Lagardère

Reference Document

including the Annual Financial Report – Year 2010

LAGARDÈRE SCA
A French limited partnership with shares, with share capital of €799,913,044.60
divided into 131,133,286 shares of €6.10 par value each.
Head office: 4 rue de Presbourg – 75016 Paris (France)
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Commercial Register: 320 366 446 RCS Paris
website: http://www.lagardere.com

Reference Document
including the
Annual Financial Report
Year 2010

The original version of this Reference Document (*Document de référence*) in French was filed with the French Financial Market Authority (*Autorité des Marchés Financiers - AMF*) on 14 April 2011 in accordance with article 212-13 of the AMF *Règlement Général*. It may be used in connection with a financial transaction if completed by an Information notice approved by the AMF. This Document has been prepared by the Company under the responsibility of the persons who signed the French original.

The Annual Financial Report prepared in compliance with article L. 451-1-2 of the French Financial and Monetary Code and article 222-3 of the General Regulation of the French Financial Market Authority is comprised of the information, documents and reports listed below, which are presented in the accompanying Reference Document, in the chapters and pages indicated.

REFERENCE DOCUMENT

Year 2010

This English language version of Lagardère's Reference Document is a translation of the original *Document de référence* filed with the *Autorité des Marchés Financiers*. It is intended for general information only and is not a binding document.

CHAPTER 1

Persons responsible for the Reference Document and persons responsible for the audit of the financial statements

1.1 PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THE REFERENCE DOCUMENT

MANAGING PARTNERS

- Mr. Arnaud Lagardère;
- Arjil Commanditée-Arco, represented by:
  - Mr. Arnaud Lagardère, Chairman and Chief Executive Officer;
  - Mr. Philippe Camus, Deputy Chairman and Chief Operating Officer;
  - Mr. Pierre Leroy, Deputy Chairman and Chief Operating Officer;
  - Mr. Dominique D'Hinnin, Chief Operating Officer;
  - Mr. Thierry Funck-Brentano, Chief Operating Officer.

1.2 CERTIFICATION BY THE PERSONS RESPONSIBLE

CERTIFICATION OF THE MANAGING PARTNERS

"We certify, after taking all reasonable measures to this effect, that to the best of our knowledge, the information set out in this Reference Document is accurate and contains no omissions which could impair its meaning.

We certify that to the best of our knowledge, the financial statements have been prepared in compliance with the applicable accounting standards and provide a true and fair view of the assets, financial position and net income of the Company and all the entities included in the consolidation, and that the accompanying management report (Chapter 3 pages 14 to 21; Chapter 4 pages 22 to 29; Chapter 5 pages 30 to 97; Chapter 6.1 pages 100 and 101; Chapter 6.2 pages 102 to 107; Chapter 7 pages 216 to 273; Chapter 8 pages 274 to 291; Chapter 9 pages 292 to 295) fairly presents changes in the business, results and financial position of the Company and all the entities included in the consolidation, together with a description of the main risks and uncertainties encountered.

We have obtained from the Auditors a letter issued upon completion of their engagement, stating that they have verified the information concerning the financial position and financial statements presented in this Reference Document and that they have read the entire Reference Document.

The historical financial information presented in this document is covered by the reports of the Auditors which can be found on pages 212 to 214 of this Reference Document, and the information included by reference for 2008 and 2009 is covered by the Auditors' reports contained in pages 228 to 230 of the 2008 Reference Document and pages 210 to 212 of the 2009 Reference Document.

The Auditors' report on the consolidated financial statements for the year ended 31 December 2010 contains two observations:

- one concerning note 1 to the consolidated financial statements describing the new standards and interpretations applied from 1 January 2010;
- the other concerning note 19 to the consolidated financial statements, which presents the accounting treatment applied at 31 December 2010 for the investment in Canal+ France."

Paris, 13 April 2011

Arnaud Lagardère

For Arjil Commanditée-Arco

Arnaud Lagardère — Pierre Leroy

1.3 NAMES AND ADDRESSES OF THE AUDITORS

	First appointed	End of current period of office
Auditors		
Ernst & Young et Autres represented by Mrs Jeanne Boillet 41 rue Ybry 92576 Neuilly-sur-Seine Cedex, France Member of the Versailles Regional Institute	29 June 1987	2011
Mazars represented by Mr. Bruno Balaire 61 rue Henri Regnault 92400 Courbevoie, France Member of the Versailles Regional Institute	20 June 1996	2014
Alternate Auditors		
Mr. Gilles Puissochet 41 rue Ybry 92576 Neuilly-sur-Seine Cedex, France	10 May 2005	2011
Mr. Patrick de Cambourg 61 rue Henri Regnault 92400 Courbevoie, France	29 April 2008	2014

CHAPTER 2

Consolidated key figures for 2010

2.1 CONSOLIDATED KEY FIGURES

(in millions of euros) [1]	**2010**	2009	2008
Net sales	**7,966**	7,892	8,214
Recurring operating profit before associates	**462**	461	647
Non-recurring items	**(184)**	(121)	(68)
Income from associates [2]	**65**	29	246
Profit before finance costs and tax	**343**	369	825
Finance costs, net	**(82)**	(82)	(176)
Income tax expense	**(67)**	(123)	(22)
Profit for the year	**194**	164	627
Profit attributable to minority interests	***31***	*27*	*34*
Profit attributable to owners of the parent	***163***	*137*	*593*
Equity	**4,018**	4,082	4,446
Net indebtedness	**1,772**	1,824	2,619
Goodwill	**2,583**	2,810	2,980
Capital expenditure	**310**	303	709

(1) See definition of performance indicators in note 3.3 to the 2010 consolidated financial statements, in Chapter 6.
(2) Before amortization of acquisition-related intangible assets and impairment losses.

2.2 PER SHARE DATA

	2010		2009		2008	
(in euros)	**Basic**	**Diluted** [1]	Basic	Diluted [1]	Basic	Diluted [1]
Profit attributable to owners of the parent, per share	**1.29**	**1.27**	1.08	1.07	4.62	4.62
Equity attributable to owners of the parent, per share	**30.61**	**30.32**	31.18	31.04	33.88	33.88
Cash flow from operations before change in working capital, per share	**4.65**	**4.60**	5.17	5.14	5.43	5.43
Market price at 31 December	**30.83**		28.41		29.00	
Dividend	**1.30** [2]		1.30		1.30	

(1) The calculation method used for diluted earnings per share is presented in note 15 to the 2010 consolidated financial statements, in Chapter 6.
(2) Dividend to be approved by the Annual General Meeting of Shareholders on 10 May 2011.

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CHAPTER 3

Risk factors

The following description concerns the Group's exposure to certain risks considered significant. Risk management procedures are described in Chapter 7, section 7.4.1.5.

Other risks which are unidentified or not considered significant could nevertheless have a negative effect on the Group's business activity or results.

EADS N.V. and Canal+ France are in charge of their own risk management. The reader is invited to consult the EADS N.V. Registration Document for 2010 and section 4.7 of the prospectus (*document de base*) filed by Canal+ France with the Financial Market Authority (AMF) on 16 February 2011 under number I-11-04 for details of these companies' risk management policies in 2010.

3.1 STRATEGIC AND COMMERCIAL RISKS: WORLDWIDE ADVERTISING MARKETS, ECONOMIC ENVIRONMENT, CHANGES IN CONSUMER BEHAVIOUR

A large portion of the Group's revenues derives from business that is sensitive to the economic environment, and changes in that environment may particularly affect sales of products such as magazines and part-works, customer numbers in the Group's store locations, especially travel areas, and revenues directly or indirectly associated with advertising. For example, a 1% downturn in advertising sales across the whole of Lagardère Active would lead to a decrease of €6-8 million in the division's operating profit over a full year, before any adjustment and excluding the effect of the disposal of international magazine publishing operations currently in progress (see Chapter 9, section 9.1.1.3).

At Lagardère Unlimited, the structure and timing of sports events and the nature of the agreements under which the division operates (acquisition of rights or agency fees) can lead to an irregular sales pattern.

The Group is also faced with changes in its customers' consumer habits as digital and mobile technologies develop, and this too can have a significant effect on its commercial positions.

3.2 RISKS AND DEPENDENCY ASSOCIATED WITH MAJOR CONTRACTS

Some contracts, particularly agreements entered into in connection with sports events, may have high unit values (several hundred million euros), extend across several years and entail significant commitments for the Group in return for the expected profitability. Any problems with application, a difficult economic environment or unfavourable market conditions may have negative consequences for income derived from these contracts, and as a result it cannot be guaranteed that they will be profitable upon termination.

3.3 LEGAL RISKS

3.3.1 SPECIAL REGULATIONS APPLYING TO THE GROUP

In its **book publishing and distribution businesses**, the Group is subject to specific local regulations in the countries in which it operates, including intellectual property rights, legal copyright registration requirements, rules governing the pricing of books, and VAT rules. In France, for example, the Group is subject to regulations imposing a fixed book price set by publishers or importers, which restrict qualitative or quantitative discounts to distributors. Further regulations also apply to publications for children and young people.

In both its **book publishing** and **press and audiovisual production operations**, the Group is subject, in particular, to the laws and regulations concerning copyright, libel, image rights and the respect of privacy.

In its **wholesale and retail distribution activities**, the Group must comply with certain specific regulations, principally those applicable to the sale of print media, foodstuffs and tobacco or alcoholic products and duty-free products (which may be governed by conventions signed with the Customs Authorities), and transport operations. In France for example, press distribution and the legal structure of distribution cooperatives are subject to a specific law (*Loi Bichet*). Both in and outside France, prior authorisation may be required to carry out certain distribution activities.

The Group's **advertising activities** (including the management of marketing and audiovisual rights) are subject to the relevant legislation, in particular restrictions on tobacco and alcohol advertising, gambling laws and laws concerning misleading advertising.

The law of 30 September 1986 on freedom of communication is applicable to the Group's French **audiovisual communication operations**. Operation of radio and television services by the Group in France requires authorisations, which are issued for specific periods by the French Broadcasting Authority (*Conseil Supérieur de l'Audiovisuel* – CSA). The resultant obligations are set forth in a convention signed with the CSA, and renewed in compliance with the said law. The legislation in most other countries in which Lagardère's Audiovisual division operates is similar to the French law of 30 September 1986, and overseen by a broadcasting authority. These laws generally define the terms for attribution of radio and TV broadcasting frequencies, and radio and TV channel and programme broadcasting (these terms are included in the licence agreements signed with the relevant broadcasting authority), the antitrust system and the broadcasting authority's powers to verify compliance and apply sanctions.

For its **sports sector activities**, in the countries where it markets sports rights and organises sports events the Group is subject to the national and local laws governing matters such as sports events (organisation and security) and marketing of those events (purchase and broadcasting), and intellectual property in the sports sector (public rights to sports information, etc). It is also subject to the laws governing sports-related bodies through its business links with them, particularly national federations and supranational organisations, primarily for football (soccer). The Group's sports infrastructure management and sports training activities are subject to various French regulations including those relating to private legal entities formed for sports purposes (approved sports associations and professional sports societies), or establishments receiving members of the public and occupying public land. Depending on the countries concerned, agency and career management activities for professional sportsmen and women may be subject to national regulations and sports organisations' rules on agents' activities and protection of players aged under 18.

3.3.2 RISKS ASSOCIATED WITH BRANDS AND OTHER INTELLECTUAL PROPERTY RIGHTS

The Group pays particular attention to the protection of its portfolio of commercial trademarks and intellectual property rights, which form an essential component of its assets and rights (see section 7.4.1.3-F, in Chapter 7).

3.3.3 RISKS THAT HAVE OCCURED BY BREACH OF CONTRACTUAL COMMITMENTS

Like all economic actors, the Group is exposed to default by certain partners, service providers, suppliers or customers, especially following the initiation of bankruptcy proceedings or occasional financial difficulties.

Counterparty risks are described in section 3.6 below.

The Group is not aware of any risks that have occured following failure to execute contractual commitments which could have significant effects on its financial position or profitability.

3.3.4 RISKS ASSOCIATED WITH LITIGATION IN PROCESS

The main litigation and claims involving the Group are presented in note 34.2 to the consolidated financial statements for 2010 (see Chapter 6). The main litigations involving the EADS N.V. group and Canal+ France are described in the EADS Registration Document and section 20.5 of the prospectus (*document de base*) filed by Canal+ France with the Financial Market Authority (AMF) on 16 February 2011 under number I-11-04.

In the normal course of their business, Lagardère and/or its subsidiaries are involved in a number of disputes principally related to contract execution. Adequate provisions are established, where considered necessary, to cover any risks that may arise from general or specific disputes. The total amount of provisions for litigation is shown in note 27.2 to the consolidated financial statements for 2010.

To the best of the Group's knowledge, in the twelve months immediately preceding publication of this Reference Document, there were no other governmental, litigation or arbitration procedures in existence (including any procedure of which the Group is aware which is suspended or threatened) which may have or recently had significant effects on its financial position or profits.

3.3.5 EXPOSURE TO GOVERNMENTAL, ECONOMIC, BUDGETARY, MONETARY OR POLITICAL FACTORS OR STRATEGIES WITH A POTENTIALLY SIGNIFICANT INFLUENCE ON THE GROUP'S OPERATIONS

A tendency among certain sports organisations and/or broadcasters to review policies and strategies is currently visible in the sports sector, potentially leading to substantial change in the sales and marketing models for certain sports media rights and/or the level of competition between purchasers. Certain countries' recent or proposed changes to the lists of events that can be broadcast on non-premium channels can be expected to have similar consequences. Regarding marketing rights, the sector should benefit from the controlled opening of the French sports betting and online gambling market in 2010, and similar measures are currently under examination in Germany.

The question of whether the traditional legislation governing the Group's business is appropriate to the development and specificities of the digital economy is the object of debates. In France for example, current legislative reviews and processes could result in extending application of a fixed price for books, a principle introduced by the "Lang law" of 1981, to digital books, and application of the transparency principles for advertising laid down by the "Sapin law" of 1993 to internet advertising.

Various European Union institutions are also seeking ways to promote a more unified single market for media content. Ultimately, this could foster change in the distribution models for such content in Europe, whereas to date the market has largely been organised along the lines of national boundaries and specificities.

The Group could also be concerned in the long or short term by certain provisions of the French law of 12 July 2010 on the national commitment to the environment, known as the "Grenelle 2" law. Most of the application decrees have yet to be issued.

At this stage, it is difficult to assess the possible impacts of these potential changes, which if they materialise should affect not only the Lagardère group but all actors in the sectors concerned.

In November 2010, Lagardère Publishing signed a memorandum of understanding with Google establishing a framework for the digitisation of out-of-print French books for which Lagardère Publishing controls the rights. The principle laid down in this memorandum of understanding is that prior authorisation must be given by Lagardère Publishing for any digitisation or distribution, and this will open up new commercial opportunities for the division.

3.4 COST OF PAPER

Lagardère Active and Lagardère Publishing need to use large volumes of paper for their business activities. Total paper purchases reached nearly 470,000 tonnes in 2010 as described in Chapter 5, section 5.3.2.3-A. Although it is not possible to link the cost of paper purchases to a single index, the Group is subject to the risk of fluctuations in paper prices, particularly in the European, North American and Asian markets.

A significant increase in paper prices worldwide could therefore have a significant unfavourable impact on these divisions' operating profit, to the extent of €30-40 million for a long-term 10% rise in paper prices over a full year, before adjustment.

3.5 MARKET RISKS (LIQUIDITY, INTEREST RATE, EXCHANGE RATE AND EQUITY RISKS)

Market risks (liquidity, interest rate, exchange rate, and equity risks) are described in note 29.1 to the consolidated financial statements for 2010 (see Chapter 6).

3.6 CREDIT AND COUNTERPARTY RISKS

Credit and counterparty risks are described in note 29.2 to the consolidated financial statements for 2010 (see Chapter 6).

3.7 INDUSTRIAL AND ENVIRONMENTAL RISKS

The industrial and environmental risk prevention and management policies are described in Chapter 7, section 7.4.1.5 - Risk management procedures.

3.7.1 IDENTIFIED RISKS

The Group's business activities fall mainly into the service category, and many of its assets are intangible assets.

Following the sale of the Group's last remaining printing operations at the end of 2007 (sale of the regional daily press operations), only activities primarily related to the warehouses of the Press, Publishing, Services divisions and the Automobile spare parts business are potentially exposed, and the specific risks involved are limited and identified. Some of the sites concerned are operated subject to authorisation or a declaration to the administrative authorities, but none of the Group's sites is classified SEVESO 1 or SEVESO 2.

3.7.2 ASSESSMENT OF RISK IMPACT

The Group has no knowledge of any items or situations likely to have a significant impact on its assets or operating results, and is unaware of any environmental issue that may affect its use of property, plant and equipment in its operations.

In view of the Group's limited exposure to industrial and environmental risks, the costs related to evaluation, prevention and treatment of those risks are included in the investment and expense accounts concerned, as their relative scale does not warrant separate reporting.

Under this policy, the consolidated financial statements for 2010 incorporate no provision or guarantee for environmental risk, and no expense resulting from a court ruling in an environmental case or action taken to repair environmental damage.

3.8 INSURANCE POLICIES – RISK COVERAGE

The Group's insurance policy is described Chapter 7, section 7.4.1.5 - Risk management procedures.

The Group has a captive insurance company based in the USA which covers certain risks of Lagardère Services in North America. It provides insurance exclusively for Lagardère group entities. The relevant policies are subscribed in addition to the insurance described in section 3.8.1 below, or function as the primary policies for non-significant amounts of risks at Group level. This insurance company has not had to honour any claims since its formation.

3.8.1 INSURANCE POLICIES

The major insurance policies cover property damages, business interruptions and legal liabilities. Depending on the type of risk, coverage consists of permanent policies and temporary or specific policies.

In 2010 and for the year 2011, Lagardère and its divisions were able to renew insurance coverage for their activities throughout the world.

The Group selects its insurers carefully and regularly reviews their creditworthiness.

3.8.2 RISK COVERAGE

Many insurance policies are taken out at the level of the divisions and their sites. Given the wide diversity of situations, it is not possible to give full details of all the coverage limits.

3.8.2.1 INSURANCE FOR PROPERTY DAMAGE/LOSS AND BUSINESS INTERRUPTION

A) RISKS INSURED

Insurance policies cover notably the risks of fire/explosion, lightning, water damage or storm, natural disasters, and terrorism. When specific national legislation applies to these risks, the cover is implemented in compliance with the laws in force in each country concerned.

B) LIMITS TO COVERAGE

As a general rule, insurance for property damage and business interruption is taken out for the amount at risk (value of the assets and cost of business interruption); in some cases, the policies comprise contractual loss limits agreed with the insurer. Deductibles are appropriate to the capacities of the divisions and their sites.

The highest insurance coverage taken out in the Group is €400 million for certain Hachette Livre facilities. The other amounts insured are no higher than €161 million. Sub-limits specific to certain risks may also apply within these overall limits (for storms, earthquakes or flooding, for example).

3.8.2.2 LEGAL LIABILITY

A) RISKS INSURED

Legal liability insurance is subscribed at the level of the division or of certain business lines; this insurance provides covers for public, product and professional liability in case of material damage or consequential loss or bodily injury caused to third parties, depending on the nature of their business and locations.

B) LIMITS TO COVERAGE

The maximum severity of exposure to liability claims is difficult to assess, and the level of insurance at the divisions and their sites depends on the availability of coverage at an acceptable economic cost. Except in the United States and Canada, the amounts of cover subscribed within the Group are generally between €2 million and €10 million, with an additional €30 million after an excess of €10 million for media activities worldwide excluding the United States, Canada and countries under an international embargo.

In the United States, the highest total limit is €56 million (excluding self-insurance).

Sub-limits specific to certain types of insurance cover may also apply within these overall limits.

3.8.3 PREMIUMS

In 2010, the overall budget for the main permanent insurance policies subscribed by the Group was an estimated €12.7 million (excluding collective insurance) distributed as follows:

- Property damage and business interruption: €4.2 million;
- Legal liability: €3 million;
- Other (mainly automobile, transport, exhibitions, filming and personal insurance): €5.5 million.

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CHAPTER 4

General description of Lagardère SCA

4.1 GENERAL DESCRIPTION OF THE COMPANY

4.1.1 CORPORATE NAME AND COMMERCIAL NAME

Corporate name: Lagardère SCA
Commercial name: Lagardère

4.1.2 HEAD OFFICE, ADDRESS, TELEPHONE NUMBER

Head office:
4 rue de Presbourg - 75116 Paris, France
Postal address:
4 rue de Presbourg – 75116 Paris, France
Telephone number:
+33 1 40 69 16 00

4.1.3 LEGAL FORM AND GOVERNING LAW

Lagardère is a French limited partnership with shares (*société en commandite par actions*), governed by the laws of France.

4.1.4 COMMERCIAL REGISTER AND REGISTRATION NUMBER

Lagardère is registered in the Commercial Register (*Registre du Commerce*) under number 320 366 446 RCS Paris.

4.1.5 DATE OF INCORPORATION AND DURATION OF THE COMPANY

Lagardère was originally incorporated on 24 September 1980 for a term that will expire on 14 December 2079.

4.2 HISTORY

The original object of Lagardère SCA, named MMB up to the end of 1992, and subsequently Lagardère Group until June 1996, was to unite all media sector assets held by the Matra group in 1982 prior to the French State's acquisition of an interest in Matra's capital, so that the State would not be in a position of control.

Under the initiative and management of Jean-Luc Lagardère, the Company then took over control of Hachette and subsequently Matra, which returned to the private sector in early 1988. At the end of 1992, these two sub-groups' operations were combined when their two holding companies were merged to form a new company called Matra Hachette. At the same time, the Company changed its legal form and became a French limited partnership with shares.

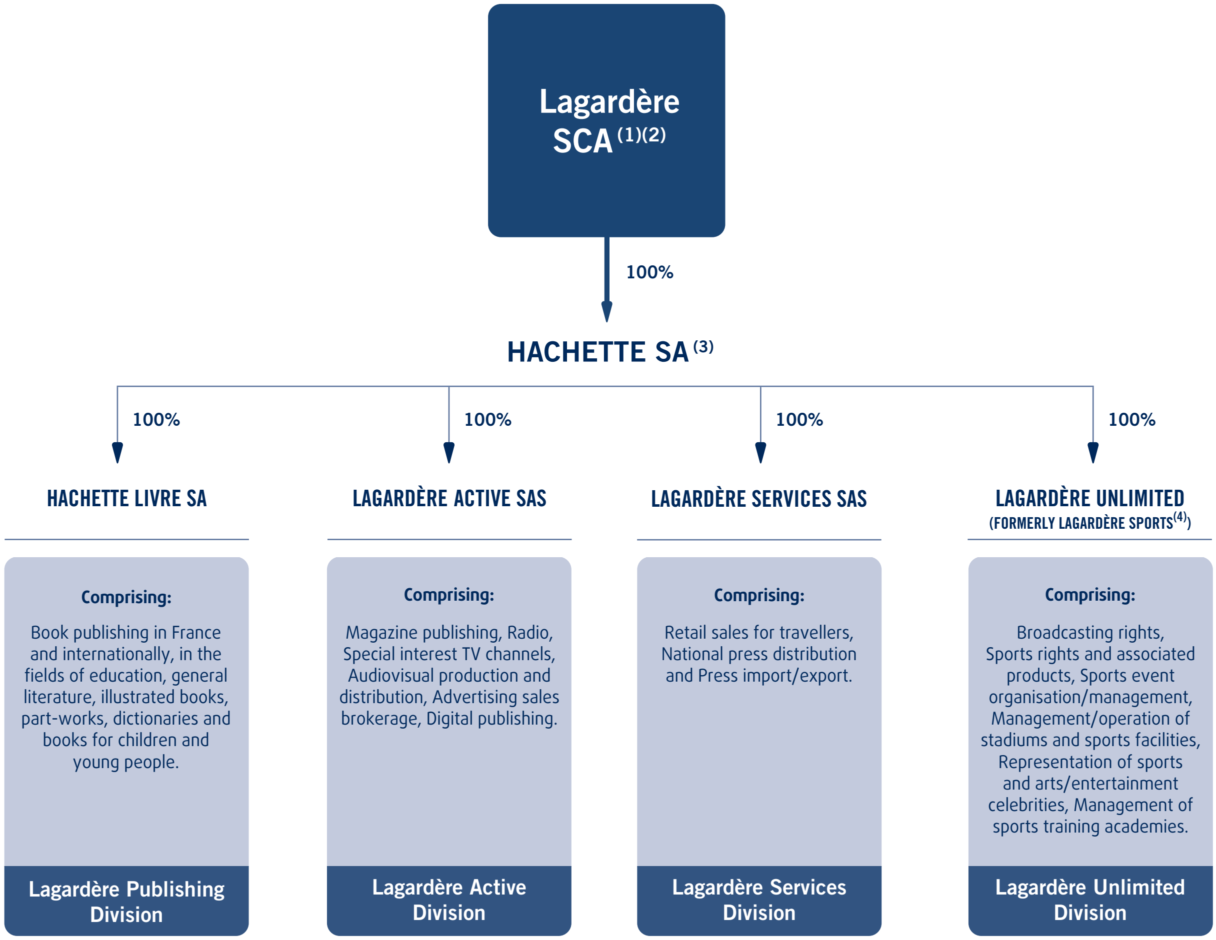
The restructuring process was completed in June 1996, when Lagardère Group absorbed Matra Hachette, and adopted its current name of Lagardère SCA.

Since then, the following changes in the Group's structure have taken place:

- Major alliances in the Defence and Space industries: this European alliance strategy was initiated in the early 1990s, with an important development in 1999 when Aerospatiale Matra was formed through the contribution of Matra Hautes Technologies – which held all Matra Hachette's aerospace businesses – to Aerospatiale. The process was completed on 10 July 2000 when all of Aerospatiale Matra's businesses were merged with DaimlerChrysler Aerospace AG and the Spanish company CASA to form the European company EADS N.V., in which Lagardère SCA indirectly held an interest of approximately 15%. This interest was reduced to 7.5% in 2009 following three sales of 2.5% of EADS' capital, respectively in June 2007, June 2008 and on 24 March 2009;
- Repositioning in the media and communication industries, by means of:
  - a total takeover of businesses in these two sectors, with the bid for Europe 1 Communication (audiovisual activities) in 1999, and the share exchange offer for Hachette Filipacchi Médias (Print Media activities) in 2000, followed by an offer to purchase all of the remaining minority interests;
  - several agreements signed since 2000, essentially in the audiovisual sector (in 2000, for the acquisition of a 34% interest in CanalSatellite, replaced in early 2007 by a 20% interest in the pay television operator Canal+ France) and Book Publishing (acquisition in 2002/2004 of Vivendi Universal Publishing's European assets in France and Spain, purchase of Hodder Headline in the UK, and agreement in 2006 for the takeover of Time Warner Book Group);
  - the importance of the Print Media and Distribution Services activities also increased, but through internal growth rather than external acquisitions;
  - the combination announced in 2006 of magazine publishing activities and audiovisual and digital activities into a new entity, Lagardère Active. This division was formed as a result of the Group's ambition to be one of the leading international content publishers for all media, become a worldwide "brand factory", and accelerate its migration towards digital media. Lagardère Active has therefore since acquired Newsweb and Doctissimo, France's top internet content publishers;
  - a firm offer by Hearst on 30 January 2011 to purchase Lagardère Active's international magazine business (102 titles in 15 countries) for €651 million cash, followed by signature on 28 March 2011 of the contract for sale of this business to Hearst (see section 9.1.1).
- Creation of a Sports division, now named Lagardère Unlimited:
  - through the acquisitions of:
    - Sportfive early in 2007; Sportfive acts as a partner to sporting bodies and clubs, helping them to extract maximum value from their broadcasting and marketing rights;
    - IEC in Sports, in 2007, a Swedish company specialised in the marketing of sports rights;
    - in 2008, World Sport Group, which manages audiovisual broadcasting rights in Asia, Upsolut which organises endurance sports events, and PR Event, the organiser of the Swedish Open Tennis tournament;
  - and combination in 2010 of all the entities of the Sports division, and Best (Blue Entertainment Sports and Television) into a new division called Lagardère Unlimited. This gives Lagardère strategic positioning along the entire sports rights value chain, comprising:
    - management of broadcasting rights;
    - marketing of sports rights and associated products;
    - organisation and management of sports events;
    - consulting in the management/operation of stadiums and sports facilities;
    - representation of sports and arts/entertainment celebrities;
    - management of sports training academies.

4.3 ORGANISATION CHART – PRINCIPAL SUBSIDIARIES – RELATIONS BETWEEN THE PARENT COMPANY AND SUBSIDIARIES

Lagardère SCA's role in respect of its subsidiaries is described in Chapter 7, section 7.4, and in Lagardère SCA's corporate financial statements (including notes) as contained in Chapter 6, sections 6.4 and 6.5. Note 5 to Lagardère's consolidated financial statements also includes segment financial information, by division and by geographical areas.



(1) Organisation at 1 March 2011.
(2) At 31 December 2010, Lagardère also held a 20% interest in Canal+ France and a 7.5% interest in EADS, both accounted for by the equity method.
(3) Hachette SA is the ultimate holding company for all Lagardère operations in the media (Lagardère Media).
(4) The name is currently being changed.

As indicated in Chapter 7, section 7.4.1 on the Group's general organisation, Lagardère SCA is a holding company and the Group's operational business activities are exercised through subsidiaries.

The principal subsidiaries are held via Hachette SA, which is itself 100%-controlled by Lagardère SCA. They are:

- Hachette Livre, a 100%-controlled French company that is the holding company for the Lagardère Publishing division.
- Lagardère Active, another 100%-controlled French company that is the holding company for the Lagardère Active division and holds the Group's investments in the press, audiovisual (radio, TV, production), digital and advertising space sales activities via several sub-holding companies.
- Lagardère Services, also a 100%-controlled French company, the holding company for the Lagardère Services division (Relay outlets, airport shops).
- Lagardère Sports, another 100%-controlled French company, which once renamed Lagardère Unlimited will unite all subsidiaries in the division, including Sportfive and World Sport Group.

A detailed list of Group subsidiaries (over 520 consolidated companies) and their locations is included in the notes to Lagardère's consolidated financial statements (Chapter 6, note 37). Details of the positions and appointments held in these subsidiaries by Lagardère SCA management are presented in Chapter 7, sections 7.2.2 and 7.2.3.

The Group's economic organisation (i.e. the distribution of activities by sector) is described in Chapter 5, section 5.1. There is no significant functional dependency between the Group's various entities.

