirements is enhanced by reporting the following non-IFRS measures. All non-IFRS measures should be considered in addition to, and not as a substitute for, other IFRS measures of operating and financial performance as presented in UMG's Consolidated Financial Statements and the related Notes. In addition, it should be noted that other companies may have definitions and calculations for these non-IFRS measures that differ from those used by UMG, thereby affecting comparability.

EBITDA and EBITDA margin

UMG considers EBITDA and EBITDA margin, non-IFRS measures, to be relevant measures 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. EBITDA margin is EBITDA divided by revenue. To calculate EBITDA, the accounting impact of the following items is excluded from Operating Profit:

i. amortization of intangible assets;
ii. impairment losses on goodwill and other intangibles;
iii. other income and expenses related to transactions with shareowners (except when directly recognized in equity);
iv. depreciation of tangible assets including right of use assets;
v. (gains)/losses on the sale of tangible assets, included right of use assets and intangible assets;
vi. (income)/losses from equity affiliates;
vii. restructuring expenses; and
viii. other non-recurring items.

Adjusted EBITDA and Adjusted EBITDA margin

The difference between EBITDA and Adjusted EBITDA consists of non-cash share-based compensation expenses and certain one-time items that are deemed by management to be significant and incidental to normal business activity. Adjusted EBITDA margin is Adjusted EBITDA divided by revenue. UMG considers Adjusted EBITDA and Adjusted EBITDA margin, non-IFRS measures, to be relevant measures to assess performance of its operating activities excluding items that may be incidental to normal business activity.

Adjusted Net Profit/Adjusted Net Profit per share

UMG considers the use of Adjusted net profit appropriate as UMG uses it as the basis for the Adjusted net profit per share (in EUR) – diluted, both of which are non-IFRS measures. Adjusted net profit may be subject to limitations as an analytical tool for investors, as it excludes certain items and therefore does not reflect the expense associated with such items, which may be significant and have a significant effect on UMG's net profit. The accounting impact of the following items is excluded from Net profit attributable to equity holders of the parent:

i. amortization of catalogues;
ii. impairment losses on goodwill and intangible assets;
iii. other charges and income related to transactions with shareowners;
iv. financial income and expenses, excluding interest and income from investments;
v. earnings from discontinued operations;
vi. non-cash share-based compensation expenses;
vii. certain one-time items that are deemed by management to be significant and incidental to normal business activity;
viii. income taxes and adjustments attributable to non-controlling interests; and
ix. non-recurring tax items.

Financial Net Debt

UMG considers financial net debt, a non-IFRS measure, to be a relevant indicator of the group's liquidity and capital resources. UMG management uses this indicator for reporting, management and planning purposes. Financial Net Debt is calculated as the sum of:

i. cash and cash equivalents, as reported in the Consolidated Statement of Financial Position, including (i) cash in banks and deposits, whether or not compensated, corresponding to cash, and (ii) money market funds;
ii. cash management financial assets, included in the Consolidated Statement of Financial Position under "financial assets", relating to financial investments, which do not satisfy the criteria for classification as cash equivalents set forth in IAS 7; and
iii. derivative financial instruments, net (assets and liabilities) where the underlying instruments are Financial Net Debt items, as well as cash deposits securing borrowings included in the Consolidated Statement of Financial Position under "financial assets";
less:
i. the value of borrowings at amortized cost as reported in the Consolidated Statement of Financial Position

Free Cash Flow

UMG defines Free Cash Flow as net cash provided by/(used for) operating activities plus net cash provided by/(used for) investing activities, less repayment of lease liabilities, interest paid, net and other cash items related to financing activities. UMG considers free cash flow, a non-IFRS measure, to be a relevant indicator of the group's cashflow generated to fund dividend payments and repayment of debt. Free Cash Flow is not a measure of performance calculated in accordance with IFRS and therefore it should not be considered in isolation of, or as a substitute for cash flow provided by operating activities as a measure of liquidity. Free Cash Flow, as we calculate it, may not be comparable to similarly titled measures employed by other companies. In addition, Free Cash Flow does not necessarily represent funds available for discretionary use and is not necessarily a measure of our ability to fund our cash needs.

Reconciliation of net profit attributable to equity holders of the parent to adjusted net profit

(in millions of euros)	Year ended December 31, 2021	2020
Net profit attributable to equity holders of the parent (a)	886	1,366
Adjustments		
Financial income and expenses, excluding interest and income from investments	220	(574)
Non-cash share based compensation expense	79	10
One time direct-listing related expenses	23	–
Amortization of Catalogues	144	108
Income tax on adjustments	(81)	118
Adjusted net profit	1,271	1,028

a. As reported in the Consolidated Statement of Profit or Loss

Adjusted net profit per share

(in millions of euros and shares)	Year ended December 31, 2021		2020	
	Basic	Diluted	Basic	Diluted
Adjusted net profit	1,271	1,271	1,028	1,028
Number of shares (a)				
Weighted average number of shares outstanding	1,813	1,813	1,813	1,813
Potential dilutive effects related to share-based compensation	–	1	–	–
Adjusted weighted average number of shares	1,813	1,814	1,813	1,813
Adjusted net profit per share (in euros)	0.70	0.70	0.57	0.57

a. as reported in Note 8 of the Consolidated Financial Statements

Net cash provided by operating activities – Adjustments

Operating profit includes certain non-cash items that are adjusted to get to the Net cash provided by operating activities as follows:

(in millions of euros)	Year ended December 31, 2021	2020
Amortization and depreciation expense	277	236
Change in provisions, net	8	(33)
(Income)/loss from equity affiliates	(5)	9
(Gain)/loss on sale of assets	(2)	1
Other non-recurring items	(3)	–
Adjustments	275	213

CAUTIONARY NOTICE

Forward-looking statements

The annual report contains statements that may constitute forward-looking statements with respect to UMG's financial condition, results of operations, business, strategy and plans. Such forward-looking statements may be identified by the use of words such as 'profit forecast', 'expect', 'estimate', 'project', 'anticipate', 'should', 'intend', 'plan', 'probability', 'risk', 'target', 'goal', 'objective', 'will', 'endeavour', 'optimistic', 'prospects' and similar expressions or variations on such expressions. Although UMG believes that such forward-looking statements are based on reasonable assumptions, they are not guarantees of future performance. Actual results may differ materially from such forward-looking statements as a result of a number of risks and uncertainties, many of which are related to factors that are outside UMG's control, including, but not limited to, UMG's inability to compete successfully and to identify, attract, sign and retain successful recording artists and songwriters, failure of streaming and subscription adoption or revenue to grow or to grow less rapidly than anticipated, UMG's reliance on digital service providers, UMG's inability to execute its business strategy, the global nature of UMG's operations, UMG's inability to protect its intellectual property and against piracy, UMG's inability to attract and retain key personnel, changes in laws and regulations and the other risks described in the annual report. Accordingly, UMG cautions readers against placing undue reliance on such forward-looking statements. Such forward-looking statements are made as of the date of the annual report. UMG disclaims any intention or obligation to provide, update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.