Section 5.2 presents the businesses carried out by the principal Group subsidiaries and affiliates, and the key consolidated financial information concerning these companies is reported in the notes to the consolidated financial statements (Chapter 6, note 5 - Segment information). The Group has not identified any case where access to its consolidated subsidiaries' results is restricted.

Finally, the amount and nature of financial transactions between Lagardère SCA and Group subsidiaries are described in Chapter 7, section 7.4.1.

4.4. MAJOR INVESTMENTS

4.4.1 INVESTMENT AND INNOVATION POLICY

4.4.1.1 PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(in millions of euros)	**2010**	2009	2008
Lagardère Media	**214**	233	220
Other Activities	**14**	7	5
Total	**228**	240	225

In the field of the media, the innovation policy is not reflected in the capital expenditure recorded. The internal costs of creating a work, principally in the book publishing, print media, website and digital terrestrial television sectors, are not capitalised.

4.4.1.2 PURCHASES OF INVESTMENTS

(in millions of euros)	**2010**	2009 (1)	2008
Lagardère Media	**80**	62	483
Other Activities	**2**	1	1
Total	**82**	63	484

These figures are taken directly from the consolidated statement of cash flows.

(1) At 31 December 2009, amounts payable for acquisitions of financial investments and under put options granted to minority shareholders totalled €100 million and €40 million respectively.

4.4.2 MAJOR INVESTMENTS IN 2008

4.4.2.1 DOCTISSIMO

See Chapter 8, section 8.3.1 of the French Reference Document for 2008 filed with the French Financial Market Authority (AMF) on 24 March 2009.

4.4.2.2 WORLD SPORT GROUP

See Chapter 8, section 8.3.1 of the French Reference Document for 2008 filed with the French Financial Market Authority (AMF) on 24 March 2009.

4.4.2.3 PSYCHOLOGIES MAGAZINE

See Chapter 8, section 8.3.1 of the French Reference Document for 2008 filed with the French Financial Market Authority (AMF) on 24 March 2009.

4.4.2.4 ÉDITIONS ALBERT RENÉ

See Chapter 8, section 8.3.1 of the French Reference Document for 2008 filed with the French Financial Market Authority (AMF) on 24 March 2009.

4.4.3 MAJOR INVESTMENTS IN 2009

Financial investments undertaken in 2009 were low (€63 million compared to €484 million in 2008) and mainly concerned acquisitions of duty free concessions in Eastern Europe for €30 million.

4.4.4 MAJOR INVESTMENTS IN 2010

Purchases of property, plant and equipment and intangible assets principally concerned Lagardère Unlimited (sports rights) and Lagardère Services (sales outlet refits).

The principal financial investments were the acquisition of Best by the Lagardère Unlimited division, and the acquisition of minority interests in the Lagardère Active division.

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CHAPTER 5

Information on the business activities of the Company and the Group

5.1 BUSINESS ACTIVITIES AND STRATEGY

Lagardère is a 100% media group and one of the world leaders in this business sector. Operating in nearly 40 countries, it is divided into four distinct and complementary divisions:

- Lagardère Publishing: Book and e-Publishing;
- Lagardère Active: Press, Audiovisual (Radio, Television, Audiovisual production), Digital activities and Advertising Sales Brokerage;
- Lagardère Services: Travel Retail and Press Distribution;
- Lagardère Unlimited: Sport Industry and Entertainment.

With a holding of 7.5%, Lagardère is a co-controller of EADS.

Since 2006, Lagardère has accelerated the pace of its transformation to become a high-performance group producing innovative content for the digital world, and occupying a strong position in sports rights. It also has a powerful international network for sales dedicated to passengers and press distribution to sales outlets.

With its sights firmly set on the future, its attention focused on the demands of the globalised market, and ambitions for international diversification particularly in emerging countries, today Lagardère is a major media group actively engaged in many areas including news, education, culture, sports and entertainment. It also takes care to align its strategy with the many changes, notably technological, occurring in its four divisions.

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Lagardère Publishing, the **Group's book publishing and e-publishing business** [1], which publishes educational works, general literature, illustrated books, practical guides and works for the youth market, gave priority to the three major language groups: English, French and Spanish. Publications in these three languages alone account for 60% of the world market. The second largest publisher worldwide and leading trade publisher in Europe, Hachette Livre is thus one of the top players in a market where its main competitors are English, American and German.

There are three key success factors in Hachette Livre's publishing strategy:

- well-balanced positioning (between geographic areas and priority segments);
- decentralised organisation leaving a large measure of autonomy to the Group's different entities and publishing houses;
- central management of the resources required for a proactive strategy in digital media.

Hachette Livre has used these levers to improve its profitability, which is on a par with the best global operators.

In the near future, Hachette Livre's prospects will depend on expansion in certain industrialised countries (particularly the United States, the United Kingdom and Spain) and in the emerging markets in Asia (China, India) and Latin America (Brazil, Mexico); they are also linked to Hachette Livre's capacity to offer products appropriate to new consumer trends (latest formats, availability through various distribution channels and media, including electronic media). The opportunities afforded by the arrival of digital technology and the internet have been embraced by Hachette Livre, which has positioned itself on the US e-book market, enhanced the functions of the Numilog platform and launched a number of initiatives to develop content for the internet, the iPhone and the iPad.

Lagardère Active encompasses the **Group's magazine publishing, audiovisual (radio, television, audiovisual production), digital media and advertising sales brokerage businesses**. This division has rationalised and reorganised its portfolio of businesses and implemented a strategy of migration towards digital media to stimulate growth and long-term profitability.

More specifically, the division has embarked on a plan designed to:

- enable the "magazine publishing" business to focus on segments and geographic areas that offer solid growth potential;
- make Lagardère Active the leading producer and aggregator of content, particularly digital content, in a certain number of markets in which it is already active.

Lagardère Active's strategy is built on several priorities:

- development of a corporate culture with a stronger marketing and digital focus;
- applying a streamlining policy to its business activities, including discontinuation of certain magazines;
- enhancing profitability, with the introduction of cost savings plans since in 2007;
- deploying a policy for stimulation and investment in the division's key business segments and brands in the magazine, radio and television portfolio. The aim is to adjust to the changing requirements of advertising buyers and bring innovation to its advertising sales, chiefly through a comprehensive cross-media offer in France supported by strong positions in magazine publishing, radio, television and the internet;

(1) The names "Hachette Livre" and "Lagardère Publishing" in this Reference Document refer interchangeably to the Group's book publishing activity.

- Setting up an ambitious digital strategy combining organic growth with external growth if the right opportunities arise.

Following the deep recession on the advertising markets in 2009, a strategic review which highlighted the weakness of the critical mass of the Group's International Magazine Publishing (IMP) business led Lagardère to seek withdrawal from this business. It was in this context that Lagardère received a firm offer for its IMP business on 30 January 2011 and signed the corresponding sale agreement on 28 March 2011 (see Chapter 9, section 9.1.1).

Lagardère Services, which encompasses the **Travel Retail and Press Distribution** businesses, is the world leader in press distribution. The division develops its growth strategy along two business lines:

- retail sales in travel zones, town centres and shopping malls;
- distribution of national and international press and complementary products to sales outlets.

In 2010, Lagardère Services continued to develop its Retail activities, winning new concessions in travel areas in Europe, North America and Asia-Oceania and opening sales outlets in town centres and shopping malls, mostly in Central Europe. Lagardère Services also tested new forms of retailing, primarily by franchising existing concepts and brands. It is also extending the deployment of its retail concepts in Central Europe and Asia.

Lagardère Services' distribution companies signed new press distribution contracts in Europe and North America, thereby reinforcing their unique expertise as specialist distributors of communication products.

In e-commerce, HDS Digital has a virtual electronic newsstand offering à la carte downloads of material from over 500 magazines, and has begun to develop a book and comic offering.

The business grew significantly in 2010.

Lagardère Unlimited, the Group's new division in **the Sport Industry and Entertainment businesses**, has established itself as a key player in the sector with the acquisition of several companies. The division thus garnered a very strong position on the sports broadcasting rights market, particularly for its flagship product, football.

Lagardère Unlimited is continuing to expand and now has six subsidiaries:

- Sportfive, which has a sound business base across the European market for media and marketing rights, especially in football;
- IEC in Sports, which specialises in management of sports rights, essentially relating to Olympic sports;
- Upsolut, a German marketing agency which organises mass sports events (triathlons and cycling events);
- PR Event, which has developed expertise in organising international-level tennis tournaments;
- World Sport Group, an agency for major sports events in Asia such as the Asian Football Cup, the Indian Premier Cricket League and the One Asia Superseries golf tournament;
- Best (Blue Entertainment Sports Television), an American company specialising in the representation and management of sports and arts/entertainment celebrities.

These subsidiaries apply their expertise in six principal business lines:

- management of broadcasting rights;
- marketing of sports rights and associated products;
- organisation and management of sports events;
- consulting in the management/operation of stadiums and sports grounds;
- representation of sports and arts/entertainment celebrities;
- management of sports training academies.

Thanks to its organic growth, integration of its subsidiaries, geographic expansion and diversification of its portfolio of rights, Lagardère Unlimited is now positioned as a major player in the sports and entertainment sectors.

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5.2 THE GROUP'S PRINCIPAL ACTIVITIES AND MAIN MARKETS – OPERATIONS DURING 2010

5.2.1 LAGARDÈRE MEDIA

	2010	2009	2008 (2)	2007	2006 (1) restated
Contribution to consolidated sales (in millions of euros)	**7,966**	7,892	8,214	8,582	7,910
Contribution to consolidated recurring profit before associates (in millions of euros) (3)	**468**	463	648	636	520
Number of employees (4)	**28,080**	29,028	29,393	32,810	31,528

(1) The comparative figures for 2006 have been restated with retrospective application of the equity method to jointly-controlled entities, and recognition in equity of actuarial gains and losses on provisions for employee benefit and similar obligations.
(2) After pro forma restatement of brand royalties invoiced by "Other Activities".
(3) Recurring operating profit before associates (as defined in note 3.3 to the consolidated financial statements).
(4) Average number of employees (full-time equivalents) including staff on permanent, fixed-term, temporary and other types of contract.

Segment information by division is given in note 5.1 to the consolidated financial statements, in Chapter 6.

5.2.1.1 LAGARDÈRE PUBLISHING

A) *PRINCIPAL ACTIVITIES AND MAIN MARKETS*

Lagardère Publishing's activities are carried out under the name of Hachette Livre which is the second-largest publishing house worldwide and the largest trade publisher in Europe, in a position to equal the major competitors in each of its markets.

Hachette Livre is the leading publisher in France, the United Kingdom, Australia and New Zealand, number 2 in Spain and number 5 in the United States, and since its foundation in 1826 has always held the ambition to publish, sell and distribute quality innovative books which satisfy its readers' thirst for knowledge, culture and entertainment.

This mission is continued today by its 7,459 employees, who contribute to the growth and longevity of this division of the Group.

Hachette Livre has a balanced portfolio that is diversified across the editorial spectrum (textbooks, general literature, illustrated books, part-works, dictionaries, youth works, etc.) and strongly anchored in the three major language groups (English, Spanish and French). This portfolio offers new bases for expansion by geographic area and business line, so the division can capitalise on the most buoyant segments and the most dynamic markets.

Lagardère Publishing's business model is present throughout the entire book publishing/distribution value chain: with its reputed publishing houses and brand names, the Group's division is able to draw the fullest benefit from its quality relationships with authors, the expertise of its sales forces, the rigorous logistics of its distribution network and the commitment of its highly-trained employees.

The autonomy of the publishing houses, which are independent and fully responsible for their own creative processes and editorial decisions, encourages both creativity and internal competition. The large degree of autonomy that Hachette Livre allows each of its operating divisions is one of the key factors in its success: each division forms a federation of small and medium-sized independent publishing houses, with its own native corporate culture and specific, not to say unique, editorial tone.

Each publishing house is responsible for relations with its own authors. Individual relationships are of extremely high quality, enabling control of the copyright portfolio, smooth supply to France's paperback sector and merchandising opportunities.

Central management functions allow Lagardère Publishing to achieve economies of scale, maintain a healthy financial position, negotiate on equal footing with the giants of the digital media and internet sectors and make decisions from a global point of view in terms of balance and portfolio.

All of these assets combined make Hachette Livre France's leading publishing group in its main markets, ahead of such prominent competitors as Editis, Gallimard, Flammarion, Albin Michel, La Martinière-Le Seuil and Média Participations.

Hachette Livre ranks second in the fragmented general adult literature market, and first in literature for youth and illustrated books as well as in the traditionally more concentrated textbook and dictionaries segments.

Outside France, Hachette Livre conducts its business alongside competitors such as Pearson, McGraw-Hill Education, Random House, Scholastic, De Agostini, HarperCollins and Holtzbrinck. In just a few years it has succeeded in moving up from thirteenth to second position worldwide.

Most of its new publications are also marketed in the form of e-books – in France and the United Kingdom as well as the United States – on all platforms, with no exclusivity.

A.1 IN FRANCE [1]

The General Literature segment comprises prestigious publishing houses: Grasset, Fayard, Stock, Calmann-Lévy, Lattès and Harlequin. Each has its own predominant areas but remains in competition with the Group's other publishing houses and rival publishing groups' brands. Le Livre de Poche is the leader on its market, releases reprints for all the division's publishing houses as well as for many non-Group publishers.

Hachette Illustré covers the entire range of illustrated works: number one in France for practical guides and DIY with Hachette Pratique and Marabout, and travel guides with Hachette Tourisme and Le Routard, Hachette Illustré is also number one in the high-quality illustrated book market with two prestigious publishers, Editions Le Chêne and Hazan, and in children's books (Hachette Jeunesse Collection Disney, Hachette Jeunesse Roman and Livre de Poche Jeunesse). Lagardère Publishing possesses very valuable editorial assets in this market, including characters such as Babar and Noddy.

In Textbooks, Hachette Livre is the leading publisher [2] in France through two distinct entities: Hachette Éducation and the Alexandre Hatier group. These entities include such reputed publishers as Hachette, Hatier, Didier, Foucher and other strong brands (Bled, Bescherelle, Littré, Gaffiot) enabling Hachette Livre to occupy a leading position on the extra-curricular book segment.

In Reference works and Dictionaries, the most famous assets include Larousse, Hachette and Harrap's. Hachette Livre is number one in France for both monolingual and bilingual dictionaries. With its international reputation, Larousse earns more than 40% of its sales outside France and is particularly well-established as a brand in Spanish books.

The Academic and Professional segment includes publishing houses Dunod and Armand Colin, both leaders on the French market, which stepped up digitisation of their content in 2010.

Distribution, for Hachette Livre and non-Group publishing houses under exclusive contracts is carried out through a distribution network managed from the national centre in Maurepas. Hachette Livre handles 250 million copies per year and supplies 12,000 bookshops, newsstands and supermarkets in France. Hachette Livre Distribution, the number one distributor in France, also operates in Belgium, Switzerland and French-speaking Canada.

A.2 ACTIVITIES OUTSIDE FRANCE [3]

Part-works are published by the Encyclopaedias and Collections division, which has seen considerable international expansion particularly in Europe and Asia, in Spain through the subsidiary Salvat Editores, and also in the United Kingdom, Japan, Poland, Italy (with Hachette Fascicoli) and this year Russia. This segment's marketing skills and capacity to create new products make it the number 2 player worldwide and a real asset for the global performance of Hachette Livre.

In the United Kingdom, Hachette UK is the leading trade publisher (see section 5.2.1.1 - A), with six divisions: Octopus, for illustrated books, Orion, Hodder Headline and Little, Brown Book Group for general literature, and Hachette Children's Books in the youth sector.

These publishing houses and their range of brand names have also enabled Hachette Livre to develop operations in Australia and New Zealand, where Lagardère Publishing has now risen to top position.

Hachette Livre is also a key player in the textbook market with Hodder Education, which ranks second for middle school and high school textbooks.

Lastly, Hachette Livre has a distribution activity in the United Kingdom via its two centres, BookPoint and LBS (LittleHampton Book Services).

(1) The competitive positions of Hachette Livre are based on the statistics provided by the Ispos (market survey) panels to which the division subscribes.
(2) In-house estimates.
(3) Source: Internal data, based on Nielsen Bookscan in the United Kingdom and internal sources in Spain.

Hachette Spain is the second-largest publishing house in Spain, and the leading publisher of textbooks through Anaya and Bruño. Like Bruño, Anaya is active in educational publishing, and also does business in the Extra-curricular, General Literature and Youth segments. Salvat Editores, a publishing house with operations in Spain and Latin America, also gives Hachette Livre a significant share of the part-works market, placing it second in Spain for publication of Reference works.

In the United States, Hachette Book Group is the fifth-largest trade publisher thanks to two publishing houses, Grand Central Publishing (formerly Warner Books) and Little, Brown and Company and their respective brands operated through subsidiaries such as Little, Brown Books for Young Readers on the Youth segment, Faith Words in the Religious Literature segment, Orbit for Science fiction and Twelve for Quality nonfiction.

Hachette Livre also has Distribution operations in the United States.

Worldwide, Hachette Livre is represented either directly or indirectly in more than 70 countries across all of its business lines.

B) OPERATIONS DURING 2010

Contribution to consolidated sales for 2010: €2,165 million

Distribution of sales by activity - France

	2010	2009
Education	**24.8%**	24.8%
Illustrated books	**24.9%**	27.2%
General Literature	**17.2%**	17.4%
Reference	**7.8%**	7.1%
Academic and Professional	**4.3%**	4.2%
Other	**21.0%**	19.3%
Total sales	**100%**	100%

Distribution of sales by geographic area

	2010	2009
France	**32.2%**	31.4%
United Kingdom	**15.7%**	14.8%
United States	**20.5%**	22.3%
Spain	**8.6%**	8.7%
Other	**23.0%**	22.8%
Total sales	**100%**	100%

In 2010 the world Book market was stable or in slight decline (-2.6% in value in France, but in line with 2009 in view of sales in textbooks (1); -4.5% in volume for books printed in the United States (2), but in line with 2009 when digital sales are included; -3.2% in value in the United Kingdom excluding digital publishing (3)). This stability in worldwide publishing masks contrasting situations for different markets, publishing genres and reading media and reflects the decline of the *Twilight* phenomenon which had boosted world publishing sales in 2009. While traditional bookstores saw a significant downturn in sales, internet sales of printed books grew considerably and the sale of e-books (digital books) saw spectacular growth in the United States.

In this changing market, which held up better than others in the crisis, growth in Hachette Livre's market share slowed due to the foreseeable decline of the "Stephenie Meyer phenomenon" which had boosted sales and income to exceptionally high levels. Nonetheless, Hachette Livre registered sales equivalent to 2008, a year which benefited from the rising *Twilight* phenomenon, and in 2010 Lagardère Publishing registered the second best operating profit in its history.

(1) Source: Ipsos.
(2) Source: Nielsen BookScan.
(3) Source: Nielsen BookScan.

Agreements concerning the marketing of Hachette Livre's American books were signed with Apple and Amazon in particular. The signature of these agreements, and the memorandum of understanding with Google for France (see B.1), reinforced Hachette Livre's eight-point strategy devised in 2003:

- **a.** constant search for acquisition-based growth opportunities to position Hachette Livre among the top-ranking publishing groups worldwide – an essential advantage conferring extra influence in negotiations with digital distribution giants;
- **b.** spreading risks across a significant number of markets and market segments in order to smooth the cyclical effects specific to each one;
- **c.** concentration of acquisitions and new subsidiaries in countries belonging to language areas that offer a critical size for potential markets;
- **d.** broad editorial independence for publishing subsidiaries, with the emphasis on creativity, rapid responses and team motivation;
- **e.** active search for international bestsellers able to attract an extensive readership in all the markets where the Group operates;
- **f.** control of distribution, a cost centre and strategic link in the book value chain, in all the markets where Hachette Livre does business;
- **g.** sustained investment in digital technologies to meet the emerging demand for online reading and e-books;
- **h.** selective investment in high-growth markets (BRIC countries: Brazil, Russia, India and China).

B.1 IN FRANCE

General Literature had a very successful year, winning a significant number of literary prizes: the Femina foreign book prize for *Purge* by Sofi Oksanen (Stock), the Renaudot prize for *Apocalypse bébé* by Virginie Despentes (Grasset), and the Goncourt first novel prize for Laurent Binet's *HHhH* (Grasset). It was also a good year for detective novels: *Du bois pour les cercueils* by Michel Ragon (Quai des Orfèvres prize, Fayard), *Le chuchoteur (The Whisperer)* by Donato Carrisi (Calmann-Lévy), and *L'honneur de Sartine* by Jean-François Parot (Lattès). Nonfiction, too, registered a number of best-sellers including *Tous ruinés dans dix ans ?* by Jacques Attali (Fayard), *Le visage de Dieu* by Igor and Grichka Bogdanoff (Grasset), *L'entreprise des Indes* by Érik Orsenna (Stock), *Le crépuscule d'une idole* by Michel Onfray (Grasset) and *3 096 jours* (*3,096 days*) by Natasha Kampusch (Lattès). Le Livre de Poche consolidated its leading position in France for paperback books thanks in particular to: *Mange, prie, aime* (*Eat, Pray, Love*) by Elizabeth Gilbert, *Elle s'appelait Sarah*, by Tatiana de Rosnay and *Les yeux jaunes des crocodiles*, by Katherine Pancol.

Illustrated books also managed to resist the waning of the Stephenie Meyer phenomenon, and in 2010 Hachette Jeunesse and Hachette Jeunesse Collection Disney posted the best results of their history. Éditions du Chêne and Marabout saw an upturn in 2010, thanks in particular to its innovative policy of cookery and wellbeing gift-packs. Hachette Tourisme was able to stabilize its sales and market share in the crisis-depressed environment.

Larousse successfully continued its repositioning on the Practical and Youth segments without losing its leadership in Dictionaries.

The Education segment and the Hatier group grew on the French market, where the situation returned to normal in October after the late announcement of new high school programs in the beginning of the year.

In November, Hachette Livre signed a memorandum of understanding with Google for the scanning of its French out-of-print works (i.e. not covering new releases). Google had digitised a large number of out-of-print books as part of its project to compile a worldwide digital library. Under the memorandum of understanding Google must now obtain prior authorisation, and Hachette Livre will have free access to the file for each book for uses such as on-demand printing, bookshop sales or inclusion in the French National Library's Gallica project. This memorandum of understanding should result in a contract before the end of May 2011.

B.2 OUTSIDE FRANCE

United States

2010 was very satisfactory for Hachette Book Group although it was slightly behind 2009, which was a record year. Three of the division's books are among the year's ten nonfiction bestsellers for all formats and publishers: *Earth: The Book*, by Jon Stewart (Grand Central, hardcover); *Chelsea Chelsea Bang Bang*, by Chelsea Handler (Grand Central, hardcover); and *Life*, by Keith Richards (Little, Brown, hardcover). Two books by Nicholas Sparks are on the same list in the novels category: *Safe Haven* (Grand Central, hardcover) and *The Last Song* (Grand Central, paperback).

No less than 150 books reached the *New York Times* bestsellers list, among them six novels by James Patterson published by Little, Brown and Company, including *Cross Fire* and *The 9th Judgement*; two novels by David Baldacci; and the latest novels by Scott Turow, Michael Connelly and Nelson DeMille. Excluding Stephenie Meyer, Hachette Book Group's sales rose by 11% in 2010. Hachette Book Group's market share in the United States was 6% in 2010, making it the fifth largest American publisher.

E-book sales, which only represented 3% of 2009 sales, rose to 8% of 2010 sales, showing a steady rise throughout the year culminating at 10% in December. Moreover, James Patterson – published by Little, Brown and Company in the United States – was the first author to sell more than one million downloads in June 2010. Finally, enriched versions and iPhone and iPad applications of many books were put on-line throughout the year.

United Kingdom and the Commonwealth

With a 15.2% market share for printed books, Hachette UK continued to dominate the Publishing market in the United Kingdom. 154 Lagardère Publishing books were included in the *Sunday Times* bestsellers list, with 33 reaching first place. Notable successes included *Life* by Keith Richards (Orion); *One Day* by David Nicholls (Hodder & Stoughton) – named "book of the year" in the United Kingdom and soon to be made into a film –; *The Short Second Life of Bree Tanner: An Eclipse Novella* by Stephenie Meyer, and the "Vampires" series published by Hachette Children's Books.

Stephenie Meyer's other novels (*Twilight, New Moon, Breaking Dawn, Eclipse*) continued to do well while authors like Martina Cole and Jodi Picoult confirmed their success.

In December, Little, Brown was named Publisher of the Year by the English Bookseller's Association, while Virago's publisher Lennie Goodings was named Imprint and Editor of the Year.

Australia reported a very good year, helped by the particularly advantageous Australian dollar/euro exchange rate.

In 2010, Hachette UK stepped up the pace of its transformation to digital publishing, in particular with the acquisitions of an innovative information system.

Spain and Latin America

In Spain, 2010 was a difficult year for Anaya, as several textbook orders were cancelled by the independent regions following the stringency measures decreed by the central government in its action to reduce deficits.

In Mexico and Argentina, Hachette Livre's sales rose by 8.6%. The Group's division withdrew from Brazil, where investments entailing risks were required to enable its 51%-owned subsidiary Escala Educacional, created in August 2008, to bid for Government contracts. However, Hachette Livre has not ruled out the possibility of returning to the Brazilian market, which is the most dynamic in Latin America.

Part-works

Part-works, sold per issue in newsstands or by subscription, are Hachette Livre's only truly transnational business insofar as exactly the same product is very often sold in markets with vastly different languages, cultures and GDP levels.

Given their high sensitivity to variations in buying power, part-works have seen sales decline on their mature markets since the end of 2008, but were successful in Russia in 2009 with the introduction of *Build the Bismarck*, and in 2010 with *The Human Body*.

B.3 OBJECTIVES AND ACHIEVEMENTS OF 2010

The main objective for 2010 was to ensure a "soft landing" for the worldwide publishing success story the *Twilight* series, by optimizing its end of cycle and finding growth potential elsewhere to smooth Lagardère Publishing's sales curve and achieve results in line with 2008, the year Stephenie Meyer sales began their remarkable rise. This objective was not only achieved, but surpassed, as Hachette Livre posted its second best operating profit ever in 2010, registering sales nearly on a par with 2008.

Hachette Livre's second strategic objective was to accelerate the pace of its digital transformation by strongly defending its position in the book value chain. This resulted in the signature of contracts with major American internet operators such as Amazon, Apple and Google.

Hachette Livre's infrastructures also evolved to streamline and rationalise the creation, production and marketing process for all books, whatever their mode of consumption. Transformation projects were undertaken in all compartments of the publishing process across major countries, in order to meet the needs of the fast-growing digital market.

C) OUTLOOK

The book markets will very probably see zero growth or a slight downtrend in 2011. This stagnation will mask contrasting developments. In all likelihood, web sales of printed books will continue to grow but more slowly than before. The digital boom will continue in the United States and the United Kingdom and begin a hesitant lift-off in continental Europe with the arrival of operators like Amazon and Google.

5.2.1.2 LAGARDÈRE ACTIVE

The following comments describe the position of Lagardère Active for its 2010 scope and business developments during 2010. They do not reflect the effects of the firm purchase offer received on 31 January 2011 by Lagardère for its magazine business outside France (see Chapter 9 - Recent events).

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

Lagardère Active encompasses Magazine publishing, Radio, Special interest television channels, Audiovisual production and distribution, Advertising sales brokerage, and digital businesses, as well as a 20% share in Canal+ France.

A.1 MAGAZINE PUBLISHING

Magazine publishing represents 71% of the Lagardère Active's total sales, 60% of which are registered outside France. 46% of non-digital sales come from the sale of magazines (a quarter of which are sold by subscription), and 54% from the sale of advertising space.

Lagardère Active is one of the world's largest publishers of magazines for the general public in terms of number of titles (193 titles published) and international operations (operations in 45 countries, through joint ventures or licence agreements).

Women's magazines form the core magazine portfolio, which also covers themes such as current affairs, automobile, interior decor, youth, leisure, celebrities and television, in France and internationally.

Lagardère Active is the top magazine publisher in France [(1)] and number 2 in Spain and Russia.

The Magazine Publishing activity comprises Magazine Publishing in France and International Magazine Publishing. Lagardère Active deploys variations of its proprietary brands across the countries it operates in, with flagship publications such as *ELLE* and its related titles, *Psychologies magazine, Car and Driver, Woman's Day, Red*, etc.

In the field of magazines for the general public, market players are either non-specialist groups with operations in one or two countries (e.g. Time Inc. in the United States and the United Kingdom, Mondadori in Italy and France), or groups with global brand policies (e.g. Hearst and Condé Nast).

A.2 RADIO

Radio represents 15% of Lagardère Active's total sales, 40% of which are achieved outside France. Over 90% of these radio stations' revenues come from advertising sales, which largely depend on audience ratings and the state of the advertising market.

(1) Sources: OJD for distribution and TNS-MI for advertising.

In France, Lagardère Active is one of the major players in the Radio Broadcasting market, owning three national networks:

- Europe 1, France's benchmark radio station, always remains faithful to its tradition of general interest, high-quality output for the general public. The annual cumulative audience (CA) for 2010, marked by strong variability with two record periods (January-March 2010 and September-October 2010) and two atypical phases (April-June 2010 and November-December 2010), remained practically stable compared to 2009. The average annual audience moved from 9.5 points in 2009 to 9.4 points in 2010;
- Virgin Radio, a music channel for 20-to-34-year-olds, blends creativity, originality and audacity. Through its Top 40 programme launched in January 2011, Virgin Radio claims to play "maxximum hits" all day long. It has 2.5 million listeners [(1)];
- RFM, a music station aimed at the "contemporary adult", is positioned as a player of diverse musical styles under the slogan "All the best hits". RFM is France's second most popular radio station for adults aged 35-49 [(2)]. Currently, RFM attracts 2.3 million listeners every day[(1)].

Outside France, Lagardère Active Radio International (LARI) makes full use of the division's radio broadcasting skills in seven countries in Eastern Europe, Germany and South Africa. Every day more than 32 million listeners tune in to its 25 radio stations, mostly music channels.

In almost all the countries it operates in, LARI is the leading group in the private radio station market: number one in Russia, Poland, the Czech Republic, the Saarland region of Germany and South Africa.

In France and abroad, these Radio Broadcasting activities are subject to national and EU laws and regulations governing the audiovisual and telecommunications industries. In France, radio broadcasters require prior authorisation by the French Broadcasting Authority (*Conseil Supérieur de l'Audiovisuel* – CSA).

A.3 TELEVISION CHANNELS

Lagardère Active operates in three fields of special interest channels:

- Music on cable, satellite and broadband TV in France with four channels: MCM, MCM Top, MCM Pop and Mezzo (in which France Télévisions owns a 40% share);
- Children and teenagers on cable, satellite and broadband TV in France with Canal J (6 to 14 year olds) and TiJi (for the under seven age group); in Russia with Gulli and TiJi, and on free Digital Terrestrial Television (DTT) in France with Gulli (in which France Télévisions holds a 34% share);
- Women's interests on cable, satellite and broadband TV in France with June (for young women aged 20 to 30).

With this offer, Lagardère Active is an important player in France for music and children's channels [(3)]. More specifically, Gulli is the third most popular DTT channel and the leading independent channel in all of France for children aged four and over, with a 2.2% audience share [(4)].

These Television Broadcasting activities are subject to the French and EU laws and regulations governing the audiovisual and telecommunications industries.

Most of the revenues from the cable and satellite channels take the form of fees paid by the broadcasting operators. Gulli, a freeview DTT channel, draws its revenues almost entirely from advertising, and has the advantage of an extended pool of potential viewers and a dynamic advertising market in this fast-growing medium. By the end of the first half of 2010 [(5)], DTT coverage had reached approximately 92.5% of the French population and 94% of French households can now receive DTT (via a DTT adaptor or via cable, satellite or broadband) [(6)]. When the analogue signal is completely switched off on 30 November 2011, Gulli will be considered a national terrestrial TV channel.

A.4 AUDIOVISUAL PRODUCTION AND DISTRIBUTION

In the Film and TV production and distribution business, Lagardère Active supplies most of the terrestrial, DTT, cable and satellite channels with programme archives (drama, documentaries, animation) and programmes for immediate broadcast (features, light entertainment, prime-time access), through its subsidiary Lagardère Entertainment.

These companies' revenues consist entirely of broadcaster financing. Other sources of financing such as co-producers, local and regional administrations, and the French national cinema board (CNC) contribute substantially to improving production margins. The funding received for a given production does not depend directly on achieved audience ratings but is set in a negotiated contract between the various stakeholders.

(1) Source: Médiamétrie - 126,000 Radio; 13 years and up; CA; 5 am-midnight; Monday-Friday; Jan-Dec 2010; exactly 2,469,000 listeners for Virgin Radio and 2,261,000 listeners for RFM.
(2) Source: Médiamétrie - 126,000 radio; 35-49 age group; CA and audience share 5am-midnight; Monday-Friday; Jan-Dec 2010.
(3) Source: Médiamat' Thématik survey, March-June 2010.
(4) Source: Médiamétrie - Médiamat, year 2010.
(5) Source: CSA, Observatory of household equipment for DTT reception; first half 2010.
(6) Source: Médiamétrie - Médiamat, December 2010.

A.5 ADVERTISING SALES BROKERAGE

Lagardère Publicité is proud of the diversity of its advertising sales brokerage business. Its positioning is unique in France, with more than 150 brands marketed in six media (press, radio, television, Internet, mobile phones and pads) and operations in all major publishing environments:

- it is the leading French magazine advertising sales agency, with a 20% market share [1];
- in Radio advertising sales, it is a powerful agency on influential targets: the leader in advertising sales targeting managers and executives [*], with a commercial audience share of 28.1%, and number two in advertising sales targeting high-spending adults in top occupational groups [**], with a commercial audience share of 22.6% [2];
- it is a major advertising sales brokerage agency in Television, operating in all broadcasting media and covering all targets. With Gulli, it has the leading advertising offer for children aged 4 to 10 [3];
- it is a leading French web advertising sales agency, with more than 80 premium websites and over 22.1 million unique visitors, representing 53.4% of total internet users in November 2010 [4], placing it 7th on the market overall and number one advertising sales agency in the “media groups” category.

A.6 DIGITAL

In a context of market recovery, Lagardère Active continued to develop its digital positions, which reached 7.5% of its sales for 2010.

The growth in digital businesses was essentially driven by display advertising sales both in and outside France, where strategic partnerships were signed with major digital players (MSN, YouTube etc.).

Lagardère Active operates a worldwide portfolio of more than 100 websites with a total of nearly 80 million unique visitors (UVs).

Twenty-four sites passed the one million UV mark in December 2010, including Digitalspy.co.uk with nearly 6 million UVs, and Elle China with almost 8 million UVs.

In France, after reaching a record audience of 17.1 million UVs in November 2010, Lagardère Active registered 16.6 million UVs in December (+8.4% compared to December 2009) including:

- 10.5 million UVs for its women’s sites associated with Elle.fr, the leading high-end women’s site with 2.5 million UVs, and Doctissimo.fr, which is the leading French women’s website with 7.9 million UVs and the largest French-speaking internet community; the model is now deployed in Spanish, Italian and English;
- close to 5 million UVs for Premiere.fr, France’s second largest entertainment website;
- 2.6 million UVs for Europe 1, the number two news radio website [5].

Lagardère Active is the French leader on the mobile phone applications market with a total of 3.4 million UVs in the last quarter of 2010, up by almost 21% compared to the previous quarter. The division produces eight benchmark applications: Public, the most popular “celebrity” application with the 27th best audience for all categories of applications; Télé 7 Jours, second TV guide application with the 36th best audience for all applications; Sports.fr, Première, Virgin Radio, Europe 1, ELLE, and Boursier.

Moreover, Doctissimo.fr posts the leading mobile audience for all the division’s products (website and application), registering 1.1 million UVs in the third quarter of 2010 [6].

(1) Source: Kantar Media - 2010.
(2) Source: Médiamétrie - 126,000 Radio; November - December 2010; Monday - Friday; 5am - midnight; *Executives and managers = company heads, executives and managers, intellectual professions; **CSP+I = independent traders, executives and intellectual professions, company heads, intermediate job categories.
(3) Médiamétrie Médiamat: November - December 2010; Médiamat’ Thématik: March - June 2010.
(4) Médiamétrie Netratings, all connection sites; November 2010.
(5) Source: Médiamétrie, Nielsen Netratings.
(6) Source: Médiamétrie 4th quarter 2010.

B) OPERATIONS DURING 2010

Contribution to consolidated sales for 2010: €1,826 million

Distribution of sales by activity

	2010	2009
Press	**73.2%**	73.7%
Details: Magazine publishing in France, advertising sales brokerage and other activities	**31.8%**	33.5%
International Magazine Publishing	**41.4%**	40.2%
Audiovisual	**26.8%**	26.3%
Details: Radio	**14.8%**	14.1%
Television	**12.0%**	12.2%
Total sales	**100.0%**	100.0%
Including – Digital activities	**7.5%**	7.3%

Distribution of sales by geographic area

	2010	2009
France	**52.7%**	54.2%
United States	**12.0%**	13.0%
Asia-Oceania	**8.0%**	6.6%
Italy	**4.4%**	4.7%
Spain and Portugal	**3.0%**	3.1%
Russia	**9.9%**	8.4%
Other	**10.0%**	10.0%
Total sales	**100.0%**	100.0%

B.1 MAGAZINE PUBLISHING IN FRANCE

In 2010, Magazine Publishing in France saw the following portfolio changes:

- publication of *Jeune & Jolie* stopped in January 2010;
- with the launch of *Be* in March 2010, Lagardère Active embarked on the conquest of a new market segment in France: the high-end generational women's weekly magazines.

In 2010 Lagardère Active confirmed its leadership position in circulation and advertising in Magazine Publishing in France, both overall and also in nearly all its markets.

In terms of **circulation**, Magazine Publishing in France strengthened its positions on strategic segments:

- *ELLE* again registered excellent per-issue sales, up by 8.7% compared to 2009. This is the fifth consecutive year of significant growth (+3.3%);
- *Psychologies magazine's* circulation grew by 1.3% and healthy per-issue sales rose by 2.7%;
- The arrival of *Be*, and the market share gains by *Psychologies magazine* and *ELLE* took Magazine Publishing in France to the top position in the high-end women's magazine segment;
- In the art of living segment, the principal titles posted good circulation figures with higher paid distribution in France for *Art & Décoration* (+1.6%), *ELLE Décoration* (+1%), *Maison & Travaux* (+2.7%), *ELLE à Table* (+1%), stable circulation for *Mon Jardin & Ma Maison* and *Campagne Décoration*, and a slight drop for *Journal de la Maison* (-1.4%);
- *Paris Match* gained market share in per-issue sales and its paid distribution rate was stable compared to 2009;
- *France Dimanche* and *Ici Paris* in the celebrity magazines segment achieved the market's two best performances in per-issue sales and posted slightly lower respective paid distribution rates of 2.3% and 2.8%. *Public* showed resilience in a more competitive environment, with a paid distribution rate down by only 5%;
- *Télé 7 Jours* remains the leader in its competitive environment, with an average circulation of 1,420,000 copies, down by 3.5%.

In **advertising**, 2010 saw an upturn for Magazine Publishing in France with sales up 8% compared to 2009.

The performance of Lagardère Active's major weekly magazines was particularly remarkable:

- the page volume of *ELLE* rose by 19%;
- *Version Femina* posted 7% growth, winning one point in market share;
- *Paris Match*'s page volume grew by 9.5%;
- the page volume of *Télé 7 Jours* increased by 5.2% in a TV guide market that declined by 4.4%;
- *Le Journal du Dimanche* posted increased sales by 7.3%.

On the interior decor and renovation segment, the division's main titles saw an upward trend in advertising volume: + 5% for *ELLE Décoration*, +2% for *Art & Décoration*, +5.1% for *Campagne Décoration*, +1.4% for *Maison & Travaux*.

Market share was gained in the parent and child segment with growth of 6.3% for *Parents* and 21% for *Infobébés*.

ELLE à Table showed spectacular progress, with volume increasing by 26.6% compared to 2009.

B.2 INTERNATIONAL MAGAZINE PUBLISHING

International Magazine Publishing benefited in 2010 from the advertising market recovery, the growth in emerging countries, and the impact of the major savings plans implemented in the last three years.

In the United States, the advertising position of Hachette Filipacchi Media US (HFM US) continued to improve in 2010 (+4.9% in page volume) although the market remained fragile (-0.4%). In women's magazines, *ELLE* US showed strong growth in market share (+0.5 points). *ELLE Decor* remains the leader of its category with market share standing at 23.8%, well ahead of *Architectural Digest* (17.9%). Digital revenues from women's websites also posted significant growth (+49% for Elle.com and +35% for Womansday.com). The audience for all HFM US websites rose by 27% compared to 2009.
In October 2010, HFM US also introduced its iPad application for Elle.com and Caranddriver.com.

In Italy, Lagardère Active maintained its leadership on high-end women's magazines with *ELLE* and *Marie Claire* in a still-tense local advertising market. 2010 sales were thus equivalent to 2009. However, operating profit deteriorated slightly under the significant impact of the new postal policy, as subscriptions continue to account for a significant proportion of sales in Italy.

In Spain, the rationalisation of the company's titles begun in September 2008 and cost management measures bore fruit in 2010. The division's sales improved by 2% boosted by a good performance in advertising sales (+3%) and digital revenues (+19%) despite the country's poor economic situation (20% unemployment).

Performance in the United Kingdom was good in 2010. Advertising revenues grew by 8.7% compared to 2009 (*Red* registered a 17% increase), reflecting the rise in market share. Distribution revenues increased by 1.3% with contributions of 22% by *ELLE Decor*, 5% by *ELLE* and 6% by *Red*.

Russia continued to be a strong growth area for Lagardère Active (double-digit growth) where the division's activity benefited from the Advertising market recovery after the 2009 crisis. On a like-for-like basis, advertising revenues were up 7.6% for magazines and 23.8% for other titles.

In Japan, despite market difficulties, advertising revenues held up well (-2%) against the overall market trend (-8% to -12%) thanks to an innovative approach and cross-media offers. Distribution revenues grew by 9% (+50% for *25 ans*) supported by a more aggressive distribution policy and innovative promotional campaigns. Digital revenues also posted significant growth (+54%) through the development of the ELLE Girl brand and the partnership with Yahoo! Japan.

China, Lagardère Active's second growth area, continued its development in 2010. Advertising market share for all titles rose by 24.5%, in particular thanks to *Femina* which became a weekly in mid-2009. Advertising revenue increased by 26%. As in 2009, special emphasis was placed on the development of digital media, with the launch of NextIdea in August 2010 and a men's website in the early part of the year. The audience of Elle.com saw spectacular growth of 113%, and 54% in unique visitors.

B.3 RADIO

Targets for 2010 continued to progress. The audience share for the top occupational groups increased by 4.6% compared to 2009, reaching 9.1%. Europe 1's audience is getting younger, with audience share for 25 to 49 year olds growing 6.9% to reach 6.2%.

Virgin Radio remains the second most popular radio station in France for the 25-to-34 age group [1] with a Top 40 musical format and "Un Maxx de tubes" (maxximum hits) as its slogan. Its two landmark programs hosted by Bruno Guillon (5-9am) and "Camille Combal et son orchestre" (5-8pm) are the key factors in Virgin Radio's success. Since September 2010, Laurent Weil has welcomed listeners every Saturday from noon to 1pm to the only film programme broadcast on a musical radio station.

(1) Source: Médiamétrie - 126,000 Radio; 25-34 age group; audience share; 5am-midnight; Monday-Friday; January-December 2010.

RFM is positioned as the number two music station for adults [1] in the 35-to-49 age group with a new morning show hosted by Bruno Roblès and Justine Fraïoli, and Frédéric Lopez's new VIP interview programme every Thursday from 7-8pm.

Outside France, the year 2010 was dedicated to protecting Lagardère Active's brands in a more difficult economic context than in western countries. Investments helped improve audience figures, particularly in Russia, Poland and the Czech Republic.

Building on its success in the Czech Republic since 1990, Europa 2 was extended to Slovakia in early 2010 in a format named Europa 2 (formerly Radio Okey), and has since grown regularly.

To complement Jacaranda's operations (South Africa's leading regional radio station), Lagardère Active Radio International (LARI) bid as part of a consortium for three regional radio licences.

These developments, combined with high audience figures in Russia, Poland and the Czech Republic, enabled LARI to consolidate its positions in all seven countries where it operates.

Its radio stations attracted over 17 million listeners each day in Russia [2], 8.5 million in Poland [3], over 2.3 million in Romania [4], two million in the Czech Republic [5], over one million in South Africa [6] and approximately one million in Germany [7]. In all LARI [8] has a total 32 million listeners.

In line with Lagardère Active's general strategy, LARI also accelerated the pace of its digital development in 2010 through:

- a new LARI iPhone application developed jointly by Poland, Romania and the Czech Republic;
- redesign of radio websites in Poland and the Czech Republic;
- the launch of Niagaro, Poland's leading on-demand music website;
- the launch of Motomail, the leading social network dedicated to drivers in the Czech Republic.

In parallel to its editorial content activity, LARI has systematically developed its own advertising brokerage operations. In addition to sales for its own radios, it has exclusive contracts for a number of external broadcasters such as the Czech Republic leader Radio Impuls and the PN network in Poland.

Application of this strategy reinforced LARI's commercial leadership: it is the top radio advertiser in Russia, Poland, Romania, the Czech Republic and South Africa.

Given that it operates principally on the Eastern European markets, LARI saw a growth year in 2010 after the advertising crisis of 2009. This growth is expected to continue in 2011.

B.4 TELEVISION CHANNELS

2010 was marked by the sale of Virgin 17 to the Bolloré group on 1 September 2010.

It also confirmed the expansion of Digital Terrestrial Television in France whose audiences grew in line with the increasing number of viewers and extension of coverage. In one year, the audience share for "Other TV" (i.e. other than traditional terrestrial channels) rose from 27.9% to 31.9% [9]. The DTT audience share also rose substantially (from 15.2% to 19.7%) while special interest channels dropped slightly to a 12.2% audience share (12.7% in 2009).

In an intensely competitive environment, the good audience figures confirm the excellent performance by Lagardère Active's channels, both on DTT and on cable and satellite television:

- Gulli is the third most popular DTT channel, with a 2.2% audience share for children aged 4 and over across all of France (up by 22% from 2009). For children aged 4-10 (all of France), Gulli is France's second most popular channel after TF1, with an audience share of 14.7% (+23%), ahead of M6 and France 3 [10];
- Lagardère Active's Youth channels hold a 42% share of the audience for children's channels [11]; TiJi and Canal J are respectively in second and sixth positions on cable and satellite television for pay channels for the 4-10 age group, with respective audience shares of 3.8% and 2.4%. Canal J is third in popularity with boys aged 4 to 14 (pay channels) [12];
- June is the third-ranking special interest channel for women aged 15 to 24 and fifth for the 15-to-34 age group (gaining 83% in audience share for this target in just one year) [13];

(1) Source: Médiamétrie - 126,000 Radio; 35-49 age group; CA and audience share; 5am-midnight; Monday-Friday; January-December 2010.
(2) Source: TNS Gallup Media, Q3 2010.
(3) Source: SMG/KRC September-November 2010.
(4) Source: SAR June 2010.
(5) Source: Radio Project June 2010.
(6) RAMS December 2010.
(7) AS&S MAII 2009.
(8) TNS Gallup Media Régions October-December 2010; MML Sk Q4 2010.
(9) Source: Médiamétrie - Médiamat: 2010 vs. 2009; 4+ age group.
(10) Source: Médiamétrie - Médiamat, 2010.
(11) Source: Médiamétrie - Médiamat' Thématik; March-June 2010; audience share extended 4-14 age group offer; average Monday-Sunday; 3-27 hours.
(12) Source: Médiamétrie - Médiamat' Thématik; March-June 2010; excluding Gulli.
(13) Source: Médiamétrie - Médiamat' Thématik;March-June 2010; pay channel.

- The MCM channel is the second most popular music channel for the 4 and over age group, with a 0.4% audience share (up 33% in a single wave) [(1)];
- Mezzo continued to expand internationally. Received by more than 16 million households in 39 countries, the channel pursued its expansion in 2010 with the introduction of a new HD channel dedicated to live music. More than one million viewers watch Mezzo each month [(2)];
- The localised versions of TiJi and Gulli in Russia, launched in May 2009 on the NTV+ satellite platform, continued to grow. Broadcast in Russian, these channels use a subscription-based economic model. Their distribution will be extended to other cable and broadband platforms in 2011.

B.5 AUDIOVISUAL PRODUCTION AND DISTRIBUTION

2010 was marked by a significant upturn in advertising revenues for broadcasters. However, advertisers maintained strong pressure on producers to control production costs.

Work on production methods initiated in 2009 enabled Lagardère Entertainment to maintain its profitability in 2010 while benefiting from the business recovery, essentially in drama.

The consolidation of the DTT channels and the associated fragmentation of audiences led Lagardère Entertainment to develop its business in these new media (particularly in immediate broadcasts). New TV consumption habits also developed (Internet, catch-up TV, VOD), and while they are not yet economically significant Lagardère Entertainment is already active on these segments.

However, the largest market players remain TF1 and France Télévisions. These two broadcasters are still Lagardère Entertainment's biggest customers.

Lagardère Entertainment remains the leader in the French TV drama market, and is the second-largest producer of programmes for immediate broadcast.

The one-off drama *Clem* was a particular success in 2010, attracting 9.4 million viewers, the best audience for French drama since 2007. The programme has been adapted into a series to begin showing in 2011.

Other long-standing series continue to perform well, in particular *Joséphine Ange Gardien, Julie Lescaut, Boulevard du Palais, Famille d'accueil* and *Mafiosa*.

The daily current affairs programme *C dans l'air* celebrated its 2,000th episode and continues to attract large audiences.

Finally in 2010, Lagardère Entertainment expanded into international-scale projects through its subsidiary Atlantique Productions, launching *Borgia*, a 12-episode series for Canal+.

B.6 DIGITAL

In France, Lagardère Active consolidated its positions in its various environments:

- launch of the Be.com website in early 2010 as the online expression of the Be brand, with an innovative 2.0 community shopping approach;
- in Entertainment, the Premiere.fr portal confirmed its growth, registering a record of nearly 5 million unique visitors (UV) in December 2010. This portal has taken a strong position in catch-up TV through a major contract with the market leader, TV-Replay;
- Doctissimo, the number one French women's site initiated its international deployment with the launch of Spanish, Italian and English versions from April to July 2010.

Outside France, several launches and strategic agreements saw the light of day in 2010:

- signature of a strategic partnership agreement with YouTube for web video broadcasting;
- in the United States, launch in April 2010 of Glo (a lifestyle channel) in partnership with Berman Braun. The site reached 5.8 million UVs [(3)] in December;
- in China, creation of an online marketing agency in May 2010, NextIdea China, which has already signed a significant contract with China Eastern Airlines;
- in the United Kingdom, launch of Redonline.co.uk, a new women's website, in December 2010.

The main international network is the ELLE network which now has 20 million UVs worldwide, nearly 30% more than in 2009, and holds strong positions in Europe and Asia [(4)] in particular.

In 2010, Lagardère Active also pursued its expansion in mobile media, particularly on the international iPhone market with the launch of a multi-country ELLE application. Following the popularity of the ELLE application in France in May 2010, the ELLE universe is now accessible via iPhone in 7 new countries. The new application was launched simultaneously in the United States, China, Russia, Spain, Italy, the Netherlands and the Czech Republic, and offers

(1) Source: Médiamétrie - Médiamat' Thématik; March-June 2010; pay channel.
(2) Source: Médiamétrie - Médiamat' Thématik; March-June 2010.
(3) Source: Comscore.
(4) Source: Nielsen, Omniture, December 2010.

preferential access to fashion and beauty news throughout the world. In the first quarter of 2011, it will be released in four more countries: the United Kingdom, Japan, Hong Kong and Taiwan. In all Lagardère Active will market 12 localised versions of the ELLE iPhone application with an identical design, to supplement the 28 ELLE websites.

B.7 OBJECTIVES AND ACHIEVEMENTS OF 2010

Lagardère Active outperformed its objectives in 2010 due to the strong recovery in worldwide advertising, especially from the last quarter of the year. Predicting market behaviour was extremely difficult early in 2010 after the very sluggish advertising year in 2009.

In 2010, Lagardère Active's advertising sales accounted for 56% of total sales, or 2% more than the previous year. The impact of the advertising recovery was particularly noticeable in the second half of the year, but was not sufficient to return to 2008 levels.

The performance improvement plans set up from 2007 to 2009 continued to bear fruit in 2010 and contributed to improving profitability significantly.

C) OUTLOOK

On completion of the procedures for informing the Lagardère group's employee representative bodies, Lagardère SCA, which had received a firm purchase offer from Hearst Corporation on 30 January 2011, signed an agreement for the sale of its international magazine business to Hearst Corporation, Inc. on 28 March 2011.

5.2.1.3 LAGARDÈRE SERVICES

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

Lagardère Services has the largest international network of stores dedicated to cultural leisure products, duty-free shops and specialist concept outlets (3,800 stores) under international store names (Relay and Virgin in travel zones) or store names with a strong local identity (Payot, Inmedio). Lagardère Services is also the world's leading player in press distribution.

Key figures for Lagardère Services are as follows:

- a unique network of 3,800 stores in 20 countries all over the world;
- 1,300 sales outlets trading under the Relay name in 17 countries, serving one million customers every day;
- over 50,000 newsagents supplied daily by Lagardère Services in Europe and 180,000 in North America.

Lagardère Services' development focuses on two business lines:

- retail sales, comprising:
  - sales outlets dedicated to travel areas;
  - local retailing in town centres and shopping malls.
- press distribution to the sales outlets.

A.1 RETAIL SALES

Retail sales in travel areas

Lagardère Services is the world leader in retail sales dedicated to travellers, with companies such as Relay France, Lagardère Services Asia-Oceania, HDS North America and Aelia, and has set up new sales outlets in airports and train stations in the 18 countries where its store names are present.

a. With almost 1,300 Relay stores in nearly 100 international airports and Newslink stores in Australia, Lagardère Services currently runs the largest international network of press retail stores in travel areas. Taking advantage of new sales outlets regularly opened in France, the Czech Republic, Romania, China etc., Relay offers an increasing number of customers a wide range of products while travelling: newspapers, magazines, books, confectionery, souvenirs and food products, etc.
In train stations and airports, Lagardère Services also operates a large number of stores selling music, reading materials and small electronic devices under the Virgin name (in France, Australia, China, Germany, Poland and the United States). Meanwhile, the Découvrir stores in France, and Discover stores in America, Poland, Australia and Singapore, sell tourists products that promote local culture and regional produce.
Competition in the field of press retail outlets in travel areas is mainly from local businesses: Hudson News, Paradies and HMSHost in North America, Valora in Switzerland, Valora and Eckert in Germany, Areas in Spain, Ruch and Kolporter in Poland, etc.

b. In addition to the Relay outlets, Lagardère Services also operates **duty-free sales** and specialist stores directly and indirectly through Aelia, France's number one company for retail sales in airports. This includes the important partnership with Aéroports de Paris in the joint company SDA.
Aelia manages 140 sales outlets in 16 French airports, nine outlets in the United Kingdom (Belfast, Luton and Heathrow), nine in Poland (Warsaw, Krakow, Poznań and Szczecin), six in the Czech Republic and 15 in Spain. In addition to operating franchise stores such as Virgin and Hermès, Aelia possesses a portfolio of its own store names, such as Buy Paris Duty Free, Aelia Duty Free, Pure & Rare, Beauty Unlimited, French Days, The Gourmet Shop, Cosmopole, etc.
Aelia also handles onboard sales of high-end products on behalf of certain airlines, including Air France and Iberia.
The principal global players in duty-free sales and specialist stores in travel areas are World Duty Free and Aldeasa (Autogrill group), DFS (LVMH group), TNG (The Nuance group), Heinemann, Dufry and Aelia.

Local retailing in town centres and shopping malls

Lagardère Services also has an extensive network of 1,900 press sales outlets in town centres and shopping malls, trading under names with strong national identities such as Inmedio in Eastern Europe, Press Shop in Belgium, Naville in Switzerland and BDP in Spain. Competitors are local independent retailers.

This network is complemented by the Payot bookshop chain in Switzerland, with 11 stores, competing against independent booksellers and the Fnac.

In response to the steady decline in press sales, Lagardère Services is pursuing a plan to diversify its retail business into fast food, coffee shops and specialised concepts.

With establishments in 20 countries and expertise acquired on these different markets, Lagardère Services has entered into partnerships with other companies, including certain major retail players such as Casino and L'Occitane (France), Paul and Costa (Czech Republic), Empik (Poland), Monceau Fleurs (Germany), La Cure Gourmande (France, Spain), Bijoux Terner and Lonely Planet (Australia).

A.2 NATIONAL PRESS DISTRIBUTION AND PRESS IMPORTS AND EXPORTS

Supplying the sales outlets with newspapers and magazines is a crucial function in press sales, exercised by Lagardère Services in 10 countries at two levels:

- The world's leading national press distributor, Lagardère Services is the largest distributor in the United States, Belgium, French-speaking Switzerland, Spain and Hungary. In many countries, Lagardère Services supplies convenience store networks: Lapker in Hungary (11,752 sales outlets, 664 of which are operated by the company) and SGEL in Spain (15,071 sales outlets).
  In North America, the leading national magazine distributor Curtis Circulation Company runs a network of independent wholesalers and manages sales of press titles to the major retail sale chains. Its market share stood at 30% [(1)] in 2010. Competitors are major local players such as TDS/WPS (Time Warner group), Kable, and Comag (Hearst/Condé Nast).
  In Spain, SGEL, the leading national press distributor, holds 19% of the market[(1)]; its main rivals are Logista and GDER (a newspaper publishing cooperative). Lagardère Services has no significant competitors in Hungary, Belgium or Switzerland.
- Lagardère Services is also a leading enterprise in the import and export of international press, with operations in ten countries (Belgium, Bulgaria, Canada, Spain, the United States, Hungary, the Czech Republic, Romania, Serbia and Switzerland).

B) *OPERATIONS DURING 2010*

Contribution to consolidated sales for 2010: €3,579 million

Distribution of sales by activity

	2010	2009
Retail	**70.6%**	68.3%
Distribution	**29.4%**	31.7%
Total sales	**100%**	100%

(1) Source: internal survey.

Distribution of sales by geographic area

	2010	2009
France	**28.9%**	28.5%
Europe	**59.5%**	60.8%
North America	**6.4%**	6.3%
Asia-Oceania	**5.1%**	4.4%
Total sales	**100%**	100%

Sales by Lagardère Services grew by 5.7% in 2010 (unadjusted) or 1.7% on a like-for-like basis.

The market environment in 2010 was marked by an upturn in air traffic and a continued decline on the press markets. North America and Europe suffered from their relatively weak economies following the 2008/2009 financial crisis.

After a 2.7% drop in 2009, air traffic rose by 6.3% worldwide by the end of 2010 with increases of 4.3% in Europe, 2.4% in North America and 11.5% in Asia-Oceania (1). Since December 2009, world traffic volumes have been higher than before the crisis (2007) with significant disparities between different geographic areas:

- in Europe, 2010 traffic volume is on a par with 2007;
- in North America, the 2007 traffic levels have not yet been reached;
- in Asia-Oceania, 2010 traffic is well above the 2007 levels (+17%).

The ash cloud from the Icelandic volcano caused a 0.9% drop in world traffic in April 2010, including 12.9% for Europe.

Press markets also declined in 2010, by 2 to 5% depending on the country (2).

Despite the drop in press sales, 2010 operating profit registered a significant rise of €13.7 million, from €90.8 million in 2009 to €104.5 million in 2010. This growth is essentially attributable to the following factors:

- the upturn in air traffic;
- implementation of the policy to develop high-margin products;
- development and modernisation of the sales outlet network (organic growth and acquisitions);
- the favourable effects of the profit protection plan launched in the first half of 2009, which continued to generate savings in 2010;
- growth in advertising/promotion revenues.

Likewise, the cash protection plan launched in 2009, consisting of tight control over investments and working capital requirements, had a positive impact in 2010. Long-term cash resources increased from €245 million in 2009 to €304 million in 2010.

B.1 RETAIL SALES

With its 871 sales outlets, Relay France registered a 4.7% increase in business compared to 2009, thanks to network growth (several outlets were opened in hospitals) and the full-year operation effect of sales outlets that opened in 2009.

The contribution of these new stores was supplemented by very good like-for-like results for non-press products (including foodstuffs at +7.6%, tobacco goods at +7.8% and miscellaneous goods and toys at +5.5%) sustained by an innovative sales policy of product diversification. 2010 business was nonetheless adversely affected by the continued downturn in press sales (-3.6%) and telephone product sales (-6.6%).

Growth in other European countries was relatively steady.

Business in Germany rose 6.0% thanks to a good like-for-like performance (+4.5%) and the continued expansion of its network, with four additional sales outlets bringing the total to 80 outlets at the end of 2010.

Belgium also saw a slight 0.6% increase in sales achieved through modernisation of its network and opening new outlets, extending the network to 275 sales outlets at the end of the year.

Growth was low in Switzerland (+1.7% at constant exchange rates). The Naville brand name fared well against a troubled press market (-2.1% against a 3.8% market decline), and progressed thanks to excellent sales performances for tobacco goods (+3.1%), telephone products (+11.6%), and miscellaneous goods (Panini FIFA 2010 World Cup stickers: +30.3%). At the end of 2010, the network numbered 171 sales outlets.

The 11-store Payot chain of booksellers posted a 1.8% decline in business in 2010.

(1) Source: ACI.
(2) Source: internal study.

In Spain and Portugal, overall business growth stood at 7.9% in 2010 due to network diversification:

- business was down by 0.6% for press sales outlets (-1.1% for street and shopping mall outlets and -1.6% for sales outlets in travel areas; this decline was partly counterbalanced by 5.3% growth at sales outlets in Portugal). At the end of 2010 the network included 157 sales outlets, a number that has been declining since 2005 following the closures caused by new legal restrictions on tobacco sales;
- many diversification projects were launched:
  - five La Cure Gourmande sales outlets were opened in 2010 (three outlets existed at the end of 2009), contributing 2.4 points to the overall business growth;
  - acquisition of a duty free business in Spanish ports (14 sales outlets) which contributed +5.8 points to the overall business growth;
  - opening of the first Jeff de Bruges outlet in Madrid.

In Central Europe, Lagardère Services continued to enjoy strong growth, particularly in Poland, Romania and the Czech Republic while business declined in Hungary:

- in Poland sales grew by 8.0%, including a notable 24.0% increase for the Empik Café network and an 8.9% expansion in Aelia Polska's duty free business, bringing the network to 671 sales outlets;
- Romania posted a 24.2% rise in sales with the opening of 26 new sales outlets in 2010, bringing the total to 174;
- sales in the Czech Republic increased by 26.6%. Sales by press sales outlets rose 12.3% (the 184-outlet network includes 13 new outlets opened in 2010) while the acquisition of CSA's duty free business (five sales outlets and an on-board sales contract with CSA) contributed 25.4 growth points;
- in Hungary, sales declined by 3.1%, due in particular to the closure of 24 newsstands (leaving 312 in all) while the network of Relay and Inmedio stores remained stable with 340 sales outlets.

In North America, with a network totalling 255 sales outlets (163 in Canada and 92 in the United States), retail business declined by 3.5% (at constant exchange rates), as follows:

- excluding changes in the network, sales rose by +0.9%, spurred by airport sales (+2.5%) while urban network and non-airport travel sales had a difficult year declining respectively by -3.2% and -4.5%;
- including changes in the network, sales declined by 4.2% following the loss of the Newark and Houston contracts and closure of non-profitable urban sales outlets.

The Asia-Oceania region manages a network of 167 sales outlets (105 in Australia, 11 in Hong Kong, 27 in China, 18 in Singapore and 6 in Taiwan) whose business was stable at +0.4% based on constant exchange rates:

- Australia registered a rise of 4.3%, including + 8.3% for Purely and 3.8% for Newslink;
- in Asia, lost contracts in Hong Kong and China led to decreases of 27.2% and 44% respectively, but a new 800m^2 outlet, The Fashion Gallery, was opened at Changi airport in Singapore in December 2010.

In 2010 Aelia registered robust growth of 12.6% thanks to a strong increase in sales per passenger (+11.9% in French regional airports, particularly for alcoholic beverages, tobacco goods and perfume) and an upturn in air traffic (+1.1% in France, with +0.4% in Paris and +2.4% in the provinces).

Aelia's sales continued to increase outside France, with a 6.5% rise in the United Kingdom due to the on-board sales on four ferries between France, Ireland and Wales, and the new Longchamp sales outlet at Heathrow. Aelia is expanding its international business in partnership with Lagardère Services subsidiaries, primarily in the Czech Republic, Poland, Spain and Asia-Oceania.

In Paris, the spirits/tobacco/perfumes shops are operated by SDA in partnership (50/50) with Aéroports de Paris. SDA now operates the concessions at the Paris airports of Charles de Gaulle (Terminals 1, 2, and 3), Orly Sud and Orly Ouest, and gourmet and fashion shops at certain terminals.

All these country figures include the effect of the ongoing diversification plan. In view of declining press and tobacco sales, Lagardère Services has begun a process to diversify its traditional businesses. A network of 95 sales outlets has been developed under several partnership agreements already signed with:

- the supermarket chain Casino in France for a local convenience food store project under the Chez Jean brand name (six stores);
- the Cure Gourmande confectionery chain in France (six stores) and Spain (seven stores);
- Jeff de Bruges in Spain (one store);
- Nature & Découvertes in French-speaking Switzerland (two stores);
- the Happy florist brand in Germany (two stores);
- Paul bakers in the Czech Republic (five stores);
- Costa Coffee in the Czech Republic (seven stores);
- Empik for development of the Empik Café brand in Poland (59 stores).

Diversification into internet sales also continues: HDS Digital posted 92.1% growth in the number of subscribers and sold nearly 1.5 million individual downloads in 2010.

B.2 NATIONAL PRESS DISTRIBUTION AND PRESS IMPORTS AND EXPORTS

The 2010 results for Press Distribution activities were negative in all countries except Canada due to the continued decline on the press markets. To counteract this downward trend in press sales, distribution companies implemented plans aiming to accelerate diversification.

In Spain, sales by the Distribution business dropped 3.4% in 2010 due to adverse trends on the magazine market, the lower number of part-works collections (-37.1%) and the continuing slowdown in sales of telephone cards (-7.8%).

In Belgium, AMP's Distribution activities saw a 3.4% decline in sales in 2010, particularly concerning press products, but also resulting from discontinuation of the bookselling activity on June 30, 2009. Telephone card business retreated by 1.3%. The action plan for reorganisation launched in 2007 continued over 2010 (major measures concerned the installation of Pick & Pack lines and recycling of all unsold magazines), improving the company's profitability.

In Switzerland, the erosion of press sales also affected Naville's Distribution activities, with press sales revenues down by 3.9% despite a considerable rise in the price of Swiss and French daily newspapers. In contrast, distribution of non-press products grew by 1.9%, driven by good performances on tobacco goods (+4.8%) and telephone cards (+1.3%) and the impact of the 2010 FIFA World Cup on sales of Panini stickers (+108.2%).

There was a downturn of 7.9% in Hungary as press sales fell back by 4.4% and non-press sales also declined.

In the United States, Curtis Circulation Company's consolidated distribution sales registered a very slight decrease of 0.5% in a constantly shrinking magazine market.

In Canada, sales by LMPI rose 2.5%, driven by the dynamic sales of English and French titles.

B.3 OBJECTIVES AND ACHIEVEMENTS OF 2010

The 2010 objectives set in 2009 focused on Retail activities:

- strengthening the Group's leadership positions in travel area sales;
- development of well-known brand sales outlets in travel areas, and also in shopping malls and town centres;
- ongoing implementation of the diversification plan;
- further expansion of business in the Asia/Oceania and Central Europe regions.

The following was achieved in 2010:

- Lagardère Services continued to strengthen its Retail activities, increasing their contribution to 70.6% of total sales (against 68.3% in 2009), while the contribution made by Distribution activities decreased from 31.7% in 2009 to 29.4% in 2010. This growth was both organic and the result of acquisitions, in particular with the purchase of CSA's duty free business in the Czech Republic (five sales outlets and an on-board sales contract for CSA);
- the product diversification policy for both retail sales and press distribution reduced the press component of sales from 46.6% in 2009 to 44.3% in 2010;
- business in Oceania and Central Europe respectively rose by 4.3% and 4.2% at constant exchange rates. There was no growth in Asia, which only represents 0.4% of Lagardère Services' consolidate sales, due to the loss of a concession in Hong Kong.

C) OUTLOOK

Once again, Lagardère Services' prospects for business expansion in 2011 will depend on changes in airport traffic, the Press markets and general economic trends.

Nonetheless, after the degrowth of 2009 followed by the recovery of 2010, Lagardère Services intends to return to steady growth in its core businesses during 2011 and beyond. Meanwhile, Lagardère Services will be entering new markets through internal growth and possible external growth in particularly favourable conditions, systematically seeking out geographic or operational complementarities with existing activities.

Retail business goals will focus on:

- strengthening leadership positions in travel areas;
- pursuing the diversification plan (in particular in food, speciality shops and duty free);
- continuing business development in Asia-Oceania and Central Europe.

Press distribution objectives will focus on continuing the diversification plan (moving into "non-press" products) in order to reduce dependency on "press" products.

Lagardère Services, which is reputed for its leadership positions in its business lines, its operational rigour, corporate culture of performance and its international brands, has a number of assets in hand to meet these objectives.

5.2.1.4 LAGARDÈRE UNLIMITED

A) *PRINCIPAL ACTIVITIES AND MAIN MARKETS*

Lagardère Unlimited, a new Lagardère division dedicated to Sports and Entertainment, expanded through the acquisition of six companies: Sportfive (acquired 100% in 2007), IEC in Sports (100% in 2007), Upsolut (100% in 2008), PR Event (100% in 2008), World Sport Group (71% in 2008) and Best (Blue Entertainment Sport Television) acquired 100% in 2010).

Lagardère Unlimited conducts operations in six major business lines as part of its strategy to achieve positioning over the entire sports rights value chain:

- management of broadcasting rights;
- marketing of sports rights and associated products;
- organisation and management of sports events;
- consulting in the management/operation of stadiums and sports grounds;
- representation of sports and arts/entertainment celebrities;
- management of sports training academies.

A.1 MANAGEMENT OF BROADCASTING RIGHTS

Lagardère Unlimited's core business is media rights, encompassing management and operation of broadcasting rights for sports events through traditional or digital media. Lagardère Unlimited main customers in this market are television channels and all other content distribution platforms (satellite, cable, internet, mobile telephones, etc.), and the media rights in the portfolio are mostly second party and third party rights (i.e. rights for all territories other than the host country). Media activities also involve production, which covers all the resources necessary to record an event or a programme intended for broadcast on all content distribution platforms.

Lagardère Unlimited draws on the expertise of four entities for its Media activities: Sportfive, IEC in Sports, World Sport Group and Best.

A.1.1 Sportfive

Sportfive is one of the principal players on the worldwide sports media rights market, and since 2009 has operated through three separate divisions with complementary geographical coverage: Sportfive France & Africa, Sportfive Germany and Sportfive International, based in Geneva, which handles most of the agency's media rights sales business.

Sportfive International has entered into partnerships with the major European football leagues and close to 30 European football federations, thus developing unique positioning and expertise enabling the main rights holders to optimise their media income. Its other main assets include broadcasting rights for such popular and prestigious events as the Olympic Games (2014 in Sochi and 2016 in Rio de Janeiro) and the European Football Championship (UEFA Euro 2012™).

As the exclusive commercial partner of the Confederation of African Football (CAF), Sportfive France & Africa focuses on distributing worldwide media rights for the principal African competitions, in particular the Africa Cup of Nations. After Angola in 2010, the next Africa Cup of Nations will be held in 2012 in Gabon and Equatorial Guinea, then in odd-numbered years starting with 2013 in Libya.

A.1.2 IEC in Sports

The Swedish company IEC in Sports specialises in the management and operation of sports media rights. Its portfolio covers over 250 events in Europe (a region that represents 75% of IEC's contracts), the United States and Asia, totalling more than 3,500 hours of sports broadcasts annually. The company works mainly with Olympic sports (athletics, tennis, volleyball and gymnastics), and has also developed a football portfolio, including marketing the international rights for the Portuguese Football League and production rights for the Swiss Football League.

IEC in Sports is also in charge of sales of European and African media rights for the World Athletics Championships on behalf of the IAAF (International Association of Athletics Federations).

With the impressive range of sports in its portfolio, IEC in Sports offers customers (television channels and all other types of multimedia distribution platforms) a full array of turnkey sports programming solutions covering events in several different sports.

A single economic model is used to market most of these rights. The complete spectrum of media-related services can be provided for customers: scheduling, production and post-production. These offers include directing and image recording, editing, commentary, statistics compilation, television branding and transmission via satellite. These services complement the distribution of media rights.

A.1.3 World Sport Group

The Singapore-based World Sport Group specialises in the management of broadcasting rights for Asian sporting events. It has achieved rapid expansion by developing key partnerships with the main rights holders on the Asian continent. The BCCI (Board of Control for Cricket in India), AFC (Asian Football Confederation) and OneAsia Super Series (the Asian golf tournament circuit launched in 2009) have all engaged World Sport Group to market some of the broadcasting rights for their competitions.

World Sport Group is well-established as a major player in sports media rights in Asia with a portfolio comprising more than 1,000 hours of programming, 600 days of sporting events per year spread over 30 different countries, and as distributor of prestigious events such as the Asian Football Cup, qualifying matches for the FIFA 2010 World Cup and the Indian Premier League cricket competition.

A.1.4 Best

Best, based in the United States, specialises in the management and marketing of sports events broadcasting rights. The main rights held in the United States concern the US Open tennis championships (non-US rights), the "Roland-Garros" French open tennis championships (US rights) and the Boston Marathon.

A.2 MARKETING SPORTS RIGHTS AND ASSOCIATED PRODUCTS

Sports marketing enables advertising buyers to associate their brand and image with organisations, events and athletes from the sports world. Private sponsors are interested in using a range of media including uniforms, signage in stadiums and corporate hospitality.

Sports sponsoring is a powerful corporate communication tool that meets external objectives (raising brand profile and reputation, developing local connections with consumers) and conveys internal messages (communication), etc.

The impact of the message and values conveyed through marketing operations varies with the sport. The Olympic Games and football undeniably generate the most interest among broadcasters and viewers all over the world, and are the most highly-coveted marketing platforms for potential advertisers in the world of sports.

A.2.1 Sportfive

Sportfive's marketing rights are mainly managed by the France & Africa and Germany divisions. Their portfolios consist of marketing rights for the leading national football clubs.

Sportfive France & Africa is the exclusive business partner of seven League 1 French football clubs including Olympique Lyonnais, AS Saint-Étienne and Paris Saint-Germain, but is also a non-exclusive partner to many other French and international clubs. Sportfive France & Africa is engaged to manage the marketing rights of these clubs when the need arises, and has a business relationship with the Italian football club Juventus Football Club based in Turin.

Elsewhere, Sportfive manages the marketing rights of the Confederation of African Football (CAF) and operates in a variety of other sports such as rugby, golf and tennis through the sale of hospitality services for the Roland-Garros tournament.

In Germany, Sportfive is the exclusive marketing agent for seven Bundesliga clubs including Borussia Dortmund and Bayer Leverkusen, and three 2.Bundesliga clubs, and also handles non-exclusive marketing for many other German clubs. Sportfive Germany manages these clubs' marketing rights when the need arises. The company is also a sports marketing player in many other sports as varied as handball, Formula 1 racing and winter sports.

Through its UK subsidiary Sportfive UK, Sportfive International brokers the sale of advertising space in the English football stadiums. Digital signage offers many innovative media which can be used creatively and effectively to display sponsor brands: stationary or rotating billboards, 3D mats, corner hoardings, electronic billboards, product displays, video screens.

Likewise, via its Polish subsidiary, Sportfive International manages the marketing rights of the Polish Football Federation.

A.2.2 World Sport Group

The sports rights portfolio in Asia has enabled World Sport Group (WSG) to benefit from significant growth on the Asian market. World Sport Group handles marketing rights for the Asian Football Confederation, the OneAsia Superseries (a new golf tournament circuit launched in 2009) and the 2010 Commonwealth Games.

WSG also represents top-level Asian golfers and cricketers, seeking partners who want a long-term brand association with popular sports professionals. For instance, it has signed contracts with the cricket stars Sachin Tendulkar and Gautam Gambhir.

Finally, World Sport Group is a member of the consortium formed to build the Singapore Sports Hub, an ultra-modern complex comprising a 55,000-seat stadium, an indoor aquatic complex and a 41,000m^2 shopping mall. WSG will be in charge of sales and marketing for events held in this new arena.

A.2.3 Upsolut

Upsolut, based in Hamburg, has developed a merchandising business with German football clubs. It designs and markets club-branded products and handles the club's entire marketing policy. In particular, Upsolut has signed a long-term contract with Sankt Pauli, one of the Bundesliga's most popular clubs, which celebrated its centennial in 2010.

A.3 ORGANISATION AND OPERATION OF SPORTS EVENTS

To diversify its activities and increase its involvement along the entire value chain of the sports market, Lagardère Unlimited has developed a position as a sports event organiser and manager through Upsolut, PR Event, Sportfive Germany and Best.

A.3.1 Upsolut

Upsolut has developed expertise in organising and managing sports events, with a special focus on mass sports and endurance sports which are currently growing in popularity. These events are often open to both professionals and amateurs ("pro-am") in popular disciplines such as cycling and triathlon.

Upsolut's portfolio currently includes the Hamburg and London triathlon, Berlin's Skoda Velothon (a marathon for amateur cyclists) and the Vattenfall Cyclassics cycling race, which is part of the International Cycling Union Pro Tour.

Upsolut also works with the ITU (International Triathlon Union) to organise the Dextro Energy World Series, the new world triathlon series launched in 2009.

A.3.2 PR Event

PR Event has developed expertise in organising international-level tennis tournaments. It is the owner and organiser of the ATP and WTA tournaments held in Bastad, Sweden, and has organised the Stockholm ATP tournament since 2010.

A.3.3 Sportfive

Sportfive Germany is particularly active in sports events through The Sports Promoters, its dedicated subsidiary founded in 2009. This company draws on Sportfive's expertise and network to organise preparatory training, friendly matches and tournaments for the best European football clubs, as well as the Race of Champions, a unique auto sports event attracting the best drivers in the world.

Sportfive's international division also organises friendly matches and turnkey preparatory training for European football federations and clubs such as Real Madrid, Ajax Amsterdam, Valence CF, etc. Ten national teams participated in Sportftve training camps before the FIFA 2010 World Cup.

A.3.4 World Sport Group

World Sport Group is the largest golf tournament promoter in Asia. Having participated in the creation of the One Asia Super Series in 2009, WSG organises several major tournaments in the area: Barclays Singapore Open, Australian Open, Thailand Open, etc.

A.3.5 Best

Best organises three types of events in the United States:

- professional tennis tournaments including the ATP 500 in Washington;
- university tournaments, particularly in basketball;
- amateur tournaments such as Hoop It Up (basketball) and Kick It (football (soccer)).

A.4 CONSULTING IN THE MANAGEMENT/OPERATION OF STADIUMS AND SPORTS GROUNDS

Lagardère Unlimited has opted for clear positioning as a player on the venue consulting market, advising on designing, financing, building and/or operating infrastructures capable of hosting sports, cultural or artistic events.

In Europe, the entities composing Lagardère Unlimited played a decisive role during the FIFA 2006 World Cup in Germany, providing consulting services to certain bodies responsible for stadium renovation, construction and operation. They are already working on the preparation for the UEFA Euro 2012™ in Poland and Ukraine, and the UEFA Euro 2016™ in France.

In Asia, World Sport Group also plays an important role within the consortium in charge of building and operating the Singapore Sports Hub, advising on promotion, preparation and organisation of sports events.

In 2010 Lagardère Unlimited created Lagardère Unlimited Stadium Solutions (LUSS) in order to extend its business across the entire value chain and offer a comprehensive, integrated solution to all sports rights holders.

With services ranging from consultancy on stadium development to global operating and marketing services, LUSS proposes integrated global solutions for sports stadiums and complexes worldwide. Long-term relationships are established with the owners of infrastructures leading to stadium marketing and management opportunities for the other Lagardère Unlimited subsidiaries.

From the outset, LUSS has positioned itself as a major player in the sector.

A.5 REPRESENTATION OF SPORTS AND ARTS/ENTERTAINMENT CELEBRITIES

The main activity of Lagardère Unlimited in the United States, through its subsidiary, Best, is representation, involving career and image management of sports and arts/entertainment celebrities.

Lagardère Unlimited operates mainly with high-level athletes, negotiating contracts related to their sports career or the management of their image. It also represents professionals from several different sports (American football, basketball and tennis) and other celebrities from the world of sport (TV commentators or trainers). Clients include Andy Roddick, Earvin "Magic" Johnson, John Wall, Dwight Howard, Randy Moss, Sachin Tendulkar, Joakim Noah, Gaël Monfils and Justine Hénin.

A.6 MANAGEMENT OF SPORTS TRAINING ACADEMIES

A.6.1 La Croix Catelan

Since 1 September 2006, the Lagardère group has held the occupation and operating rights for the La Croix Catelan sports centre (in the Bois de Boulogne), pursuant to the 20-year public domain occupation agreement signed with the City of Paris on 20 July 2006.

In late 2006, the Group agreed with Racing Club de France on the general terms for transferring Sports activities, and on a 20-year lease for a sports centre in Rue Eblé in Paris.

In 2006 the Group set up a professional sports limited company (SASP) named Lagardère Paris Racing Ressources to implement the takeover of the La Croix Catelan and Rue Eblé sports centres. This company is the holder of the occupation rights to the two centres, which it also manages.

On 11 September 2006, the company Paris Tennis applied to the Paris Administrative Court to have the agreement of 20 July 2006 reclassified as a delegation of a public service. The Court rejected this application in a decision issued on 12 June 2009. An appeal by Paris Tennis against this decision is now pending before the Paris Administrative Appeal Court.

Also in 2006, the Group set up a non-profit association called Lagardère Paris Racing, which hosts the sports sections (athletics, badminton, bridge, fencing, judo, swimming, pentathlon, tennis and triathlon) where club members who belong to the relevant federations can improve their physical and technical performances, attend training sessions and take part in competitions. These activities take place on various sites, particularly at La Croix Catelan and Rue Eblé.

A.6.2 Saddlebrook

In May 2010 Lagardère Unlimited became a strategic partner and shareholder of the sports academy Saddlebrook Internatonal Sports, based in Tampa, Florida. Saddlebrook aims to develop the ability of each athlete and help him or her to reach the highest potential. Every year, the academy welcomes hundreds of talented athletes to its on-site accommodation and high-performance facilities. A number of top tennis players train at Saddlebrook, including James Blake, Mardy Fish and John Isner.

A.6.3 Team Lagardère

Founded in May 2005, Team Lagardère was a training centre for high-level athletes combined with a sport research centre, intended to implement a programme to foster a scientific approach in high-level sports training.

All the teams and technical resources mobilised for the programme have worked at the Jean Bouin stadium since January 2006 under a sub-occupation agreement between Team Lagardère and the Paris Jean Bouin Association, itself holder of a public domain occupation agreement signed in 2004 with the City of Paris. This sub-occupation agreement was prematurely terminated in January 2010 following a unilateral decision by the City of Paris in January 2009 to cancel the public domain occupation agreement for public interest reasons. This termination automatically cancels the sub-occupation agreements signed by the Paris Jean Bouin Association (including the agreement with Team Lagardère), and took effect on 20 January 2010. The City of Paris then granted Team Lagardère a temporary occupation authorisation until 30 September 2010.

In 2008, Paris Tennis had contested the validity of the public domain occupation agreement of 2004, arguing that the procedure for granting this agreement, which should be considered a delegation of public service, should have followed specific publicity and competitive bidding rules. In an order dated 3 December 2010, the Council of State rejected this claim, ruling that the 2004 agreement did not entail the characteristics of this type of delegation.

In addition to these outside difficulties, Team Lagardère had to acknowledge that its business model had not achieved the expected results after five years of existence. Concluding that the company was no longer viable, it wound up its business on 30 September 2010.

B) OPERATIONS DURING 2010

Contribution to consolidated sales for 2010: €396 million

Distribution of sales by activity

	2010	2009
– TV rights and production	**51.0%**	61.8%
– Marketing rights	**39.9%**	34.9%
– Other	**9.1%**	3.3%
Total sales	**100%**	100%

Distribution of sales by geographic area

	2010	2009
– Europe	**64.3%**	61.4%
– Asia-Oceania	**17.5%**	21.8%
– The Americas	**5.3%**	1.5%
– Africa	**7.1%**	7.2%
– Middle East	**5.8%**	8.0%
Total sales	**100%**	100%

Distribution of sales by sport

	2010	2009
– Football	**72.1%**	76.6%
– Tennis	**3.6%**	2.0%
– Rugby	**0.6%**	0.8%
– Other sports	**23.7%**	20.6%
Total sales	**100%**	100%

The importance of the “Other sports” segment increased significantly in 2010 due to expanding sales by Upsolut, PR Event (integration of the Stockholm tournament) and the OneAsia Super Series golf tournaments at WSG. The larger decline noted in the “Media” and “Marketing” activities is explained by the absence in 2010 of qualifying matches for the FIFA World Cup.

72% of 2010 sales were contributed by football, a major sport for Lagardère Unlimited, against 76% in 2009. The downturn was mainly due to the development in Upsolut’s “Other sports” business, and in tennis, particularly with the integration in 2010 of the Stockholm tournament.

From a geographic point of view, the lower contribution by Asia and the Middle East results essentially from the fact that 2010 saw less business for World Sport Group as there were no qualifying matches for the FIFA 2010 World Cup.

B.1 ORGANISATIONAL CHANGES

2010 was marked by the combination of the Lagardère group’s Sport Industry and Entertainment businesses into a new division called Lagardère Unlimited. Within the entities composing Lagardère Unlimited, several projects were also undertaken during the year:

- intensification of the organisation streamlining initiated in 2009, involving a certain number of company liquidations and business reorganisations;
- Acquisition of Best (Blue Entertainment Sports Television) in the United States in April 2010;
- consolidation of the reorganisation of Sportfive into three distinct and geographically complementary entities: Sportfive France & Africa, Sportfive Germany and Sportfive International (based in Switzerland close to international sports federations and organisations such as the International Olympic Committee, FIFA, UEFA etc.);
- creation of Lagardère Unlimited Stadium Solutions (LUSS), to consolidate all the division’s expertise in stadium and sports venue management consulting into a single entity (see A.4 above).

B.2 MANAGEMENT OF BROADCASTING RIGHTS

B.2.1 Sportfive

In 2010, Sportfive International focused mainly on leveraging the major rights in its portfolio, by launching the European marketing of the 2014 Winter Olympic Games in Sochi, Russia and the 2016 Summer Olympic Games in Rio de Janeiro, Brazil (rights acquired in 2009).

The next European football championship, a landmark UEFA event, will be distributed by Sportfive International in 49 countries in Asia and Oceania, as the company has been awarded the media rights management contract for the 2012 edition, to be held in Poland and Ukraine. This major acquisition enabled Lagardère Unlimited to consolidate its leading position in football and increase its expertise in Asia, a fast-growing market in sports media rights.

The Media business of Sportfive France & Africa focused essentially on marketing for the Africa Cup of Nations which was held in Angola in January 2010.

B.2.2 IEC in Sports

In 2010, IEC in Sports renewed its media rights distribution contract with the Portuguese Football League to 2012 and extended its contracts with several ATP 250 tennis tournaments (Auckland, Bangkok, Vienna, etc.).

IEC in Sports also marketed the broadcasting rights for the Doha (Qatar) World Indoor Athletics Championships just a few months after their acquisition. An innovative partnership was signed with Dailymotion to broadcast the event live on the internet and on demand. Finally, major contracts have already been signed to broadcast the 2011 World Athletics Championships from Daegu (South Korea).

B.2.3 World Sport Group

In 2010 World Sport Group focused on marketing its entire portfolio of rights, in particular its three key properties, the 2011 Asian Football Cup, Indian Premier League cricket and OneAsia Super Series golf.

B.3 MARKETING OF SPORTS RIGHTS AND ASSOCIATED PRODUCTS

B.3.1 Sportfive

Sportfive France & Africa expanded its portfolio of partner clubs by signing a new long-term exclusive marketing contract with the AS Saint-Etienne football club in France.

In 2010, the company marketed hospitality services for the FIFA World Cup in South Africa and pursued its diversification outside football, (selling the marketing rights of the Allianz Golf Open de Lyon, a stage in the European Challenge Golf Tour).

In 2010 Sportfive Germany was awarded the management of marketing rights for the Mercedes Grand Prix Formula 1 team which counts Michael Schumacher among its drivers.

An important player in the country's winter sports, Sportfive Germany also renewed its partnership with the German Ski Federation and will take over the marketing of the world bobsleigh and skeleton championships to be held in Bavaria in 2011.

Sportfive International marketed hospitality services in 2010 for the FIFA World Cup in South Africa.

B.3.2 World Sport Group

In 2010, World Sport Group continued its development in the representation of Asian athletes. After signing partnerships with several cricketers in 2009, World Sport Group will now represent the promising Indian golfers Arjun Atwal and Shiv Kapur.

B.4 ORGANISATION AND MANAGEMENT OF SPORTS EVENTS

B.4.1 Upsolut

Upsolut continued its close collaboration with the ITU (International Triathlon Union) in 2010 and organised two stages of the World Championship Series. The Hamburg event registered nearly 13,000 participants and the newly created London event 3,000.

In cycling, over 12,000 people entered in the 2010 edition of the Berlin Škoda Velothon that attracted over 300,000 spectators to the roads of the German capital. The Vattenfall Cyclassics (cycling race of the UCI Pro Tour) also reached a record number of 22,000 participants.

B.4.2 PR Event

For the first time in 2010, PR Event organised the Stockholm ATP Tournament in partnership with IEC in Sports. This tournament was the first sports event broadcast in 3D in Scandinavia, and was won by Roger Federer. PR Event also successfully organised the ATP and WTA tournaments in Bastad (Sweden).

B.4.3 Sportfive Germany

Sportfive's new German subsidiary The Sports Promoters was very active, particularly with the new event Summer of Champions, a friendly football competition involving such prestigious clubs as Chelsea, Liverpool, Valencia, Hamburg and Borussia Dortmund.

In November, The Sports Promoters also organised the Race of Champions in Düsseldorf, an automobile race between some of the greatest drivers in the world including Michael Schumacher, Sebastian Vettel, Sébastien Loeb and Alain Prost.

B.4.4 IEC in Sports

IEC in Sports continued to build up its sporting event business in 2010. In addition to the Stockholm tennis Open and the Copa del Sol football tournament, IEC in Sports announced the creation in 2011 of a series of cross-country skiing events: the Ski Classics. Covering the circuit's five most renowned races, including the Vasaloppet, this series shows strong development potential.

B.5 MANAGEMENT OF SPORTS TRAINING ACADEMIES

Over the course of 2010, the Croix Catelan site hosted the following sports events:

- the fourth EDF swimming Open;
- the 2010 Worldwide Paris Junior Lagardère Trophy tennis tournament (Mondial Paris Cadets - Trophée Lagardère) for future champions aged under 16.

La Croix Catelan renovated its swimming facilities in order to apply a responsible environmental policy relating to ISO 14001 certification:

- bringing technical facilities up to standard;
- setting up a dechlorination and water recovery system to water green spaces during dry periods;
- installing a thermal cover over the 50-metre swimming pool, making year-round use possible for the first time;
- doubling the pool deck surface areas.

B.6 OBJECTIVES AND ACHIEVEMENTS FOR 2010

As expected, 2010 was a difficult year for two essential reasons:

- the sports industry's inherent cyclical effect, caused by dependency on sport events schedules, had an impact on business levels for Lagardère Unlimited and its various entities. Except for the African Cup of Nations, no major event marketed by the Group's division was held during the year, particularly for Sportfive International and World Sport Group. There is a decorrelation between market activity and Lagardère Unlimited's business, as the most popular events in 2010 were the FIFA World Cup and the Winter Olympics, which are not part of the portfolio;
- despite the constant attractiveness of the sports market, the effects of the economic and financial crisis were still being felt in 2010, especially in Media and Marketing activities.

However, the attractiveness of Lagardère Unlimited's fundamentals was not undermined:

- premium content remains the best mass audience guarantee for broadcasters around the world;
- Europe is still one of the main markets for the Sports business despite weak growth in 2010;
- Lagardère Unlimited's number one sport, football, maintains definite potential for growth, particularly in Africa and Asia.

C) OUTLOOK

In 2010, the activities of Lagardère Unlimited companies were at the bottom of the cycle for the events marketed, but several major events in its portfolio will take place in 2011, including the Asian Football Cup and the World Athletics Championships.

Furthermore, many exclusive rights have been acquired to premium events with strong long-term growth potential, and the main priority for the short and medium term will now be to maximise existing products. Growth opportunities exist for these recently-acquired rights, which will be leveraged to improve the performance of Lagardère Unlimited.

Lagardère Unlimited's global strategy in 2011 will consist in consolidating its leadership position in the three aspects of the sports industry (sports, business lines, geography) through:

- reinforcement of its leadership in premium events rights, in football in particular;
- diversification into promising new business lines in the sports and entertainment industry;
- aggressive development in emerging markets;
- consolidation of the rights portfolio (extension of the main contracts over the long term);
- anticipation of possible centralisation by rights-holders;
- smoothing of the cyclical aspect of its business by diversifying the portfolio.

5.2.2 OTHER BUSINESS ACTIVITIES

5.2.2.1 EADS[(1)]

A) GOVERNANCE

After the 2007 governance reform, the organisation of the EADS group remains faithful to the founding principles of EADS N.V. as defined in 1999 by the French government, Lagardère SCA, Daimler and the Spanish government (via the holding company SEPI), which are the following:

Principle of parity

- **In the structures of the controlling bodies:** this principle of parity is primarily reflected in the French holding company, the limited partnership Sogeade, in which equal rights are held by the French government and Lagardère SCA, although their respective interests are different from the original parity.
  The capital of Sogeade, which until the end of June 2007 was held half by Sogepa (fully-owned by the French government) and half by Désirade (fully-owned by Lagardère SCA), is now owned 2/3 by Sogepa and 1/3 by Désirade after remittal of the final tranche of EADS N.V. shares by Lagardère SCA to the holder of Mandatory Exchangeable Bonds on 24 March 2009 (see below).
  Sogeade is managed by Sogeade Gérance (owned 50% by the French government and 50% by Lagardère SCA). In application of the reform of 2007, which also concerned Sogeade's governance system, the Chairman of Sogeade Gérance is appointed upon proposal by Lagardère SCA. Arnaud Lagardère has been Chairman of Sogeade Gérance under this procedure since 25 October 2007.
  The principle of parity is also visible in the Dutch "Contractual Partnership" empowered to exercise the voting rights of Sogeade, Daimler and SEPI at EADS General Shareholders' Meetings, in accordance with the EADS shareholder agreement. Sogeade and Daimler each hold identical percentages in this partnership.
- **At managerial level:** EADS' Board of Directors comprises the following members, appointed at the shareholders' meeting of 22 October 2007 for terms of office that will terminate at the Annual General Meeting of 2012. Subsequent terms of office will last five years:
  - the two representatives of Sogeade, appointed upon proposal by Lagardère SCA - Arnaud Lagardère and Dominique D'Hinnin - and two representatives of Daimler appointed upon proposal by Daimler - Rolf Bartke and Wilfried Porth (who was appointed more recently at the Annual General Meeting of 27 May 2009);
  - the Chairman of EADS N.V. - Bodo Uebber;
  - its CEO - Louis Gallois;
  - a representative of SEPI, appointed upon proposal of SEPI - Juan Manuel Eguiagaray Ucelay; and
  - four independent directors - Hermann-Josef Lamberti, Lakshmi N. Mittal, Sir John Parker and Michel Pébereau - appointed upon joint proposal by the Chairman and the CEO of EADS N.V. to contribute their experience and independent point of view to the group.

  Decisions of the Board require a straightforward majority of 6 votes out of 11, except for decisions concerning a limited list of reserved subjects. These include the appointment of the Chairman and the CEO of EADS N.V., appointment of the CEO of Airbus and strategic decisions or decisions on major investments, and require the approval of the four directors representing Sogeade and Daimler.
  EADS N.V. is managed by a Chairman and a CEO nominated upon joint proposal by Sogeade and Daimler, currently Bodo Uebber and Louis Gallois.
  The Chairman of EADS N.V. and the CEO of Airbus must be of the same nationality, either French or German, while the CEO of EADS N.V. and the COO (Chief Operating Officer) of Airbus must both be of the other nationality. Consequently, when the terms of office of Bodo Uebber and Louis Gallois expire at the Annual General Meeting of 2012, the nationality of the holders of these positions will change. The French government, Lagardère SCA and Daimler have agreed that Arnaud Lagardère would succeed Bodo Uebber as Chairman.
  The Chairman of EADS N.V. is, among other things, in charge of overseeing group strategy – teaming up with the CEO for top-level strategic discussions with third parties – and relations with principal shareholders. In particular, he chairs the Board's Strategic Committee (see below). The CEO of EADS N.V. is more particularly in charge of the management team for execution of group strategy, and handles the company's relations with institutional and private shareholders.

Principle of uniqueness

- In compliance with the wishes expressed when the company was founded, EADS N.V. has only one General Management, one Financial Division, one Strategy Division, etc.

(1) Accounted for under the equity method.

- The Executive Committee of the EADS N.V. group, which is jointly responsible for the executive management of the group along with the CEO, comprises twelve members.
  The CEO of EADS N.V. and its Executive Committee have broad autonomy in the day-to-day management of the company. In particular, investments under €350 million are the exclusive responsibility of the Executive Committee, as is the appointment of the management teams for the main subsidiaries and operational entities (apart from the CEO of Airbus – see below).
  The members of EADS' Executive Committee are appointed by the EADS N.V. Board of Directors upon proposal by the CEO of EADS N.V. and after approval by the Chairman of EADS N.V.

Appointments of management in the EADS group aim to select the "best man for the job", while maintaining the group's balance and diversity in coherence with its heritage and founding shareholders.

At Airbus, Thomas Enders is the CEO (candidates for this post are proposed by the CEO of EADS N.V. and submitted for approval to the Chairman and Board of Directors of EADS N.V.), and Fabrice Brégier is the COO (candidates for this post are nominated by the CEO of Airbus and require the approval of the CEO and Chairman of EADS N.V.).

The Audit Committee and Remuneration and Nomination Committee of EADS N.V. each consist of one director representing Sogeade, one director representing Daimler and two independent directors, and are both chaired by an independent director.

A Strategic Committee provides support for the Board of Directors. It consists of one director representing Sogeade, one director representing Daimler, one independent director, the CEO of EADS N.V. and the Chairman of EADS N.V. who acts as committee chairman.

***

Changes in the shareholder structure of EADS N.V. – Partial withdrawal from EADS N.V. implemented by Lagardère SCA and by Daimler in 2006 and 2007.

Since 1 July 2003, the controlling shareholders of EADS N.V. within the Contractual Partnership have been entitled to freely transfer their EADS shares on the market, subject to a reciprocal senior pre-emptive right between Lagardère SCA and Sogepa, and a reciprocal junior pre-emptive right between Sogeade and Daimler. Lagardère SCA, Sogepa and Daimler also each have a proportional tag-along right.

On 11 April 2006, Lagardère SCA issued and IXIS Corporate & Investment Bank (now named NATIXIS) subscribed bonds with a nominal value of €1,992,186,000 exchangeable for a maximum of 61,110,000 EADS N.V. shares, in three tranches covering a maximum of 20,370,000 shares each, on 25 June 2007, 25 June 2008 and 24 March2009 respectively. In all, 61,110,000 EADS N.V. shares were remitted by Lagardère SCA to NATIXIS, representing 7.5% of the share capital and voting rights of EADS.

In 2006, Daimler sold a certain number of EADS N.V. shares, reducing its interest in the share capital of EADS N.V. from 30% to 22.5%.

On 13 March 2007, Daimler also initiated a plan to transfer the equivalent of 7.5% (one third of its holding at that date) in the capital of EADS N.V. to German investors, while retaining the attached voting rights. Having decided in 2010 to renew this arrangement, Daimler will be entitled to sell the 7.5% holding concerned directly to the said investors after 30 September 2013, it being understood that Sogeade and the German government would then each benefit from a pre-emptive right, which, if exercised, would enable them to ensure an equal French-German balance of control in EADS N.V. Daimler is expected to continue to exercise the voting rights attached to the EADS shares acquired by the German government, which will only be transferable as stipulated in the EADS N.V. shareholders agreement.

These partial withdrawal operations had no effect on the balance of powers, which remains unchanged between the French government and Lagardère SCA in France and between the French and German sides of EADS N.V. Lagardère SCA retains its role as principal shareholder in the control structure of EADS N.V.

Following the introduction of regulations on mandatory takeover bids into Dutch law in October 2007, the key shareholders of EADS N.V., which include Lagardère, and the Dutch public authorities are examining the terms and conditions of an exemption from this rule in the event one of the members of an original concert sells a minority share in the concert to a new member. Should such an exemption be introduced, it would then naturally be applied in the framework of the EADS N.V. incorporation agreement (between Lagardère, the State and Daimler), as applicable.

B) KEY FINANCIAL DATA PUBLISHED BY EADS

	2010	2009	2008
Revenues (millions of euros)	45,752	42,822	43,265
EBIT (1) (millions of euros)	1,231	(322)	2,830
Net income (loss) (2) (millions of euros)	553	(763)	1,572
Number of employees	121,691	119,506	118,349
Order intake (3) (millions of euros)	83,147	45,847	98,648
Order backlog (3) (millions of euros)	448,493	389,067	400,248

1) Operating profit before interest, tax, goodwill impairment and exceptionals.
2) EADS continues to use the term "Net income", which is identical with "Profit for the period attributable to owners of the parent" as defined by IFRS.
3) Contributions from commercial aircraft activities to EADS order intake and order book are based on listed prices.

C) PRINCIPAL ACTIVITIES AND MAIN MARKETS(*)

With total revenues of €45.8 billion in 2010, EADS is the leading aeronautics, space and defence group in Europe and the second largest in the world. In terms of market share, EADS is one of the world's two leading manufacturers of commercial aircraft, helicopters for the civil and parapublic markets, commercial launch vehicles and missile systems. It also holds leading positions in the field of military aircraft, satellites and electronic defence systems. In 2010, EADS achieved approximately 73% of its sales in the civil sector and 27% in the defence sector.

ORGANISATION OF EADS' ACTIVITIES

EADS' main business is divided into four Divisions: Airbus (including Airbus Commercial and Airbus Military), Eurocopter, Astrium and Cassidian (formerly the Defence & Security Division).

C.1 AIRBUS

Airbus is one of the world's two leading manufacturers of commercial airliners with more than 100 seats. From its foundation in 1970 up to 31 December 2010, Airbus received 10,060 orders for aircraft from some 323 companies all over the world. With 510 deliveries in 2010, Airbus was the world's largest commercial aircraft manufacturer for the 8th consecutive year. In 2010, Airbus Commercial also recorded a total of 644 new orders (574 net of cancellations), representing 51% of worldwide orders for aircraft with more than 100 seats.

The military arm of Airbus, **Airbus Military**, is in charge of development for the A400M European military transport aircraft. Airbus Military also manufactures and sells mission aircraft, including aircraft derived from Airbus' commercial range, principally the A330 MRTT. These aircraft are designed for specific military purposes such as marine surveillance, anti-submarine weaponry and in-flight refuelling. In addition, Airbus Military manufactures and sells small and medium capacity military transport aircraft.

In 2010, the Airbus Division achieved sales of €30 billion (2009: €28.1 billion).

C.2 EUROCOPTER

Eurocopter is the world's largest manufacturer of civil and parapublic helicopters, with one of the most comprehensive, modern ranges of helicopters and associated services. In 2010, Eurocopter confirmed its position as the world's number one, attaining a 50% share (in units) of total worldwide orders for civil and parapublic helicopters. Net orders in 2010 totalled 346, stable compared to 2009 (344) despite the lower number of new orders booked, because there were fewer cancellations (down from 105 in 2009 to 49 in 2010). Exports accounted for 73% of sales compared to 27% for the domestic markets (France, Germany and Spain). Eurocopter has extensive international operations through 27 subsidiaries located on all five continents, backed up by a dense network of distributors, certified agents and maintenance centres. Over 11,200 Eurocopter helicopters are currently in use by approximately 2,900 customers in 147 countries.

In 2010 the Eurocopter Division achieved sales of €4.8 billion (2009: €4.6 billion).

C.3 CASSIDIAN

The Cassidian Division (formerly the Defence & Security Division) is a leader in integrated security systems and solutions, in particular fighter aircraft, drone systems, missile systems, defence electronics and related services. Its customers are the armed forces and security forces of countries all over the world. Its Cassidian Air Systems operating unit is part of the Eurofighter consortium (EADS holds a 46% capital share of Eurofighter GmbH). Cassidian is

(*) Detailed information concerning the activities and main markets of EADS is available on the company's website (Eads.com) also a leading player in naval, terrestrial and joint armed forces systems, intelligence, border and coastal surveillance and cyber security. The Division also plays a key role in the secure and encrypted military communications market.

In 2010, Cassidian achieved sales of €5.9 billion (2009: €5.4 billion).

C.4 ASTRIUM

Astrium is the third-largest supplier of space systems in the world, behind Boeing and Lockheed Martin, and the leading European supplier of satellites, orbital infrastructures, launch vehicles and space services. Its three main business lines are organised into three Operational Units: Astrium Space Transportation for launch vehicles and orbital infrastructures, Astrium Satellites for satellites and ground systems, and Astrium Services for integrated solutions for telecommunication satellites and secure commercial networks, secure satellite communication equipment, navigation and geo-information products and services. Astrium also provides launch services via its shareholdings in Arianespace (the Ariane 5 launcher), Starsem (the Soyouz launcher) and Eurockot (the Rockot launcher), as well as a range of satellite telecommunications and earth observation services, chiefly through its subsidiaries Paradigm Secure Communication, Infoterra and Spot Image.

In 2010, Astrium achieved sales of €5 billion (2009: €4.8 billion).

C.5 OTHER ACTIVITIES

EADS' Other activities in 2010 comprise ATR, the world leader for turboprop aircraft in the 50-74 seat market segment; EADS Sogerma, specialised in aerostructures and cabin fittings; and the North American subsidiary EADS North America, the leader in all defence and territorial security sectors. Other activities also include 30% of DAHER SOCATA (Société de Construction d'Avions de Tourisme et d'Affaires) under the equity method.

Sales by the Other activities increased in 2010 to €1.2 billion (2009: €1.1 billion after adjustments).

D) OPERATIONS DURING 2010

EADS' annual results for 2010 underline its significant achievements, supported by the better-than-expected improvement in the macroeconomic environment. The group monitors the institutional markets very closely, including the helicopter market and the public and defence budgets; it is also attentive to potential risks associated with oil and commodity prices, air traffic levels in North Africa and exchange rate trends. EADS keeps a very close watch over the A350 XWB programme, the programme that represents the largest risks.

In the A400M programme, November 2010 saw the conclusion of negotiations between EADS/Airbus and OCCAR and the seven customer-states concerning the launch. An agreement was signed setting out the details of the general agreement signed in March 2010, in order to:

- adjust the initial contract price upwards by €2 billion;
- waive all claims to indemnities for delays in the programme;
- supply an additional €1.5 billion in exchange for a share of future export sales (financial export aid);
- accelerate payment of pre-delivery downpayments during the period 2010-2014, under a schedule to be finalised in the amended contract.

The economic terms of the March 2010 agreement remain unchanged overall, but the governments' payment schedule has been adjusted. The financial export aid arrangements have received approval for France and Germany, and the group is now awaiting finalisation of negotiations on this point with certain customer-states. This should be achieved in 2011.

In 2010, the EADS group sales rose by 7% to €45.8 billion (2009: €42.8 billion), benefiting from the increase in volumes and a better mix of key activities, although foreign exchange effects had an impact of €500 million.

EADS's reported EBIT amounted to €1.2 billion (2009: -€322 million), boosted by the good underlying performance of all the Divisions' key activities, especially Airbus' longest-standing programmes.

The net income for 2010 reached €553 million (2009: -€763 million), with earnings per share of €0.68 (2009: -€0.94).

In 2011 Airbus expects to deliver between 520 and 530 commercial aircraft and see new orders outnumber deliveries. Assuming an average and closing exchange rate of €1: $1.35, 2011 sales revenues should be higher than in 2010. EADS expects EBIT before non-recurring items to remain stable compared to 2010 at approximately €1.3 billion. In the future, EADS' reported EBIT and earnings per share will depend on the group's capacity to execute the A400M, A380 and A350 XWB and honour the commitments made to customers.

2012 should see a noticeable improvement in group EBIT before non-recurring items thanks to a rise in volumes, better prices and improved performance on the A380 at Airbus.

D.1 AIRBUS

In 2010, for the 8th consecutive year **Airbus** delivered a record number of aircraft. Deliveries totalled 510 commercial aircraft, 12 more than in 2009. **Airbus Commercial** logged 644 new orders (574 net of cancellations), including 32 orders for the A380 and 78 for the A350 XWB, bringing its backlog to 3,552 aircraft, which represents more than 6 years of full-capacity production. The A320neo (new engine option), which reduces fuel consumption by 15%, was launched in the final quarter and met with rapid success on the market. As expected, the A380 programme has stabilised, and significant progress on the learning curve has enabled Airbus to improve the per-unit gross margin.

On the A350 XWB programme, which is EADS' highest-risk programme, Airbus achieved substantial progress in 2010. Manufacturing of the first sub-components and sub-assemblies began at section level during the year; nonetheless the schedule remains tight. The commissioning date is scheduled for 2013. Industrial production of the first components and sub-assemblies started in 2010. Trials on the full-scale ("Iron Bird") systems test rig for the A350 XWB began in December 2010.

Airbus Military delivered 20 light and medium transport aircraft and logged 21 new orders in 2010.

The A400M programme reported good technical results: four development aircraft are flying, totalling over 1,000 hours of flight time and 300 test flights. The key programme milestone of the "maturity gate" was reached in February 2011, paving the way for series production, and civil certification should be achieved during 2011.

The A330 MRTT (Multi-Role Tanker Transporter), meanwhile, achieved civil and military certification in 2010 and the UK Air Force's MRTT completed its maiden flight. Five were flying operationally by the end of the year, with a further four undergoing conversion. Delivery of the first two A330 MRTTs to the Royal Australian Air Force is scheduled for 2011.

In the consolidated Airbus order book at end 2010, Airbus Commercial orders amounted to €378.9 billion (2009: €320.3 billion) and Airbus Military orders amounted to €22.8 billion (2009: €20.7 billion).

D.2 EUROCOPTER

In 2010, **Eurocopter** delivered 527 aircraft. The Division logged new orders for 346 helicopters (51% civil and 49% military), including strategic orders for the Super Puma from the Malaysian and Mexican Armed Forces, and orders for Ecureuil series helicopters from customers based in Russia and the United States. New orders totalled €4.3 billion in 2010, 42% of which were for Support & Services, lending support to the group's Vision 2020 strategic plan to increase the share of services in EADS group sales. The recovery on the civil market is slow, partly because there are several second-hand helicopters on the market. Eurocopter began to make proactive adjustments to the situation through its SHAPE transformation programme launched in early 2010, and substantial progress has been made in reducing the workforce and cutting operating costs.

In 2010, the maiden flight and in-flight testing of the X3 technological demonstrator, a high-speed, long range hybrid helicopter, marked a new milestone in Eurocopter's innovation strategy. The second prototype of the EC175, the new 7-tonne helicopter developed in cooperation with Chinese partners, also successfully undertook its maiden flight, and in-flight tests were carried out on the CH-53GA, which has been totally modernised by Eurocopter for German Army personnel recovery missions. In Defence, Eurocopter delivered 28 NH90s and 15 Tigre combat helicopters, thereby doubling total deliveries for each of these programmes. Eurocopter also delivered the third of the fifty EC725s ordered by the Brazilian Armed Forces.

Eurocopter's order book reached a total value of €14.6 billion (2009: €15.1 billion) corresponding to 1,122 helicopters (2009: 1,303 helicopters).

D.3 CASSIDIAN

The business of the **Cassidian** Division was boosted by growth for Eurofighter, security and missiles.

In 2010, Cassidian continued its globalisation strategy, joining forces with Odebrecht in Brazil for defence and security technologies, and setting up an engineering centre and joint venture with Larsen & Toubro in India. In the drones business, EADS is continuing to work with customers on assessment of their requirements and financing solutions for the Talarion drone, with the emphasis on the need for timely government involvement in the programme. The successful maiden flight of the EuroHawk and further testing for the Barracuda demonstrator confirmed the group's technical capabilities in this business. Cassidian also delivered the second batch of the 35 DRAC (Contact Intelligence Drone) systems ordered by the French Civil Aviation Authority. The Cassidian Systems operating unit is continuing to develop Saudi Arabia's border security programme, and the northern borders were tested successfully. The Division also increased its capabilities in security activities by extending the TETRA secure telecommunications network in Bulgaria and India. Cassidian Electronics received an order for development of a new radar system for the Eurofighter fighter plane.

Cassidian is, however, feeling the initial effects of pressures on European defence budgets, as customers defer their orders and R&D expenses increase. A transformation programme is under examination to enable Cassidian to adjust to changes in its economic environment, particularly future growth in the security sector.

At 31 December 2010, the Division's order book remained robust at €16.9 billion (2009: €18.8 billion).

D.4 ASTRIUM

In 2010, **Astrium's** order intake totalled €6 billion, a 43% increase excluding exceptional orders (35 Ariane 5 launchers were ordered in 2009). 2010 orders include contracts for adjustments and maintenance of the M51 and two optical reconnaissance satellites for the French Civil Aviation Authority, and the Skynet5 contract with the UK's Defence Ministry was extended. In telecommunications satellites the Division signed three new contracts which included the construction of the W5A satellite intended to replace the W5 satellite and offer greater capacity. Ten satellites constructed by Astrium were launched during 2010. In Defence, Astrium delivered M51 missiles for the French Navy. The Division delivered six Ariane 5 launchers, and the 41st consecutive successful launch since 2003 took place. Also during 2010, Astrium acquired Jena-Optronik, a company specializing in sensors and optical space systems, and 75.1% of the capital of the satellite equipment and ground systems integration company ND SatCom. Astrium has launched a transformation programme named AGILE, to increase effectiveness and prepare for business in a changing competitive environment.

The Division's order book increased to €15.8 billion at 31 December 2010 (2009: €14.7 billion).

D.5 OTHER ACTIVITIES

In 2010, ATR delivered 52 aircraft and received a total of 78 firm orders net of cancellations, plus 33 options (2009: 26 firm orders). The order backlog now totals 159 aircraft. ATR's market share reached approximately 65% in 2010. ATR continued to increase the number of service contracts, signing seven new maintenance agreements in 2010 covering 82 additional aircraft.

In anticipation of a potential key helicopter campaign in the United States, EADS North America completed the first flight of the technical demonstrator Armed Aerial Scout 72X in December 2010, and delivered its 150th UH-72A Lakota light utility helicopter to the US Army in February 2011.

By 31 December 2010, the Other activities order book totalled €2.5 billion (2009: €2.0 billion).

5.2.2.2 PRESSTALIS (1)

2010 was marked by the particularly worrying financial situation at Presstalis, due to the significant 10.3% drop in per-issue press sales.

Cost-cutting plans generated a reduction in operating expenses of some €20 million in 2010, and a further €25 million reduction is expected in 2011.

Various operational measures were also undertaken, including:

- new daily press and magazine distribution price scales which reflect the true costs of services provided;
- development of diversification services, in particular through a partnership signed with Kiala (extension of the network of parcel collection points).

In 2010, Presstalis reported an operating loss of -€20.7 million compared to -€28.1 million in 2009.

Including financial income and exceptional items, essentially restructuring provisions, Presstalis registered a net loss of -€35.1 million in 2010, before the provision for risks associated with Transports-Presse, compared to a loss of -€26.5 million in 2009.

In this increasingly difficult context caused by a combination of cost overruns in national press distribution, which has seen consistent losses for several years, and falling sales, France's Prime Minister asked Mr. Bruno Mettling to set up a commission to advise the public authorities on the financial efforts needed to help Presstalis, propose a strategy regarding areas for development and its overall industrial model, and the governance adjustments required to guarantee a secure future for modernised press distribution.

The report issued on 29 March 2010 by Mr. Bruno Mettling identified several causes for Presstalis' growing financial difficulties; they included the inappropriate scales applied for actual daily press distribution costs, the deterioration of sales of daily and other publications, and the specific labour relations difficulties that result from the company's past history.

Lagardère has been actively working with the public authorities and other interested parties (the Cooperatives and Presstalis) to provide the fullest support for this assessment, and on 27 May 2010 signed a framework agreement defining a plan containing measures coherent with the Mettling report's recommendations. With milestones set over time, these measures (cost reduction, new cost scales, long-term State support for distribution of daily publications) are intended to enable Presstalis to lay the foundations for recovery.

(1) Not consolidated.

This plan is covered by the overall financing requirements identified by the Mettling report. Through a well-balanced combination of efforts from all the players concerned (the Cooperatives, the authorities and Lagardère), it should create the right conditions for Presstalis to recover its financial autonomy.

It also paves the way for a governance reform, moving to a simpler and more traditional management method and structure that will lead the Lagardère group to withdraw from all specific positions by mid-2011 (especially as a shareholder of Presstalis), to retain only its role as publisher in the Cooperatives.

The plan set out an initial set of actions applicable by the end of 2010 or early 2011. They included financial measures - action to be taken by Lagardère and the Cooperatives to improve Presstalis' equity, and action to be taken by the public authorities to support publishers - which have now been fully implemented. Other measures related to a cost-cutting plan approved by the management committee that affected all the processing centres run by SPPS (a Presstalis subsidiary) as well as Presstalis' headquarters. The good progress on implementation of this plan launched at the end of 2010 suggests that a very significant reduction in costs should ultimately be achieved, in line with the recommendations of the Mettling report.

5.2.2.3 MATRA MANUFACTURING & SERVICES (FORMERLY MATRA AUTOMOBILE)

In the course of 2010, Matra Manufacturing & Services continued to implement the strategy for industrial reconversion of its automobile spare parts business to the design, manufacture and distribution of light electric vehicles, particularly electric bicycles and quadricycles.

Business developments were marked in particular by:

- stagnation of the light electric vehicles market in France;
- Matra's introduction of mid-range urban electric bicycles during the year, enabling the company to retain its high market share and number 3 position on the French market;
- confirmation of Matra's positon as top seller of mass market electric scooters in France;
- development of direct sales for quadricycles, and listing with Camif Collectivités and in the Verts Loisirs network for rural areas;
- a new Matra graphic charter and redesigned web communication.

In December 2010, Matra Manufacturing & Services announced that it was to introduce a restructuring plan to improve competitiveness.

Sales by Matra Manufacturing & Services totalled approximately €30 million in 2010, and the company reported a net loss of approximately €8.6 million.

5.2.2.4 LE MONDE

The Lagardère group exercised the sale option it held under agreements reached with the Le Monde group when its control changed hands, and on 2 November 2010 sold its 17.27% equity share in Le Monde SA (held through its subsidiaries Hachette SA and Quillet SA) to the new investors who took control of the Le Monde group through its recapitalisation. The total sale price was approximately €3.8 million, identical to the amount used in calculating the recapitalisation.

The Lagardère group has kept its 34% stake in Le Monde Interactif (publisher of www.lemonde.fr) which in 2010 posted sales of approximately €17.7 million and net income of €364,184.

5.2.2.5 CANAL+ FRANCE[1]

A) *CANAL+ FRANCE SHAREHOLDER AGREEMENT*

Since 4 January 2007, the Lagardère group has held a 20% interest in Canal+ France following the merger operations involving certain production, broadcasting and pay television services of TF1, M6, Vivendi and Lagardère, and Lagardère's contribution to Canal+ France of its 34% share in the capital and voting rights of CanalSatellite.

A shareholder agreement was signed on 4 January 2007 between Vivendi, Canal+ Group, Lagardère and Lagardère Active. This shareholder agreement gives Vivendi rights excluding rights of joint control over Canal+ France, even if Lagardère exercises its call option. Lagardère's rights are intended to preserve its economic interests, and depend on its level of investment in Canal+ France. The main provisions of the agreement are as follows:

(1) Accounted for under the equity method.

- the Chairman, and all the members of the Canal+ France Executive Board, are appointed by the Supervisory Board, whose members are mostly appointed by Canal+ Group. Canal+ Group and Lagardère have, respectively, seven and two representatives on the Supervisory Board, which consists of eleven members and also includes an independent member and an employee representative. The number of Lagardère representatives on the Board will be raised to three in the event Lagardère's investment is increased to 34%.
- Lagardère holds rights to veto certain operations (IPO of Canal+ France, external investments in Canal+ France or its principal subsidiaries in certain circumstances), and certain rights (tag-along rights and anti-dilution rights) designed to protect its economic interests.
- in the event control of Canal+ France is transferred to a third party, Lagardère would hold a pre-emptive bid right entitling it to acquire Canal+ France if Lagardère is the highest bidder.
- Vivendi has a pre-emptive right exercisable in the event Lagardère sells its shares in Canal+ France, and a drag-along right that could force Lagardère to sell its investment in Canal+ France should Vivendi accept an outside offer for acquisition of at least 95% of the capital of Canal+ France (subject to prior application of Lagardère's pre-emptive bid right).

  Between 2008 and 2014, as long as Lagardère holds 10% at least and 20% at most in the capital or voting rights of Canal+ France, and has waived its right to exercise the call option enabling it to raise its investment in Canal+ France to 34% (or the option has expired), Lagardère will have a liquidity right exercisable between 15 March and 15 April of each calendar year. Under this liquidity right, Lagardère will be able to request an IPO for Canal+ France. In this event Vivendi/Canal+ Group would be entitled to acquire all of Lagardère's investment in the company.

  In April 2010, Lagardère notified Vivendi that it wished to start the procedure set out in the shareholder agreement signed on 4 January 2007.

  Since Lagardère and Vivendi could not reach an agreement over the sale of Lagardère's investment in Canal+ France, Lagardère decided in July 2010 to begin the initial public offering (IPO) process for Canal+ France, in accordance with the aforementioned shareholder agreement.

  The official Canal+ France IPO prospectus (*document de base*) was filed with the Financial Market Authority (AMF) under number I.11.004,on 16 February 2011.

  In view of the scale of the catastrophe in Japan, which has caused extreme volatility on the markets, the Lagardère group decided on 16 March 2011 to postpone the IPO of its holding in Canal+ France.
- The financing of Canal+ France has been structured through a mechanism which includes shareholder loans and the delivery of parent company guarantees. This mechanism gives Lagardère the option to participate in such financing and guarantee arrangements in proportion to its level of ownership in Canal+ France. From 2011, after the reimbursement of any shareholder loans to which Lagardère has not contributed in proportion to its ownership level, and subject to compliance with certain indebtedness ratios, Canal+ France will distribute a dividend equal to its available cash flow not required for the financing of its operations, provided that Lagardère owns at least 34% of the share capital of Canal+ France.

Vivendi and Canal+ Group, and Lagardère and Lagardère Active, have not entered into any non-competition commitments to each other or to Canal+ France.

B) CONSOLIDATED KEY FIGURES

(in millions of euros)	**2010**	2009	2008
Sales	**3,956**	3,837	3,858
EBITA[(a)]	**616**	555	451
Net profit attributable to owners of the parent	**357**	308	262

(a) Adjusted operating income (EBITA) corresponds to operating income (EBIT) before depreciation and amortization and impairment of intangible assets arising from business combinations.

C) DESCRIPTION OF ACTIVITIES [(1)]

Canal+ France is a key player in the delivery of premium television, special interest channels and the broadcasting of pay television in France and other French-speaking countries. The company is also a pioneer in the field of new television services.

(1) Detailed information concerning the activities of Canal+ France is presented in chapter 6 of the prospectus (*document de base*) established by Canal+ France under its own responsibility and filed with the Financial Market Authority (AMF) on 16 February 2011 under number I.11-004.

C.1 PRODUCTION ACTIVITIES

Canal+ / TPS Star Channels

Canal+ France produces five premium channels showing exclusive, original, innovative programmes.

Canal+ proposes a unique format of premium general interest channels with films, sports, news, drama, documentaries and entertainment programmes.

Around Canal+, Canal+ France has created four high value-added channels, each with their own programmes and brand identity: Canal+ Cinéma, Canal+ Sport, Canal+ Family and Canal+Décalé. This offering is marketed under the brand name Les Chaînes Canal+.

At 31 December 2010, Canal+ had 5.4 million subscribers (individual and group subscribers in mainland France and in the overseas *départements* and territories), 93% of which were for digital television.

TPS Star complements the Canal+ France premium offer. It broadcasts exclusive first television showings, mainly of films (French and American) and sports events (football matches, boxing and basketball).

Special interest channels

Canal+ France produces around twenty special interest channels covering the most sought-after subjects on television: films (CinéCinéma), sports (Sport+, Infosport), news (i>Télé), documentaries (Planète channels), entertainment (Comédie !), lifestyle (Cuisine TV, Seasons), series (Jimmy) and youth (Piwi, Télétoon).

C.2 DISTRIBUTION ACTIVITIES

CanalSat

Canal+ France assembles and markets the widest range of quality special interest channels in a single package: CanalSat. Available on satellite, broadband and DTT, CanalSat offers almost 300 channels, 55 of which can only be accessed through CanalSat. At the end of 2009, CanalSat had 5.5 million subscribers.

Canal+ Overseas

Canal+ Overseas is the Canal+ subsidiary that handles international broadcasting and broadcasting in the French overseas territories and *départements*. Canal+ Overseas distributes Canal+, CanalSat and bouquets of channels outside France; it also broadcasts Canal+ in Sub-Saharan and North Africa. With satellites covering five continents, these bouquets are marketed in more than 40 countries and the potential audience numbers tens of millions of households worldwide. Canal+ Overseas passed the one million subscriber mark in 2009. In 2010, it gained 184,000 new subscribers.

Broadband television

The Canal+ Group began broadcasting television via broadband in the first quarter of 2004 in order to reach new households, particularly in large cities. Its packages, Les Chaînes Canal+ and CanalSat, are available through SFR's Neufbox, SFR Box, Orange, Free and Darty Box.

Digital terrestrial television (DTT)

The Canal+ Group has broadcast two pay television packages on DTT since November 2005: Les Chaînes Canal+, i.e. Canal+HD, Canal+ Cinéma and Canal+ Sport, the only premium multiple-channel package that is immediately available in plug & play form, and a special interest package comprising Planète, Eurosport, Paris Première, TF6 and LCI. Alongside these paid packages the Canal+ Group offers 24-hour uncoded broadcast of i>Télé, a general news channel.

In 2007, the Canal+ Group launched TNTSat. This free DTT by satellite package offers 18 free channels, along with France Ô and the 24 regional variations of France 3, to all households everywhere in mainland France. TNTSat is available via the Astra satellite and does not require a subscription or rental of a decoder. At 31 December 2010, TNTSat had sold a total of 2,650,000 terminals, up by 750,000 from 2009.

In the spring of 2009, the Canal+ Group began migration of its 900,000 analogue subscribers to digital (TV broadcasting in France will be entirely digital by November 2011). Canal+ had a specific schedule for signal switchoff associated with the end of its broadcasting licence in December 2010, but brought the transition forward by one year, in some regions switching off the analogue signal before other broadcasters. The transition ran smoothly and was completed in November 2010, making Canal+ the leading 100% digital channel in France.

Decoders

The Canal+ Group has always chosen to offer its subscribers a range of state-of-the art decoders, particularly MPEG4 HD receivers.

In September 2010, Canal+ launched a wholly new 3-D and Wifi-compatible HD satellite decoder for direct TV access at no extra cost to the Vod CanalPlay platform and the catch-up services Canal+ à la demande and/or Canalsat à la demande. All current and future subscribers can now have a high-tech advanced decoder and receive High Definition television and services on demand through their IP connection.

The Canal+ Group's aim is to equip its entire customer base of subscribers with new-generation (connected) TV decoders.

C.3 NEW SERVICES

Canal+ France is a pioneer in digital and new television services in Europe, and the leading provider of on-demand and High Definition television and multi-screen broadcasting.

High Definition Television

Canal+ was a pioneer of satellite HD TV in France in the spring of 2006 with its premium channel, and today the Canal+ Group has an unparalleled offering in terms of quality and content: 16 strong-brand special interest channels (National Geographic HD, CinéCinéma Premier HD, Disney Cinemagic HD, Syfy Universal HD, Eurosport HD, Brava HD TV etc) and since 12 October 2010 all the Canal+ channels (Canal+ Cinéma, Canal+ Sport, Canal+ Décalé and Canal+Family). Available via satellite, cable, broadband and DTT, the HD offers are also accessible on *Canal Ready* compatible satellite and DTT terminals. The Canal+ Group's aim is to increase its offering to one hundred channels within the next three years.

VOD and catch-up TV

Launched in autumn 2005, **CanalPlay** is Canal+'s legal video download platform offering more than 8,000 programme titles including 4,000 films, with the most recent available in High Definition. CanalPlay offers the French market's best choice of films, with a widely varied catalogue and programme edition. Available on PC and television (by satellite, cable and broadband), CanalPlay is also the first VOD offering on the French market to be available on connected televisions since November 2009 (following an agreement with Thomson, TCL). TV access to CanalPlay has been possible via LG blu-ray players and home cinema equipment since May 2010, and via France's two million Microsoft Xbox 360 consoles since the summer of 2010. Since its launch, CanalPlay has registered 20 million downloads and more than 1.5 million customers. Over 6 million VOD purchases were made in 2010.

Canal+ à la demande et CanalSat à la demande Canal+'s catch-up TV services. By freeing subscribers from the constraints of programme schedules and enabling them to enjoy their subscription differently, these two services have quickly become an essential part of daily viewing habits. Used by more than half of subscribers, who consider it as the sixth channel in their bouquet, Canal+ à la demande (which contains over 90% of Canal+ channels' programmes) has totalled nearly 70 million viewings since its launch, and currently registers over 4.5 million viewings a month. CanalSat à la demande includes nearly 30 channels that are leaders in their specialist area (National Geographic Channel, Voyage, Disney Channel, Cartoon Network, Canal J, Comédie, MTV, Eurosport etc.) and in November 2010 registered nearly 4 million viewings.

These free services included in the subscription are available on PC and TV (via satellite and broadband); Canal+ à la demande is also available on Microsoft Xbox 360 consoles and smartphones (iPhone and Google phone).

Mobile services and web TV

The Canal+ Group provides free, immediate access to uncoded Canal+ programmes (live and on demand) and its continuous news channel, i>Télé, on smartphones and touch pads. Launched in December 2009 on iPhone and iPod Touch then Google Phone (Android), and in June 2010 on iPad, **the Canal+ Group's mobile TV application** is available via 3G/3G+ and Wifi, with the possibility of subscription to its pay channels Canal+ (catch-up included) and/or CanalSat, available on mobile phones.

In just one year of existence, the application has been downloaded more than 2 million times and there were more than 3 million viewings of TV channels or VOD, reflecting the popularity of mobile television in France.

The **Canal+ Group's webTV** launched on PC in December 2009 was designed to allow subscribers to benefit from their subscription continuously via the medium of their choice, at home or away from home. Initially intended for CanalSat subscribers, this service has been available on Mac since December 2010 and now covers Canal+ channels. Subscribers have direct access (smooth streaming) to the five premium channels Canal+, Canal+ Cinéma, Canal+ Sport, Canal+ Décalé and Canal+ Family and/or over 90 special interest channels included in their principal subscription on a second screen in addition to their TV.

Canal+/Microsoft Agreement

In June 2009, the Canal+ Group and Microsoft announced a strategic partnership to associate Canal+ Group content with Microsoft products and innovations. After the initial kick-off with the Foot+ service, all Canal+ and CanalSat channels are now accessible via streaming on any computer (PC or Mac) compatible with nearly all internet browsers; they are also available on the two million Xbox 360 consoles on the market (with the Canal+ à la demande and CanalPlay VOD services). This is a brand new television experience that combines programme quality and interactivity. In future it will integrate technological developments by the Microsoft group in motion and voice recognition (Kinect).

D) SALES AND SUBSCRIBER PORTFOLIO IN 2010

Sales for Canal+ France in 2010 amounted to €3,951 million compared to €3,837 million in 2009.

At 31 December 2010, the global portfolio of Canal+ France subscribers stood at 11.1 million for pay television (individuals and group subscriptions; figures for France including Overseas territories and Africa), a net increase of 335,000 subscribers since the end of December 2009.

5.3 CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE CITIZENSHIP – ETHICS

Creating purpose. Fostering personal fulfilment at work. Combining excellence with corporate citizenship. Harmonising respect for targets with respect for the planet. These issues are also the core concerns of the Lagardère group.

Lagardère has implemented a policy of Corporate Social Responsibility (CSR) which has a number of objectives: **to incorporate** Sustainable Development into the daily lives of subsidiaries and the production process of our different business lines; to **plan ahead** for the risks of climate and energy crises and consumer demand; to **satisfy** regulatory requirements and **meet** employees' expectations.

As a media Corporation, Lagardère is aware of its special responsibility on these strategic issues in a continuously evolving environment particularly marked by the faster pace of digital development.

Given its extremely diverse customer base, Lagardère SCA's principal commitment is to propose **responsible editorial content**. Over and above this commitment, the Group intends to weave a **social fabric** imbued with solidarity with society as a whole, and more particularly with those who need it most.

Available on Lagardère's website for the second year, the Sustainable Development Report intended for all the different stakeholders describes the Lagardère group's approach, which is now structured around four priorities divided into twelve commitments.

The four priorities are the following:

- reinforcing our position as a **responsible employer**;
- developing business activities **in an environmentally-friendly way**;
- fostering **access to information** and knowledge;
- contributing as a media group to **enhancing the social fabric**.

This Chapter 5.3, which makes regular reference to the online Sustainable Development Report, concentrates on the information listed by France's *Nouvelles Régulations Economiques* (NRE) law of 15 March 2001, including reports on the three domains of Employees, Society and the Environment.

An implementing order for France's Grenelle II law [1] adopted on 9 July 2010, is expected to amend the contents of disclosures required by the NRE law in the course of 2011, as well as its scope of application. It will also specify the conditions in which the information provided should be subject to control by an independent, outside body. The Lagardère group will comply with these new obligations from the start of the next financial year.

5.3.1 THE CSR POLICY – PLAYERS AND INSTRUMENTS

In compliance with the French NRE law, the Group has implemented a Corporate Social Responsibility (**CSR**) policy. The issues involved and the objectives are revised and fine-tuned annually.

5.3.1.1 THE MEN AND WOMEN ENGAGED IN CSR

The Group's divisions are independent and autonomous, and each manages CSR policy internally, under the supervision of a Sustainable Development Department which coordinates the networks of internal correspondents.

At Group level, a Sustainable Development Department reporting to the Human Relations and Corporate Communications Department has coordinated a Steering Committee composed of representatives from several cross-functional departments since September 2008. This Committee is chaired by Group's Chief Human Relations and Communications Officer, who since April 2010 has been a Co-Managing Partner of the Lagardère group.

This Committee is in charge of devising the CSR strategy and action to be undertaken, and conducting dialogue with the different stakeholders.

The Sustainable Development Report describes the organisation and missions of this Steering Committee, as well as those of the different departments concerned.

(1) Which will amend article R225-104 and R225-105 of the French commercial code.

5.3.1.2 THE CSR REFERENCE FRAMEWORK

In addition to the corporate values on which Lagardère has built its legitimacy and reputation, the Group endeavours to respect a certain number of rules: the rules established by national and international bodies regarding business enterprises, and the rules Lagardère has chosen to draw up internally for application to its employees and partners.

The Sustainable Development Report, which for the second year in succession follows the guidelines of the Global Reporting Initiative (**GRI**) lists these documents, in particular those issued by the ILO and the OECD, as well as the Group's Code of Ethics and the different charters that are applicable either internally or to our stakeholders.

In this Reference Document, it is important to underline the commitment of the Group's Managing Partner, Arnaud Lagardère, to the principles of the Global Compact.

With operations on all the continents, the Lagardère group is one of the world's leading media companies. As an international Group, it is our duty to be rigorous and exemplary in the promotion of certain rights and principles that are universally recognised and adopted for a globalisation that is more respectful of Man and his environment. This international commitment is expressed through the Group's membership of the United Nations Global Compact, which we joined in 2003, and which encourages enterprises to align their operations and strategies with the principles of responsibility.

In parallel to this basic commitment, Lagardère is a member of the "Amis du Pacte Mondial en France", a non-profit organisation which represents France in the Global Compact's National Networks.

To reassert our commitment, each year we report on the progress made by our Group regarding the Compact's ten principles.

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Businesses should make sure they are not complicit in human rights abuses.

WORKING CONDITIONS

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5: Businesses should uphold the effective abolition of child labour.

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION MEASURES

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Arnaud Lagardère

General and Managing Partner of Lagardère SCA

The Lagardère group is also aware of the ISO 26000 standard, which sets the guidelines for corporate social responsibility and came into force at the end of 2010. In the coming years, it intends to provide an optimum response to the seven key issues identified by the new standard: **Organizational Governance, Human Rights, Labour practices, The Environment, Fair operating practices, Consumer issues, Community involvement and development**.

5.3.1.3 CSR METHODOLOGY AND INDICATORS

A) REPORTING SCOPE

The reporting system used to collect **labour and social information** is deployed in all the consolidated subsidiaries which are operationally managed by the Group, with the exception of:

- entities that were disposed of or deconsolidated during the financial year;
- certain entities acquired during the year, for which the reporting system will be implemented gradually as they are integrated into the Group;
- certain entities which have fewer than five employees.

The labour and social data presented below (with the exception of data pertaining to changes concerning the total number of Lagardère employees) therefore covers **168** Group companies, representing more than **97%** of the Lagardère group's total workforce. The coverage rate is almost **92%** for Lagardère Services, **96%** for Lagardère Publishing, **94%** for Lagardère Active (press, audiovisual) and **93%** for Lagardère Unlimited. Geographic coverage varies from **90% to 100%** of employees depending on the area.

Environmental information concerning water and energy consumption is integrated into the Group's financial data consolidation system. The corresponding data covers 100% of **Lagardère's consolidated subsidiaries**, representing more than **500** companies. The full list is appended to the consolidated financial statements.

Variations in scope

Changes in the scope of **labour and social** reporting are related to the financial consolidation scope comprising fully consolidated companies. The list is presented in note 37 to the consolidated financial statements, in Chapter 6.

As **water and energy consumption** indicators have been incorporated into the financial reporting system, changes in the water and energy consumption scope are identical to changes in the financial reporting scope. Companies acquired in the course of the year are included in the scope for the entire year in which the acquisition took place, and companies disposed of are removed from the scope from the date of disposal, the relevant data being taken into account up to the actual disposal date.

B) CHOICE OF INDICATORS AND REFERENCE BASE USED FOR REPORTING

- Labour-related reporting follows the Group's Human Resources policy, taking into account the specific needs of each business line and geographic area. In 2006, driven by a concern for continuous progress, the Group improved the indicators used by refining the range of selected indicators in order to obtain a greater level of detail and precision. Certain parameters were also redefined for application across the global scope. Lagardère's concern for continuous improvement and progress led to a second revision of the reference base in 2010, resulting in redefinition of the entire range of indicators. This redefinition, which involved the removal of certain indicators deemed less relevant to certain business activities, and the addition of new ones more in line with the spirit of the GRI, was also an opportunity to streamline the reference base and make it more accessible to contributors.
- The reference base for labour and social reporting can be accessed through the Intranet by over 200 staff contributors; it specifies the procedures for data collection and reporting, as well as the definition of the selected indicators, and the calculation formulas used, to ensure satisfactory, uniform comprehension by all contributors. The data is entered for each Group subsidiary in the reporting scope, then validated either by the Human Resources Director, where relevant, or by the subsidiary's Management; a second level of validation exists in each division. Consistency checks are run on the data entered, including comparison with the data for previous periods and a systematic alert requiring explanation when the variances are deemed significant. These consistency checks guarantee data integrity and therefore contribute to the reliability of the information system. At each level of contribution or validation, operators can extract consolidated reports on the data entered in order to make use of the data for operational management within their particular scope.

In France, Lagardère continues to apply the classification distinguishing between executives/managers and other employees/non managers rather than the statutory reference of "*cadre/non-cadre*" used for local labour reporting.

The Lagardère workforce is therefore divided into four occupational groups: Executives (*Cadres Dirigeants*), Managers, Journalists (including photographers) and Other Employees.

- **The instructions for reporting on water, energy and paper consumption** define the selected indicators and the procedures relative to data collection and reporting. This reference base is sent to all the employees involved in reporting such information. Data is input by a contributor in each of the Group's consolidated subsidiaries. An **automatic** data presence check is run and after consolidation, the data is compared to data from previous periods, in order to control for any variances.
  The other environmental indicators selected correspond to the specific environmental issues of each business division; the corresponding data is consolidated and verified at the level of the business divisions, on the basis of the information communicated by their subsidiaries.
- The methodologies relative to certain labour-related and environmental indicators may present limitations due to:
  - difficulties in interpreting the data by some contributors, due to the absence of internationally-recognised definitions;
  - the necessary use of estimations, or the practicalities of data collection and entry.

5.3.2 IMPLEMENTATION OF THE CSR POLICY

The labour, social and environmental information given below corresponds to the requirements of the French NRE law.

5.3.2.1 LABOUR INFORMATION

The Lagardère group's performance levels are a direct result of the qualifications of its staff and appropriate resource management.

- For optimum deployment of human resources that takes the specific features of the Group's various business lines into consideration, the operating units manage human resources in their own way, but following priorities, principles and commitments common to all the business divisions. The common framework is defined and formalised at Group level in agreement with the Divisions' Human Resources Directors.
- As part of the work carried out in 2009 to align reporting with the GRI guidelines, Lagardère has articulated its CSR approach around four priorities, the first of which, "**reinforcing our position as a responsible employer**", directly concerns the Group's commitment in labour-related issues.
- This priority is divided into three commitments that the Group strives to apply with a concern for continuous improvement:
  - ensuring balance and diversity in the workforce;
  - fostering harmonious working conditions;
  - encouraging skills development.

A) ENSURING BALANCE AND DIVERSITY IN THE WORKFORCE

This commitment corresponds to the first NRE disclosure requirements concerning employee numbers and the organisation of working hours.

This first priority involves implementing carefully considered management of human capital and guaranteeing fair treatment of the Group's employees.

To achieve this, the Group undertakes to:

- **adapt resources to organisations**, manage the evolution in employee numbers (adjust recruitments/separations) and call upon external resources when necessary;
- **ensure balance in the workforce**, in particular by seeking a harmonious age pyramid;
- **promote diversity**, one of the key factors in the creativity that drives the Group's businesses.

A.1 ADAPTING RESOURCES TO ORGANISATIONS

Global changes in the workforce

Permanent workforce at 31 December, by gender and division

Divisions	Men	Women	Total workforce	% Men	% Women
Lagardère Publishing	2,932	3,888	6,820	43%	57%
Lagardère Active	3,238	5,862	9,100	36%	64%
Lagardère Services	4,164	5,713	9,877	42%	58%
Lagardère Unlimited	537	269	806	67%	33%
Other Activities	303	157	460	66%	34%
Group total	**11,174**	**15,889**	**27,063**	**41%**	**59%**

Breakdown of permanent workforce at 31 December, by occupational group, gender and division

Divisions	Male Executives	Female Executives	Total Executives	Male Managers	Female Managers	Total Managers	Male Journalists and Photographers	Female Journalists and Photographers	Total Journalists and Photographers	Male Other employees	Female Other employees	Total Other employees
Lagardère Publishing	55%	45%	368	44%	56%	2,886	0	0	0	43%	57%	3,566
Lagardère Active	68%	32%	177	43%	57%	2,494	37%	63%	2,288	30%	70%	4,141
Lagardère Services	83%	17%	102	56%	14%	1,514	0	0	0	41%	59%	8,261
Lagardère Unlimited	97%	3%	51	81%	19%	195	100%	0%	1	58%	42%	559
Other Activities	80%	20%	26	69%	31%	141	0	0	0	63%	37%	293
Group total	**65%**	**35%**	**724**	**47%**	**53%**	**7,230**	**36%**	**64%**	**2,289**	**39%**	**61%**	**16,820**

At 31 December 2010, the number of employees on permanent contracts (CDI) [1] (the "permanent workforce") was 27,063, compared to 26,893 at the end of 2009. This slight increase is due to changes mainly affecting two divisions: Lagardère Active and Lagardère Sport which has now become Lagardère Unlimited.

Concerning Lagardère Active, the Division benefited from the recovery in consumer sales particularly evident in advertising investments, and thus resumed a pace of business similar to the "pre-crisis" years. Lagardère Unlimited profited from the acquisition of Best in the United States and organic growth in its business.

The principal variations by business division are as follows:

- **Lagardère Publishing**: The Division's permanent workforce was down by 194 employees at 31 December 2010 (-2.76%), essentially in the Rest of Europe area (i.e. excluding France) and particularly visible in entities operating in Spain and Great Britain, which together registered a fall of more than 150 in employee numbers.
- **Lagardère Active**: The permanent workforce in this Division increased by 291 employees at 31 December (+3.30%), explained by a rise of almost 4% in employee numbers in the Rest of Europe area; this is due in particular to a considerable workforce expansion in Poland (at Eurozet), Russia (at the media company Plus Zao) and the integration of the North and South networks of RFM and Virgin Radio.
- **Lagardère Services**: The permanent workforce remained practically stable with 9,877 employees at 31 December 2010 compared to 9,838 at the end of 2009.
- **Lagardère Unlimited**: the increase by 92 permanent employees (+12.88%) results from the acquisition of Best in the United States, and development of the Division's business activities throughout 2010.
- **Other Activities**: the 58-employee decrease at 31 December 2010 is a consequence of discontinuation of the Team Lagardère activity, and the disposal of Arlis.

This positive trend in the permanent workforce at 31 December 2010 is not, however, mirrored in the changes in average employee numbers expressed in terms of Full-Time Equivalent (FTE) numbers for all the employees in the Lagardère group (permanent, non-permanent [2] and temporary staff) [3].

(1) CDI: Contrats à Durée Indéterminée, permanent contracts.
(2) Non-permanent employees: employees with a fixed-term contract.
(3) The FTE is obtained by adding all the employees who worked for the Group during 2010 in proportion to their working hours and period of employment; an employee who works half a week for six months of the year is thus counted as 0.25 FTE.

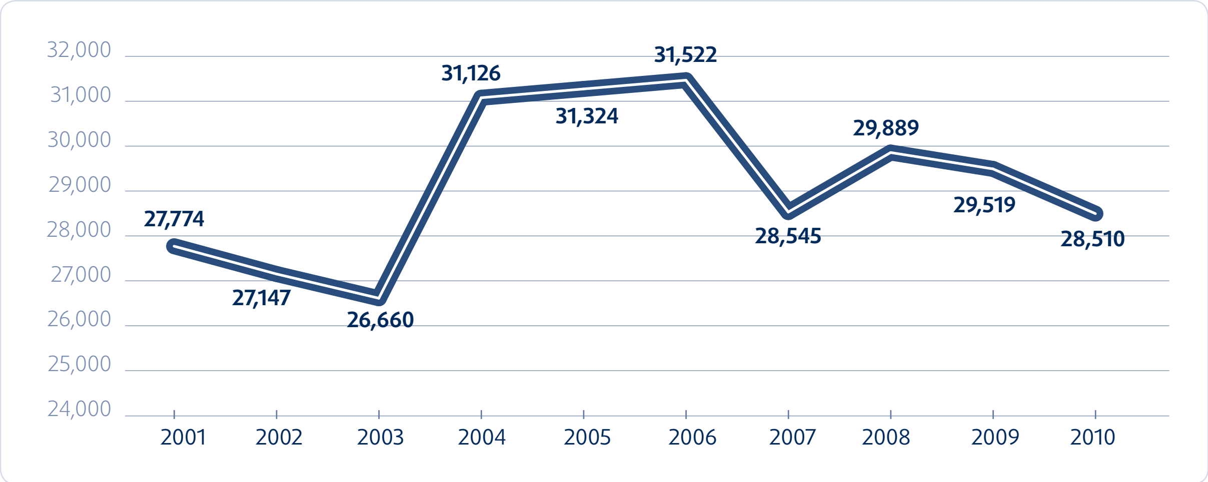
2010 saw a fall in FTE numbers compared to 2009 (slightly more than 3%), largely explained by a reduction in the number of non-permanent employees (more specifically at Lagardère Active: this was mainly caused by a change in the measurement method for this employee category in certain entities of the Division, particularly in Russia and Poland), and employees from temporary staffing agencies. In addition to this, the decline in the permanent workforce at 31 December observed in the Publishing division is proportionally even greater if FTE numbers (for all employee categories combined) are included throughout the year: the decrease in this case is equivalent to more than 270 employees.

The table below shows that the decline in the non-permanent workforce is essentially visible at Lagardère Active (-260 employees, or 25% of the workforce on fixed-term contracts) and the Publishing division (-22%).

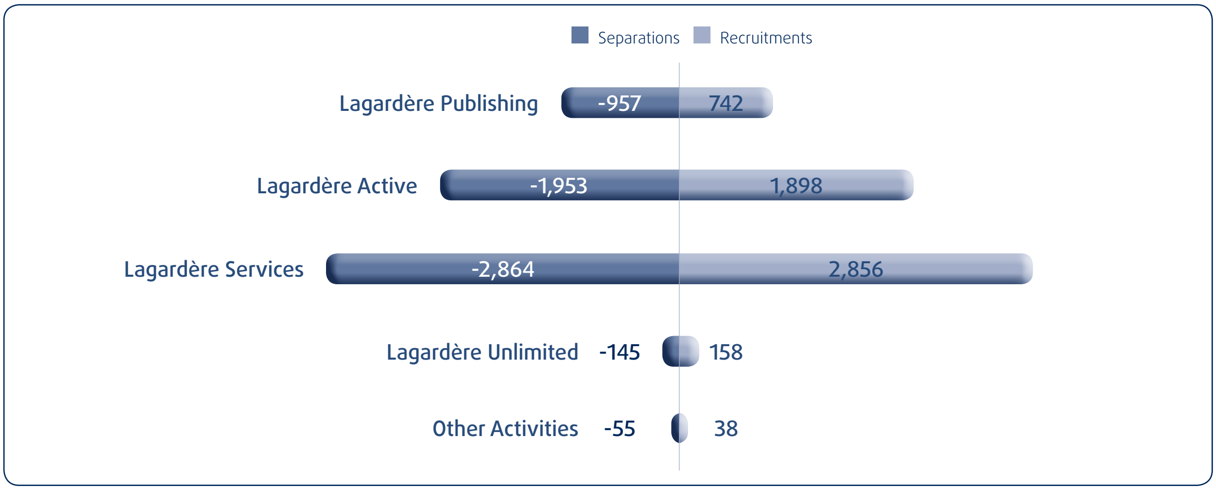
Changes in non-permanent workforce (FTE) during 2010

Divisions	2009	**2010**	Change 2009-10
Lagardère Publishing	395	**308**	-22%
Lagardère Active	1,044	**784**	-25%
Lagardère Services	837	**804**	-4%
Lagardère Unlimited	135	**105**	-22%
Other Activities	13	**10**	-23%
Total non-permanent workforce	**2,424**	**2,012**	**-17%**

Changes in workforce since 2001 (FTE)

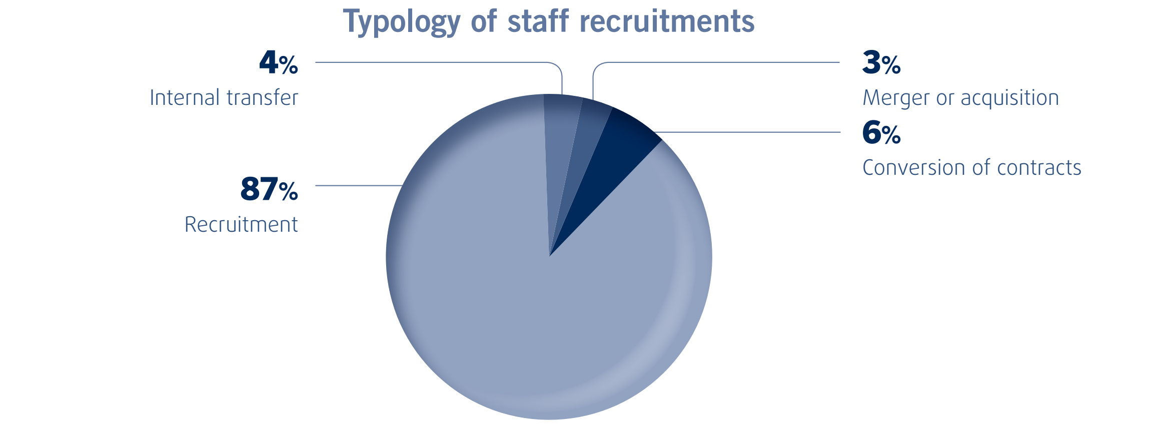


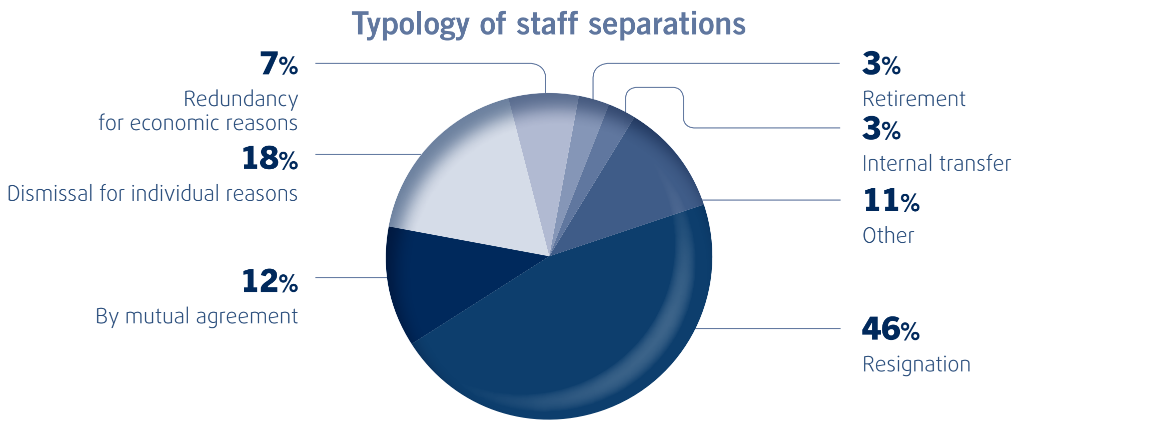
Recruitments – Separations [(1)]



The table of recruitments and separations affecting the permanent workforce shows consistency with the global trend in permanent employee numbers at 31 December.

In 2010, there was a relative fall in the number of separations, from **6,475** in 2009 to **5,974**, and a perceptible rise in recruitments, from **5,077** in 2009 to **5,692** (+12%). The final result is a re-balancing of recruitments and separations compared to 2009, resulting in comparable figures to previous years.





(1) Permanent employees.

The breakdown of staff separations indicates a decline in the relative proportion of economic redundancies (**from 10 to 7%**), confirming the gradual recovery from the crisis period of 2008 and 2009.

This trend appears to be confirmed by the number of separations by mutual agreement, which also showed a sharp decrease (**from 16 to 12% as a relative share**), since the rise in this type of separation observed in 2009 (**+6%**) also reflected workforce reduction measures due to the downturn in business.

The proportion of resignations rate was up slightly (**+4 points**), consistent with the general trend in other reasons for separation and also the worldwide economic situation in 2010, which restored some fluidity to the employment market. Similarly, there was a slight rise in the rate of dismissals for personal reasons (**+4 points**).

"Unexpected turnover" (1) therefore rose to **17.3%** compared to 13.5% for 2009.

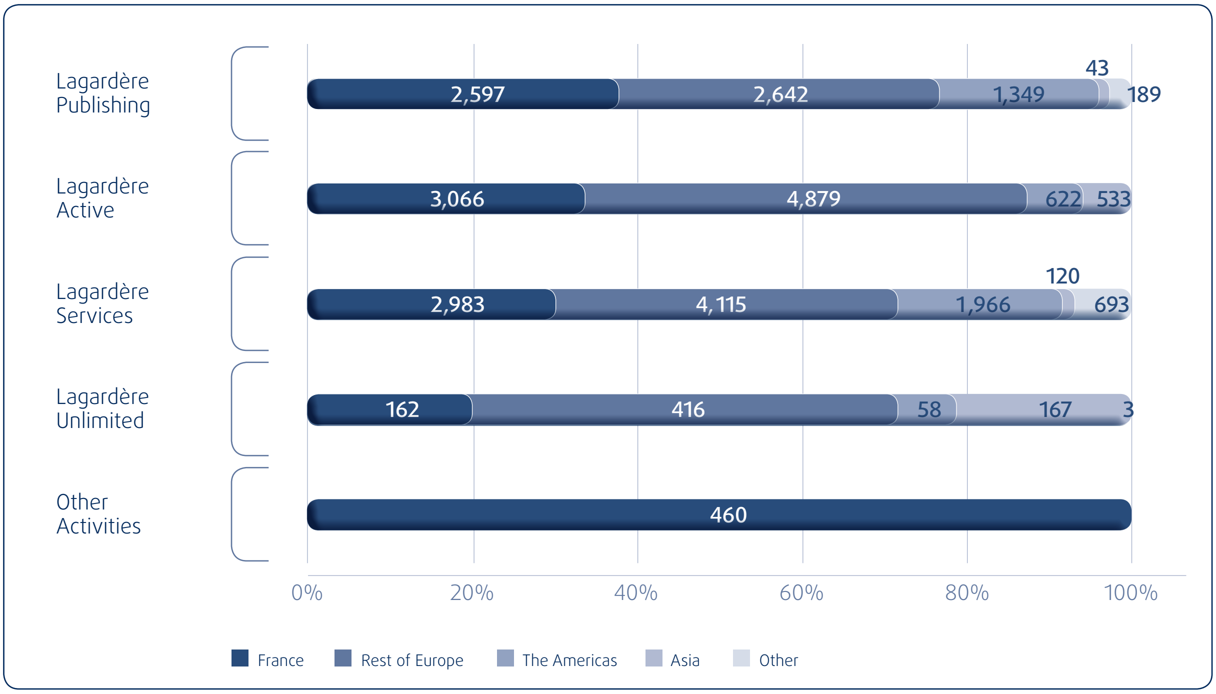
In terms of recruitment, there was a substantial rise in the relative portion of employees hired in 2010 (**87% compared to 77% in 2009**); it is nonetheless important to note that the total number "recruited" by conversion of contract (from a fixed-term contract into a permanent contract) remained stable in 2010, at around **350**.

This sharp rise in the number of new recruits (**+27%**) confirms that the Group has great appeal to potential applicants. Once again in 2010 Lagardère encountered no particular difficulties in terms of recruitment, even in highly sought-after skills.

With its excellent reputation and strong brand names, the Lagardère group also benefits from tangible staff loyalty: more than **28%** of the total workforce has more than ten years seniority, a figure that rises to **38% in France**.

A final key point is the number of employees who moved to a different professional group (or were promoted) in 2010, which was **562**, comparable to 2009; this corresponds to almost **10%** of the Group's recruitments, although obviously it cannot be included in the recruitment figures.

The Group's international presence



The international expansion of the Group, with operations in 36 countries in 2010 (compared to 32 in 2009), is reflected in employee numbers: the number of employees working outside France remained stable, at nearly 66% at the end of 2010.

The Group remains predominantly French-based, however, with close to 35% of the total workforce in mainland France. After France, the next two principal countries in terms of employee numbers are the same as last year, Russia and Spain.

(1) The unexpected turnover index corresponds to the calculation of staff turnover including separations not initiated by the company (resignations, deaths, retirement and other).

Adjusting staff numbers to variations in business activity through organisation of working hours
(NRE disclosure requirements concerning the organisation of working hours)

The Group takes care to respect the legal regulations specific to each country, particularly in terms of working hours and the management of overtime. Group entities have implemented a work organisation scheme that provides the flexibility to meet the specific requirements of their operations. This scheme includes part-time work, overtime hours and temporary work. This flexibility allows Group employers to take the aspirations of the workforce into consideration, and provides adaptability when staff on sick leave or maternity leave need to be replaced.

Employment of temporary staff (on fixed-term work contracts or through temporary staffing agencies) is thus an inherent part of the specific nature of certain activities. This is particularly true for seasonal peaks in business at Lagardère Publishing (the publication of new works of literature, generally scheduled from September to November in France, school textbook orders and the Christmas season).

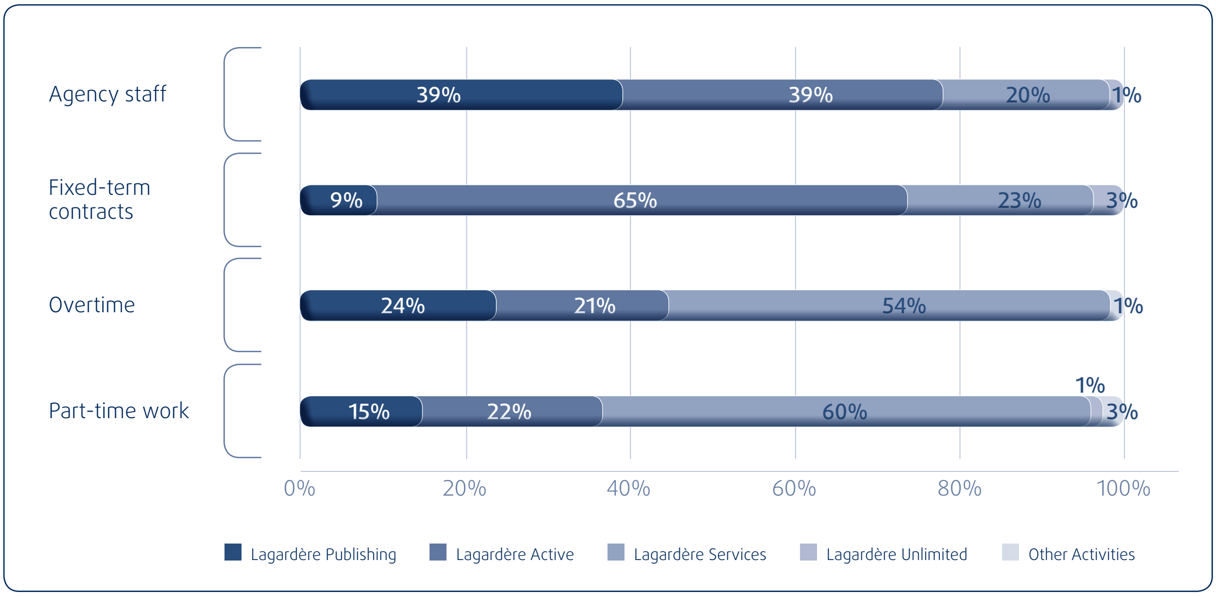
The work organisation scheme also enables the Group to cope with constraints related to Distribution activities (replacing store managers on leave, extensive opening hours, training of store managers, etc.), and the organisation of sports events.

As flexibility and optimising labour costs are essential to the Distribution activities, Lagardère Services makes considerable use not only of temporary staff (see below), but also of overtime and part-time work, mainly in Asia and North America. This type of organisation is also to be found, to a lesser extent, in the Distribution activities of the Book Publishing division, which faces the same needs.

Furthermore, in France, due to the nature of its Press and Audiovisual Production activities, Lagardère calls on the services of specific types of employees: freelance journalists and seasonal entertainment workers. Aware of the special status of these categories, the Group is involved in global discussions of changes affecting them, participating in the various sector-specific negotiations regarding social security coverage, unemployment benefits and occupational training.

The data on work flexibility for 2010 are presented below.

Flexibility of work by division



There was a perceptible fall in 2010 in the number of staff on fixed-term contacts (measured in FTE) (from **2,424 to 2,012**). The proportion of staff on fixed-term contracts therefore fell slightly from 9% of the total workforce in 2009 to a little over **7%** in 2010.

Including staff from temporary agencies, the overall proportion of temporary workers for 2010 is **11%**, which meets the Group's stated aim to preserve the degree of flexibility and responsiveness required for the management of its business activities while maintaining the proportion of staff on temporary contracts at a reasonable level of around 12% of the total workforce.

Concerning overtime, in 2010 a total of **409,609 hours** were worked, a considerable increase over 2009 (**360,082 hours**, +13%). Overtime seems to have acted as a means of adjustment to fluctuations in the Group's business volumes, which were much greater than in previous years.

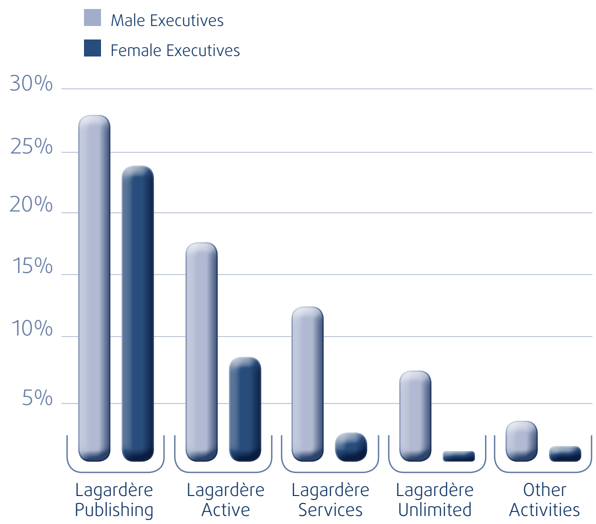
Part-time work remained stable at around **12%** (13% in 2010 compared to 12% in 2009). This type of organisation is mainly present in the Services division (**60% of work flexibility**) and increased considerably in Other Activities (**+4 points in 2010**); once again, the majority of employees concerned are women, who represent more than **73%** of the total part-time workforce in 2010.

Workforce in part-time work at 31 December 2010

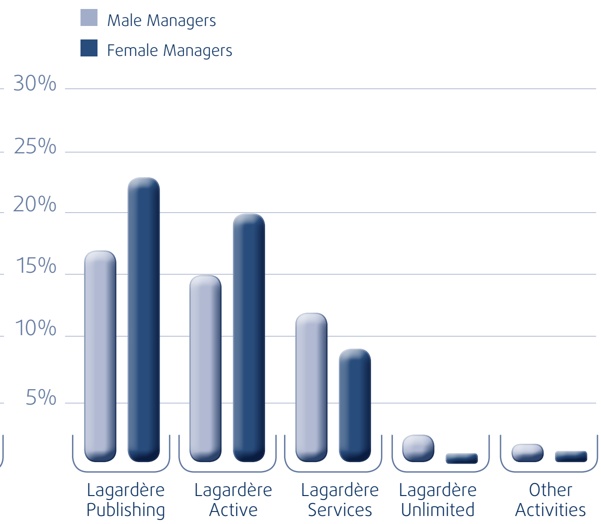
Divisions	Male	% male part-time/ total male workforce	Female	% female part-time/ total female workforce	Total workforce in part-time work	Total workforce (%)
Lagardère Publishing	63	2%	462	12%	525	8%
Lagardère Active	211	7%	550	10%	761	8%
Lagardère Services	596	15%	1,503	29%	2,099	21%
Lagardère Unlimited	2	0.40%	29	11%	31	4%
Other Activities	58	22%	33	24%	91	20%
Group total	**930**	**8%**	**2,577**	**16%**	**3,507**	**13%**

Adapting the workforce distribution by occupational group and gender

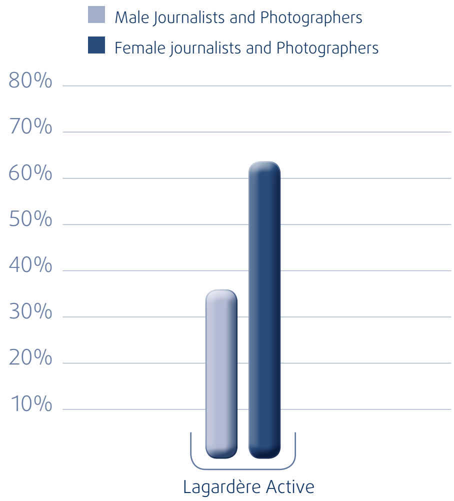
> Executives, by gender and division



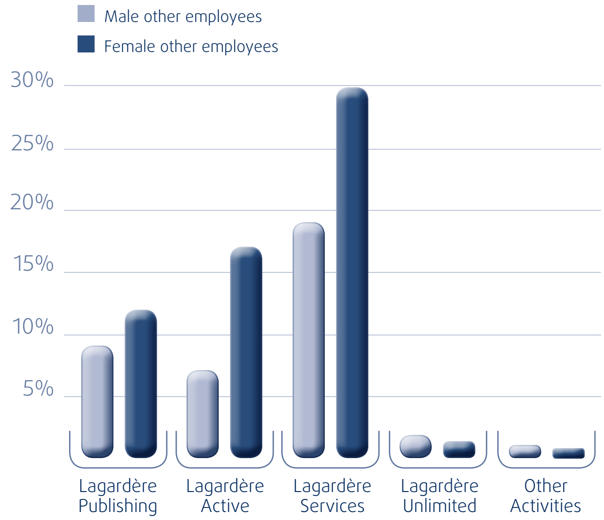
> Managers, by gender and division



> Journalists and Photographers, by gender



> Other employees, by gender and division



The breakdown of the workforce by occupational group varies from one division to another, and reflects the diversity of the Group's activities.

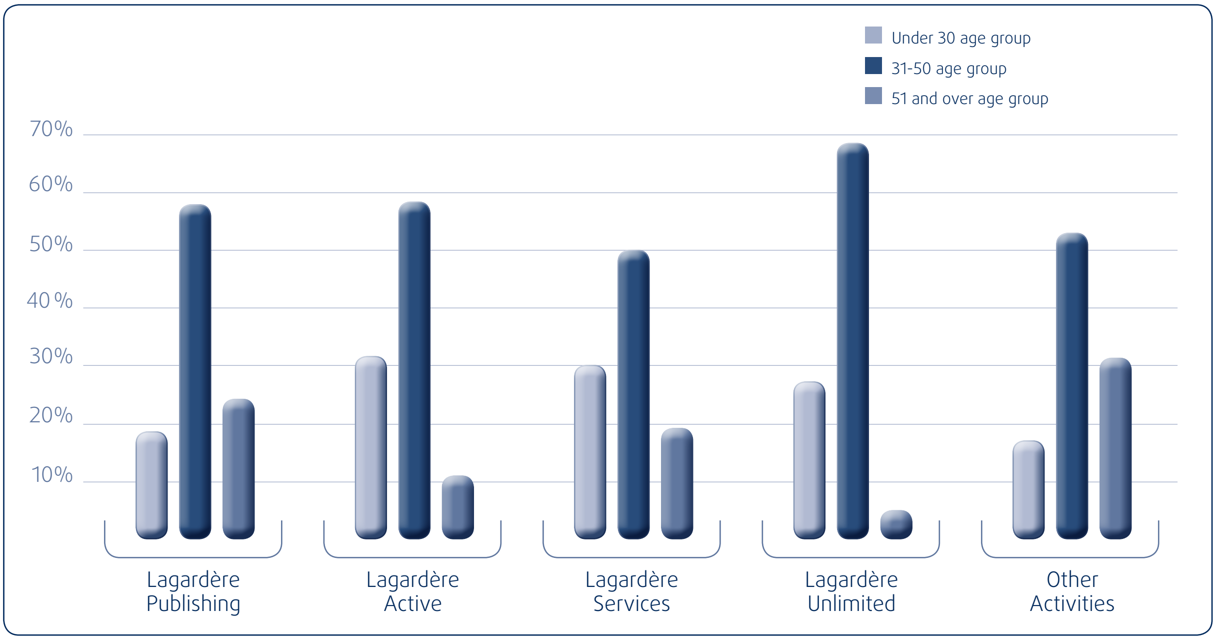
At Lagardère Services, for instance, the proportion of managers is **16%**, which can be explained by the large number of unskilled positions inherent to the retail trade. In the other divisions, this proportion is between **29%** and **48%**, normal for editorial content publishing. This distribution remains stable from year to year.

Furthermore, while 2009 was marked by a substantial reduction (20%) in the number of Journalists, 2010 saw a rise in this group (**+7%**). The numbers of executives/managers and other employees remained stable in 2010 compared to 2009, at around **7,230** for the former and more than **16,800** for the latter.

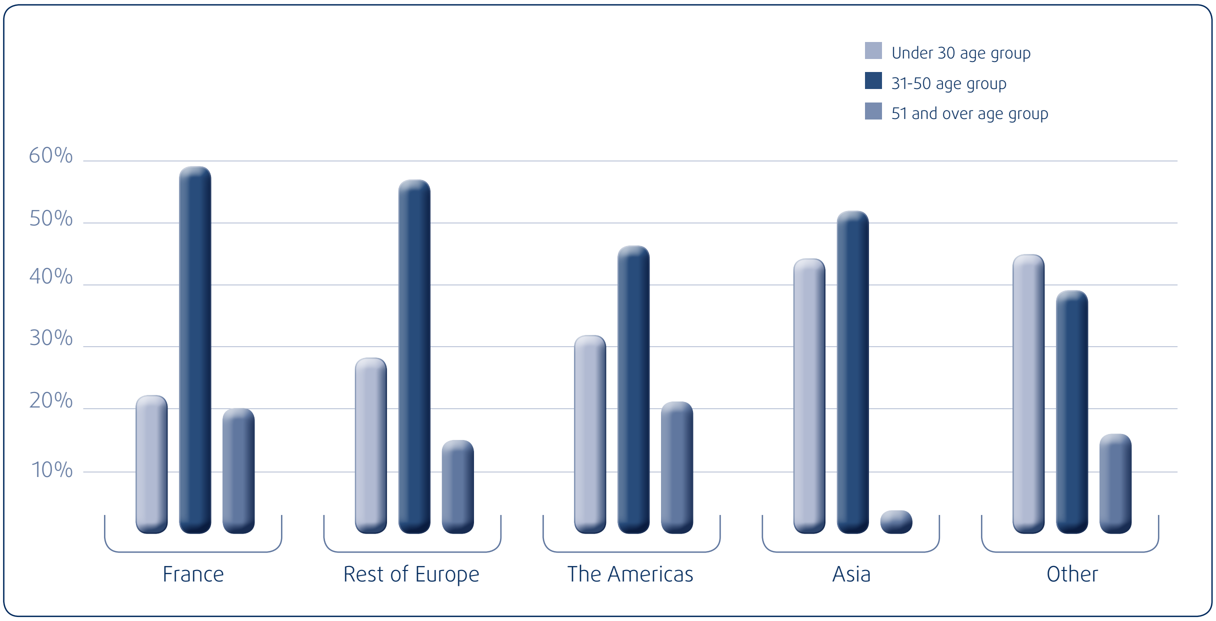
A.2 ENSURING AGE BALANCE IN THE WORKFORCE

The Group's age pyramid reflects the balance between a youthful workforce, with slightly more than **58%** of employees under 40 and more than **27%** under 30, and experience acquired through seniority, which is a requisite in the field of the traditional media.

Breakdown of workforce by age group and division



Breakdown of workforce by age group and geographic area



A.3 PROMOTING EQUAL OPPORTUNITIES AND DIVERSITY AND ANTI-DISCRIMINATION ACTION

(NRE disclosure requirements regarding labour relations and disability)

Lagardère bases its actions in this domain on two major principles: ensuring equal opportunities and treating all individuals with respect.

With its wide-ranging business activities and skilled staff, the Group encourages diversity in the divisions; as media operators and distributors, they have an even greater obligation to reflect the society to which they belong.

It endeavours to promote and develop cross-divisional actions for diversity, particularly by identifying good practices in the different entities and sharing them throughout the Group.

In 2006 the Group's Human Resources Division initiated a meeting of the business divisions' Human Resources teams to consider the subject of equal opportunities and their implementation within the Group.

This was taken further in a seminar devoted to the subject of Diversity held in October 2008, attended by all the Human Resources managers from the various business divisions.

It was decided at this seminar to focus on three aspects:

- the place of women in the company;
- the disabled;
- integration of young people from sensitive urban areas.

Guaranteeing women's career development in the company (NRE)

Women account for almost **59%** of the total workforce, a figure that is stable compared to 2009, and the debate on sex equality at work is thus slightly atypical in the Lagardère group. The nature of the Group's business lines, which largely explains this strong female presence, should not obscure the progress that remains to be made in terms of equal opportunities and career development. The question to address in the different divisions is not so much how to achieve a balance between the number of male and female employees but rather how to apply truly equal treatment in appointments to positions of responsibility.

Making access to the highest levels a possibility for women is one of the goals the Group intends to set itself over the coming years.

In 2010, women represented almost **64%** of total recruitments in the Group, an increase of **0.7%** compared to the previous year.

Women account for **35%** of executives (an increase of 3 points over 2009), more than **53% (stable compared to 2009)** of managers and **64%** of journalists **(-1 point)**. The proportion of women among "other employees" is **61%** (equivalent to 2009). All of these figures have been stable over the last two years.

It should be noted that certain companies in the Group are exemplary with respect to women's roles in the workforce:

- Hachette Livre SA - Management & Other: **527** women in a total **743** employees, or **71%** of the workforce;
- Aelia: which employs 1,193 women in a total workforce of 1,690 employees, or 70%;
- Lagardère Publicité: **505** women in a total 667 employees, or 76%.

There is room for progress, however, in Other Activities and at Lagardère Unlimited where there are few women, particularly in the Executive category.

Recruitment of women on permanent contracts in 2010, by division

Divisions	Recruitments	Internal transfers	Merger or acquisition	Conversion of contract (fixed-term to permanent)
Lagardère Publishing	386	17	1	63
Lagardère Active	1,039	62	74	107
Lagardère Services	1,719	35	2	55
Lagardère Unlimited	45	10	0	1
Other Activities	10	0	0	1
Group total 2010	**3,199**	**123**	**77**	**227**
Group total 2009	**2,475**	**194**	**201**	**218**
Change 2009-2010	**+23%**	**-37%**	**-62%**	**+4%**

Female permanent staff separations in 2010, by division

Divisions	Resignations	Separations by mutual agreement	Dismissal for individual reasons	Redundancy for economic reasons	Retirement	Internal transfer	Other
Lagardère Publishing	247	28	70	136	44	9	43
Lagardère Active	777	216	124	41	12	43	139
Lagardère Services	861	143	379	75	42	34	246
Lagardère Unlimited	35	8	0	15	0	5	1
Other Activities	4	2	4	1	2	3	1
Group total 2010	**1,924**	**397**	**577**	**268**	**100**	**94**	**430**
Group total 2009	**1,588**	**487**	**498**	**346**	**88**	**101**	**373**
Change 2009-2010	**+21%**	**-18%**	**+16%**	**-23%**	**+14%**	**-7%**	**+15%**

Average annual salary of permanent female staff (in euros), by occupational group and by geographic area

Areas	Executives	Change over 2009	Managers	Change over 2009	Journalists and Photographers	Change over 2009	Other employees	Change over 2009
France	190,468	↗	47,537	→	56,227	→	22,342	→
Rest of Europe	83,702	↘	37,282	↘	28,242	↘	21,292	→
The Americas	278,247	↗	83,811	↗	62,045	↗	27,012	↗
Asia	151,484	↗	58,211	↗	13,593	↗	28,076	↗
Other	99,086	↗	55,119	↗			19,955	↘
Group total	**126,151**	→	**48,792**	↗	**40,217**	↘	**22,802**	↗

Proportion of permanent female workforce who received a pay rise, by occupational group and by division

Divisions	Executives	Managers	Journalists and Photographers	Other employees
Lagardère Publishing	74%	73%		76%
Lagardère Services	65%	64%		67%
Lagardère Active	30%	54%	41%	37%
Lagardère Unlimited	100%	13%		39%
Other Activities	83%	77%		90%
Total Group average 2010	**63%**	**64%**	**41%**	**60%**
Total Group average 2009	**35%**	**60%**	**32%**	**56%**

Percentage of hours of training attended by women

Divisions	Executives	Managers	Journalists and Photographers	Other employees	Total average
Lagardère Publishing	47%	57%		47%	51%
Lagardère Services	12%	47%		59%	55%
Lagardère Active	41%	59%	69%	72%	65%
Lagardère Unlimited	0%	24%		46%	35%
Other Activities	33%	46%		40%	42%
Total Group average 2010	**35%**	**55%**	**69%**	**58%**	**57%**
Total Group average 2009	**29%**	**54%**	**62%**	**56%**	**56%**

Encouraging integration of disabled employees

Disabled people are still largely underrepresented in the Group. In response to the downward trend in the proportion of disabled employees over three years, the Human Resources departments decided to step up both in-house and external campaigns to reverse the trend and deliberately increase the integration of disabled employees.

Following a highly satisfactory year in 2009 (particularly due to an increase in the proportion of disabled employees), 2010 was marked by a new general trend which can be considered satisfactory as the proportion of disabled employees was on the rise or stable (as is the case in the Americas) in all areas except Europe. The situation in France is exemplary in this respect: the proportion of disabled employees has increased by **4 points** compared to 2007.

The situation in the Rest of Europe (i.e. excluding France), where the proportion of disabled employees fell sharply (**-5 points)**, is attributable to a steep decline in the number of disabled employees in the Lagardère Services division, particularly at Lapker in Hungary (from an average 90 disabled employees over the previous three years to 4 in 2010).

This resulted from changes in Hungarian legislation regarding recognition of disabled employee status in 2010. Stricter conditions and procedures considerably reduced the number of disabled employees. The change in sales staff status (from employee to freelance manager) reinforced this impression of a sharp drop, although in fact the company recruited another disabled employee in 2010.

The Group's special attention to the issue of disability must not be forgotten. This is well illustrated by its key policy to spread good practices throughout the Group, initiated by Lagardère Active under the banner of the "Je suis ~~Handi~~cap" ("I am ~~dis~~abled") mission.

Proportion of disabled employees per one thousand permanent employees

Divisions	France	Rest of Europe	The Americas	Asia	Other
Lagardère Publishing	18.5	12.1	0	0	0
Lagardère Services	6	6	1	0	3
Lagardère Active	10	5	0	7.5	0
Lagardère Unlimited	6	1.8	0	0	0
Other Activities	30				
Total 2010	**12**	**7**	**0.5**	**4.6**	**2.2**
2009	10	11.7	0.5	3.3	1.8
2008	9.6	10	1	4	1.8
2007	8.5	12	1	4	0

Outreach to young people in sensitive urban areas

In 2010, the Lagardère group continued the partnership initiated in 2006 with the non-profit organisation "*Nos quartiers ont des talents*" ("Our suburbs have talent"). The organisation was founded in Seine Saint-Denis (north of Paris) in 2005, and is active throughout the Greater Paris Region (where the majority of the Group's French operations are located). This action consists in organising forums where employers and young people from sensitive urban areas can meet (thereby facilitating their access to the labour market), and providing job-seeking guidance and mentoring from HR departments.

B) *FOSTERING HARMONIOUS WORKING CONDITIONS*

This second priority illustrates both the Group's desire to contribute to fulfilling career development for its employees and its determination to attract the best talents to its ranks.

This is evidenced in the first instance by the policy of offering employees compensation that complies with legislation and labour agreements, situated at the upper end of the market average, rewarding individual performance and, as far as possible, related to the achievement of collective objectives.

The Group also strives to:

- stimulate the creation of social welfare schemes for its employees;
- protect health and safety at work;
- encourage employee relations.

B.1 PROVIDING EMPLOYEES WITH FAIR FINANCIAL CONDITIONS

Providing an attractive remuneration package

In a highly competitive environment, the Group's approach to salaries reflects its desire to provide attractive packages in tune with prevailing market practices (in terms of business activity and the economic and labour conditions in the country concerned).

Lagardère's determination to maintain employees' **purchasing power** and **encourage commitment and performance** is unaffected by its concern to control labour costs. The Group also has the medium-term objective of **promoting the notion of global remuneration** (salaries, variable salary components, social security, savings schemes, etc.).

Salary levels

Lagardère's salary policy follows fair, equitable and consistent practices.

Salary practices comply with local legislation and are also attuned to the economic and labour conditions prevailing in each country, and agreements negotiated with the employee representative bodies of the business sector concerned (particularly in terms of minimum salary and general salary increase scales).

In certain other countries where the notion of a minimum wage may sometimes be purely symbolic, or there is no minimum wage, salary practices are defined according to the practices of the local labour market.

The average annual salary worldwide (including bonuses and variable remuneration) for all occupational groups taken together was **€37,841** in 2010 (compared to €36,066 in 2009).

Average gross salary in euros for permanent workforce, by occupational group, gender and geographic area

Areas	Male Executives	Female Executives	Male Managers	Female Managers	Male Journalists and Photographers	Female Journalists and Photographers	Male Other employees	Female Other employees
France	210,697	190,468	58,824	47,537	63,240	56,227	25,395	22,342
Rest of Europe	129,998	83,702	49,145	37,282	30,101	28,242	27,607	21,292
The Americas	288,521	278,247	98,467	83,811	75,034	62,045	27,868	27,012
Asia	212,713	151,484	77,157	58,211	17,647	13,593	26,660	28,076
Other	144,473	99,086	57,377	55,119	0	0	18,199	19,955
Group total	**177,235**	**126,152**	**60,245**	**48,792**	**49,268**	**40,218**	**26,072**	**22,803**

These averages are given as an indication only, and should be interpreted with care: they correspond to a wide disparity of situations due to the very nature of the activities and geographic locations, with lifestyles and the cost of living varying greatly from country to country.

Lagardère firmly intends to encourage equal pay for women and men, under equal conditions of employment and qualifications. The differences observed in the table below are due essentially to disparities in the nature of the positions and responsibilities held, as well as differences in age, seniority and level of qualifications between the two groups.

The salary scales implemented in some of the Group's subsidiaries are one means of achieving this equality. **61%** of all employees work in an entity which has defined salary ranges for each level, and **78%** work in a company which has defined a minimum wage.

Policy governing salary increases: rewarding progress in the contribution made by employees and maintaining purchasing power

It is Group policy to encourage salary increases that reward individual performance levels, assessed on quantitative and qualitative criteria defined by the subsidiaries. To take into account employees' levels of skills, training and responsibility, and the specific nature of the sectors they are working in, individualised pay rises are therefore increasingly common. Here again, each business unit is largely free to award individual and/or collective salary increases appropriate to its business line and the context.

In return for these individually-tailored pay measures, to ensure optimum employee-hierarchy transparency on basic pay rise matters, the Group encourages annual interviews, which give employees a better perception of their situation in relation to the job position they hold.

In 2010, the proportion of the workforce who benefited from a salary increase was stable, following a sharp decline in 2009. In 2010 efforts focused particularly on the female Managers and Executives categories and the "Other employees" group.

Proportion of permanent workforce who received a salary increase, by occupational group, gender and division

Divisions	Male Executives	Female Executives	Male Managers	Female Managers	Male Journalists and Photographers	Female Journalists and Photographers	Male Other employees	Female Other employees	Male - All occupational groups combined	Female - All occupational groups combined	All occupational groups combined
Lagardère Publishing	49%	74%	70%	73%			70%	76%	68%	75%	72%
Lagardère Active	27%	30%	48%	54%	37%	41%	34%	37%	39%	42%	41%
Lagardère Services	56%	65%	66%	64%			70%	67%	69%	67%	68%
Lagardère Unlimited	34%	100%	30%	13%			50%	39%	43%	35%	40%
Other Activities	70%	83%	72%	89%			79%	90%	72%	96%	80%
Total Group average	**44%**	**70%**	**60%**	**64%**	**37%**	**41%**	**62%**	**60%**	**59%**	**60%**	**59%**

Individual variable salary components: encouraging individual performance

AIn addition to basic salary, most of the Group's entities make use of individual and collective performance incentives (such as bonuses or a variable component of pay).

These practices make it possible to link an employee's remuneration to the achievement of personal targets and collective objectives at the level of the subsidiary concerned. **44%** of the Group's workforce has a variable component of pay (a certain degree of disparity is emerging between different geographic areas, particularly due to local market practices, with salary policy remaining the prerogative of local management).

Wherever variable pay components or equivalent systems apply, the Group encourages use of objective-based pay systems involving annual performance review interviews to provide employees with a maximum degree of clarity and transparency.

Proportion of employees receiving a variable component of pay, by occupational group, gender and division

Divisions	Male Executives	Female Executives	Male Managers	Female Managers	Male Journalists and Photographers	Female Journalists and Photographers	Male Other employees	Female Other employees	Male - All occupational groups combined	Female - All occupational groups combined	All occupational groups combined
Lagardère Publishing	77%	72%	64%	54%			50%	50%	57%	53%	55%
Lagardère Active	72%	96%	64%	64%	28%	28%	42%	43%	47%	45%	46%
Lagardère Services	100%	100%	100%	100%			30%	24%	45%	33%	35%
Lagardère Unlimited	82%	100%	86%	88%			49%	42%	63%	49%	58%
Other Activities	95%	100%	26%	26%			0%	1%	15%	12%	14%
Group total	**81%**	**80%**	**73%**	**66%**	**28%**	**28%**	**37%**	**35%**	**49%**	**42%**	**44%**

The existence of this variable component of pay, notably in occupations with a strong commercial dimension, partially explains the differences in total salary observed between the occupational groups (see table above).

Incentives and profit sharing: collective performance bonuses

Schemes that allow employees to share in the financial results of their company are encouraged within the Group. They mainly comprise profit sharing and employee savings schemes.

Each entity is free to implement its own scheme specifically tailored to the local legislation and appropriate to the local context, i.e. targets and the specific nature of the business.

48% of employees in France belong to a collective incentive scheme.

Employee savings schemes: encouraging savings

Proportion of workforce belonging to a savings scheme

Divisions	Proportion of workforce
Lagardère Publishing	33%
Lagardère Active	20%
Lagardère Services	13%
Lagardère Unlimited	17%
Other Activities	100%
Average	**22%**

22% of all Group employees belong to an employee savings scheme. In France the percentage is **24%**.

1.34% of the shares issued by the Group are held by employees, including **0.45%** held through mutual funds.

Free shares: retaining high potential employees

The Group also implements a specific policy of profit sharing with employees according to their level of responsibility, performance and results, and seeks to develop a certain degree of loyalty in high potential employees through the regular allocation of shares in Group companies.

Until 2006, this allocation took the form of stock options. In 2007, a free share allocation plan was set up (cf. Special Reports of the Managing Partners, in Chapter 7, sections 7.3.4 and 7.3.5).

Employee welfare: top-up health insurance, social welfare plans

In France, all Group employees benefit from complementary health and social welfare plans partially funded by the employers. Certain companies also have a special pension scheme for one or more specific categories of employees, in addition to the general pension scheme.

Welfare benefits also exist or are proposed to all employees in other countries, depending on the state systems in place and local practices.

Each entity thus pays social welfare contributions depending on the obligations and practices in force in its country.

Employee benefit expenses, in thousands of euros, by division

Divisions	**2010**	2009	Variation
Lagardère Publishing	**79,606**	78,529	1,077
Lagardère Active	**142,865**	141,978	887
Lagardère Services	**63,711**	62,623	1,088
Lagardère Unlimited	**6,831**	8,858	-2,027
Other Activities	**12,542**	13,963	-1,421
Total	**305,555**	305,951	-396

Employee benefit expenses, in thousands of euros, by geographic area

Areas	2010	2009	Variation
France	**219,441**	217,798	1,643
European Union	**53,253**	55,869	-2,616
Other European countries	**8,983**	8,188	795
USA and Canada	**19,401**	18,797	604
Asia-Oceania	**3,728**	4,166	-438
Other (Middle East, Africa, Latin America)	**749**	1,133	-384
Total	**305,555**	305,951	-396

The above employee benefit expenses also include contributions to social welfare organisations paid to the staff representative authorities, according to local practices.

B.2 PROTECTING HEALTH AND SAFETY AT WORK

(NRE disclosure requirements concerning health and safety conditions)

The Group's business activities are mainly concentrated in the services sector, where **health and safety issues are of relatively limited importance**. Entities with Logistics and Distribution activities have a relatively greater "safety culture".

Nonetheless, Lagardère implements a policy of reducing health and occupational risks in each of its business divisions, through preventive action and training.

Stress

In France, the Group began to address the question of the prevention of stress-related risks, and more generally malaise in the workplace, in 2006, independently of government directives on the subject.

In 2009 audits were carried out with the Health & Safety and Working Conditions Committees at Hachette Livre and Corporate level, to assess the stress factor, and identify any at-risk populations and the main causes related to the work environment. The Group is aware of the extensive scope and difficulty of the subject, and long ago decided to work in an open, cooperative manner, at a pace in keeping with the issue's complexity.

Collective action: training and management-workforce dialogue

Regular health and safety training is organised within the Group's individual entities. In 2010 this represented 10,604 hours, or 1,414 days; this figure is lower than in 2009 (2,803 days) due to the additional efforts invested in other training topics, particularly IT/digital and occupational training.

Along with staff representation, health and safety issues were among the subjects most often discussed in specific or general instances of dialogue between management and the employees. **60%** of the workforce is covered by an agreement concerning health & safety and working conditions, and almost 18% of the Group's entities have a specific body in charge of health and safety at work.

Accidents at work: frequency and severity rates

To reduce the frequency and severity rates of work accidents [(1)], Lagardère's various divisions conduct continuous prevention campaigns as appropriate to the specific nature and constraints of their businesses.

The efforts deployed over the past few years continue to bear fruit, and in 2010 the frequency rate for the Group once more fell considerably to **4.65** compared to 8.18 in 2009, 9.85 in 2008 and 9.68 in 2007. This rate was stable in France compared to 2009.

The severity rate of work accidents also declined for the Group, to **0.14** in 2010, compared to 0.29 in 2009, 0.32 in 2008 and 0.31 in 2007. There was little change in France where the rate was **0.75**.

(1) Frequency rate = (number of work accidents resulting in sick leave x 10) / number of hours worked.
Severity rate = (number of days sick leave x 1,000) / number of hours worked.

Working hours

The maximum working hours by geographic area were the following:

Areas	Maximum number of days worked per year	Maximum number of hours worked per day
France	210	7
Rest of Europe	241	8
The Americas	246	8
Asia	252	8
Other	254	8

These figures correspond to local practices and systematically comply with local laws. The maximum number of days worked in all areas outside France, as well as the maximum number of hours worked per day, is falling, which is evidence of an improvement in labour conditions.

Absenteeism

Divisions	Average days of sick leave, per person	Average days of maternity/paternity leave, per person	Average days of leave due to accidents, per person
Lagardère Publishing	2.6	1.8	0.02
Lagardère Active	2.7	1.5	0.006
Lagardère Services	3.0	0.9	0.02
Lagardère Unlimited	1.7	0.7	0.002
Other Activities	2.2	0.3	0.0015
Total Group average 2010	**2.8**	**1.3**	**0.001**
2009	5.2	3.1	0.4
2008	5.2	3.2	0.4
2007	5.2	2.6	0.5

Absenteeism was lower overall in 2010 for all types of absence (and for sick leave in particular: the number of days' sick leave per person fell by almost half).

Accident-related absenteeism continued to decrease steadily in 2010, clearly as a result of the campaigns to improve health and safety at work.

B.3 PROMOTING EMPLOYEE RELATIONS

(NRE disclosure requirements concerning labour relations)

Employee relations are an essential component of the Lagardère group's human resources policy, based on the clear principle of seeking a continuous balance between economic and labour issues, at **all levels of the organisation** (entities, divisions and Group).

Group Employees' Committee and European Works Committee

Beyond the principle of autonomy for the business divisions, the Group aims to promote cooperation and dialogue with employee representative bodies and between the various subsidiaries, in France and the rest of the world.

Two Works Committees have been set up to this end: the European Works Committee, set up in January 2003, and the Group Employees' Committee, set up in January 2002. These two bodies have regular exchanges with the Top Management about the key issues and transformations necessary for the Group's business activities.

The Group Employees' Committee comprises 30 members representing employees of the Lagardère group.

The European Works Committee also comprises 30 members who are employees of the Lagardère group in Europe (France holds 15 seats, and the remaining 15 are held by representatives from six other European countries - Spain, Belgium, Hungary, United Kingdom, Italy and Germany).

The articles of association of the Group Employees' Committee and the European Works Committee stipulate that each of these bodies must hold an annual meeting. In addition to the plenary sessions, meetings of the members of the *Bureau* (committee) and the Union Representatives may be held if the current situation so requires.

The Group Committee, whose members were renewed in 2009, held a meeting in December 2010, and the *Bureau* of the Group Committee met once in November 2010. The subjects discussed at these meetings included the proposed disposal of the International Magazine Publishing business.

The plenary meeting of the European Works Committee was held in April 2010, and the committee was also renewed in 2010. (The *Bureau* of the European Works Committee met once in 2010).

The subjects discussed at that meeting included the operation of the European Works Committee.

Local employee representation

In 2010, employee representation concerned **72%** of Lagardère's total workforce. This figure was **stable** compared to 2009. In France, the rate was over **97%**. Employees without representation work in very small entities.

Collective agreements

At 31 December 2010, there were **541** collective agreements in force in the Group, an indication of the vitality of employee relations. These agreements generally concerned pay, working hours, social welfare coverage, etc.

116 new collective agreements were signed in 2010, a figure that is relatively stable compared to 2009. This change is due to two factors:

- **in France**, government directives regarding negotiation obligations are becoming increasingly strict each year; 77 new agreements were signed;
- **in Asia**, 18 new agreements were signed in 2010 (after 17 in 2009); once again this concerned Hachette Book India (founded in 2008), but also Hachette Fujingaho (Lagardère Active) in Japan.

Percentages of the workforce covered by a collective agreement, by type were as follows:

- **72%** of the workforce is covered by an agreement concerning working hours;
- **60%** of the workforce is covered by an agreement concerning health and safety and working conditions;
- **71%** of the workforce is covered by an agreement concerning pay;
- **62%** of the workforce is covered by an agreement concerning social welfare;
- **29%** of the workforce is covered by an agreement concerning training.

Percentage of the workforce covered by a collective agreement, by type and by geographic area

Areas	Working hours	Health, safety and working conditions	Pay	Employee welfare	Training	Other
France	95%	61%	87%	71%	39%	84%
Rest of Europe	63%	62%	67%	59%	26%	16%
The Americas	50%	50%	50%	50%	9%	0%
Asia	26%	21%	37%	23%	1%	0%
Other	88%	88%	88%	88%	78%	78%
Total Group average	**72%**	**60%**	**71%**	**62%**	**29%**	**39%**

Social dialogue at industry level

The Group also belongs to a large number of representative bodies in the media, such as the Press and Book publishing Unions. In this capacity, it takes part in negotiations with employee representative bodies in France (particularly concerning freelance journalists, seasonal entertainment workers and home workers).

In publishing, Lagardère Publishing is actively involved in joint negotiations between the French National Publisher's Union and the trade union organisations.

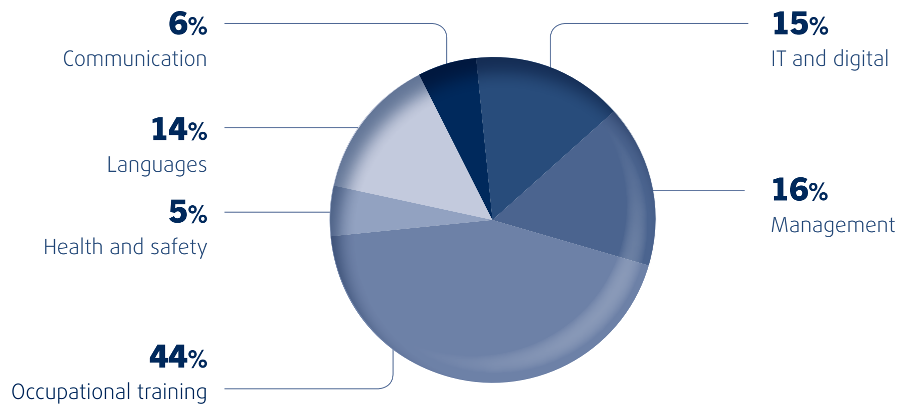
C) *ENCOURAGING SKILLS DEVELOPMENT*

In compliance with the principle of autonomy of the Group's individual divisions, measures for skills development and internal mobility are taken at the level of each entity. However, they all reflect Lagardère's commitment to investing in development of the professional skills and individual responsibilities of staff, and fostering fulfilling career development through increased internal mobility.

C.1 TRAINING

In 2010, the Group's main concerns again revolved around acquiring the skills related to IT and digital technologies (particularly their use in combination with traditional media), and improving talent management, including on a cross-divisional basis.

Breakdown of training hours by type



Training is underpinned by each division's concern to foster and develop the skills of its employees.

Training programmes have been drawn up at every level and training efforts in 2010 were sustained, with more than 220,000 hours devoted to training for a total budget of over €9,200,000.

In 2010, the training budget per employee amounted to **€339**, very similar to 2009; this figure amounted to almost **€600** for France in 2010, compared to slightly more than €680 in 2009.

The Group also strives to build a corporate culture in its managers, and foster development of the key values of creativity, independence, daring and entrepreneurship. These values are conveyed through the in-house university "Media Campus", which offers training designed for managers in the Group.

Two programmes - "Leadership" and "Integration" - provide support to managers and serve to strengthen their management skills. In a new move this year, the integration seminar is now open to all newly-recruited managers.

Management training continues play an important role (**16%**), a significant increase compared to 2009 (**10%**).

The core training effort in 2010 focused on occupational training (**44%**) and IT and digital training (**15%**), which may in practice overlap with occupational training in the media businesses, and also nowadays in publishing, where the importance of digital technologies is expanding fast.

C.2 ENCOURAGING PLACEMENTS AND APPRENTICESHIPS

Each entity has a significant policy for exchanges with schools and universities, particularly through work placements.

In 2010, Lagardère welcomed some **1,963** placement students, **251** more than the previous year.

The number of alternate work/study contracts reached **457** in 2010, an increase of **31** over the previous year. This type of contract is particularly advantageous for both the Group and the trainees. It allows young people to gain experience of a real business environment over a relatively long period of time (1 to 2 years), while at the same time continuing their basic training and education.

C.3 PROMOTING INTERNAL MOBILITY

Career management, internal promotion and internal career opportunities involve each entity's management and human resources teams and are essentially the responsibility of each division. For example, annual interviews for assessment and promotion are gradually being introduced systematically throughout the Group.

To help employees define their career plans, information and guidance on mobility is available through the Group's Intranet, which also contains lists of vacant positions within the Group. Employees can create personalised alert message systems for notification when new vacancies of potential interest arise.

In 2010, internal transfers represented over **12%** of the Group's recruitments (internal promotion plus transfers) compared to 7.6% in 2009.

Although the specific nature of the different entities (business activity and distant geographic locations) may hinder mobility between the divisions, the great improvement between 2009 and 2010 shows that mobility is a topic of importance in the Group's human resource policy. This increase is not an end in itself, and the action taken to organise, facilitate and develop internal transfers will continue to be a priority in the years to come.

5.3.2.2 INFORMATION ON EXTERNAL RELATIONS

Two of the four priorities (see above) defined by Lagardère involve concerns related to corporate citizenship, and they have generated six commitments:

- defending the pluralism of news and information and guaranteeing the diversity of our contents;
- increasing access to our contents for vulnerable people;
- being attentive to our different audiences;
- encouraging debate on Sustainable Development;
- making an active commitment to promoting culture and sport;
- showing solidarity and helping new talents to emerge.

These commitments are described in detail in the Sustainable Development Report (part 2), but the NRE law requires disclosure of the Lagardère group's relations with subcontractors and links with Society in general in this Reference Document.

In the different countries where the Group does business, the divisions take into consideration the territorial impact of their activities in terms of employment and regional development. This is reflected in the proportion of Managing Executives hired locally: 94% across the whole Group.

A) RELATIONS WITH SUBCONTRACTORS

The Group maintains close relations with its numerous subcontractors, and responds to these issues in two ways:

- first of all, for some time it has incorporated ethical, social and environmental criteria into relations with partners, in particular by drawing up a certain number of charters or codes of conduct specific to its business entities;
- secondly, it conducts awareness-raising programmes for partners, and monitors and audits their performance levels.

A.1 INCORPORATING THE GROUP'S ETHICAL, SOCIAL AND ENVIRONMENTAL CRITERIA INTO RELATIONS WITH OUR PARTNERS

The criteria in the Sustainable Development Charter, which apply to all foreign subsidiaries, mainly concern:

- respect of the principles defended by the International Labour Organisation (including the prohibition of child labour and all forms of forced or compulsory labour);
- prohibition of illegal employment;
- anti-corruption measures;
- compliance with applicable social welfare regulations;
- existence of risk prevention measures for work safety;
- implementation of a labour policy based on a quality approach;
- respect of the fundamental principles of environmental protection;
- compliance with the environmental legislation in force;
- control of the environmental impact of business activities through the implementation of an environmental policy based on the principle of continuous improvement;
- promotion of the above principles to business partners;
- acceptance that Lagardère may conduct audits in order to verify the application of the principles of this charter, directly or through the services of a third party.

The 7th principle of the Procurement Policy also answers the concerns of the NRE law; "Compliance with the regulations and legislation in force, and the code of conduct with respect to suppliers".

Lagardère Active requires its suppliers in the magazine manufacturing sector (paper suppliers, printers, binders and transporters) to sign the Group's Sustainable Development Charter, and Sustainable Development criteria are gradually being incorporated into calls for tender for equipment and services. Sustainable Development commitments are also set forth in certain contracts. To monitor these issues, a Sustainable Development Committee was set up in 2009 within the Procurement and General Services Department.

At Lagardère Publishing, the charter (or Code of Conduct) was drawn up in 2007, covering the three components of Sustainable Development. Regarding labour, this charter sets forth the respect of children's rights and human rights. Regarding the environment, the charter obliges providers to respect the environmental laws and regulations in force, adopting a responsible waste management policy and encouraging the use of recyclable paper. Lastly, the charter obliges all suppliers to measure the quality of their products or services, the integrity of their business practices and independence *vis-à-vis* the employees and representatives of Lagardère Publishing.

The publishers of Hachette Collections have issued all their suppliers and subcontractors with a specific Code of Conduct reaffirming the fundamental principles of Human rights and children's rights.

The Hachette Collections code stipulates that the publishing houses are entitled to verify that these principles are applied by their suppliers and subcontractors, and consequently may initiate compliance audits during the term of the contracts on the premises of suppliers and sub-contractors, or on any of the suppliers' and subcontractors' production sites. If the code has been breached, sanctions including cancellation of the contract and financial penalties may be applied against the defaulting party. Under this code, Hachette Collections carried out 16 compliance audits in 2010. 94% of these audits confirmed satisfactory compliance (15 plants) and served to implement improvement measures. 6% of the audits (1 plant) detected points of non-compliance which have since been rectified.

At Lagardère Services, certain specific suppliers manufacturing in Asia have also signed a charter undertaking to respect the same constraints. Regular audits are carried out to check that these requirements are met.

This information, which corresponds to the NRE disclosure requirements regarding relations with subcontractors, is also contained in the Sustainable Development Report in the section devoted to stakeholders.

A.2 SUPPLIER/PARTNER AWARENESS RAISING AND THE MONITORING OF PERFORMANCE LEVELS

Lagardère Active is raising supplier awareness of the need for long-term commitment in favour of the environment. The group maintains close relations with its suppliers and regularly requires all its paper suppliers and printers to state their policy and environmental performances.

Lagardère Active has enlisted the services of Ecovadis, the leading cooperative platform enabling member companies to assess the environmental, social and ethical performances of their suppliers all over the world. This solution combines technology with Corporate Social Responsibility (CSR) expertise, and provides assessments covering more than 150 purchasing categories and 21 CSR indicators. In 2010, Ecovadis assessed the suppliers who bid for contracts tendered in the course of the year, particularly for multi-technology, multi-service and paper contracts.

Lagardère Publishing conducts a policy of promoting environmental and labour issues to its paper suppliers and printers, both in and outside France, through a certification incentive scheme (see below).

In terms of raising supplier awareness on employee issues, Lagardère Publishing's efforts initially focused on subcontractors operating in countries where labour and environmental legislation is less strict than in Europe.

Outside Europe, more than 70% of Lagardère Publishing's printers in Asia have already obtained OHSAS 18001 certification (a standard that is recognised the world over for health, safety and working conditions) or have signed a framework agreement including a labour clause. These awareness-raising operations will be continued not only towards subcontractors outside Europe, but also with Lagardère Publishing's European printers which currently handle over 80% of the division's printing work. As a result, an increasing number of the Group's French and European printers have signed framework agreements comprising a labour clause, or have obtained labour-related certification.

B) RELATIONS WITH SOCIETY IN GENERAL

The **Jean-Luc Lagardère Foundation**, which celebrated its twentieth anniversary in 2009, is central to the Group's relations with society in general. The Jean-Luc Lagardère Foundation exists to implement the Group's commitment in the fields of culture, solidarity and sport; its ambitions are to boost confidence, promote excellence and foster social cohesion.

Every year the Jean-Luc Lagardère Foundation awards bursaries to young talents in the world of culture and the media. Since it was created, 192 winners (including eleven new winners in 2010) have received a total of €4,370,000, including €240,000 in 2010.

Some of the Foundation's actions for 2010 are detailed in the Sustainable Development Report. To take one example, in 2010 the Jean-Luc Lagardère Foundation signed a two-year partnership agreement with Studio 13/16 in the Centre Georges Pompidou, a space where teenagers aged 13 to 16, particularly from "difficult" suburbs, can be creative and develop a relationship with art.

The foundation also renewed its partnership with the Institut d'Études Politiques (IEP) in Paris, both for high-level sports training and for the high school educational experiments intended to "open up knowledge and places" and promote success for all young people.

At Lagardère Active, the Elle Foundation created in December 2004 is an extension of the original idea behind *Elle* magazine: "*To support the advancement, the emancipation and the role of women in our society*". Since it was set up, the Foundation has sponsored more than 30 projects promoting women's education in France and other countries worldwide.

In addition to the projects sponsored in 2010, the Elle Foundation joined forces with the Jean-Luc Lagardère Foundation to award a grant to 27 year-old student and budding journalist Gaby Saget from Haiti, to help her to complete her studies at the Institut d'Études Politiques in Paris.

Regarding **vocational integration organisations**, one of the examples described in more detail elsewhere is *Nos quartiers ont des Talents*, which helps young people from difficult areas to gain an initial foothold in the job market.

Regarding **educational establishments**, the Lagardère Group works in partnership with several universities to hire young people on alternate work/study contracts, and maintains close relations with the Institut d'Études Politiques in Paris, with which it has run a number of joint programmes (see above) for several years.

Lagardère Active's media are also involved in promoting young talents. *Le Journal du Dimanche*, with the school of journalism at the Institut d'Études Politiques, organises a best written portrait competition. The prize is a 4-month work placement in the copy room of the newspaper, and publication on the newspaper's website.

At Lagardère Publishing, Hachette and Hatier are involved in *Savoir Livre*, an organisation which works with the French National Education authority and the Books and Reading Department of the Ministry of Culture, to encourage access to reading.

Regarding **environmental protection organisations**, the Lagardère Services subsidiary renewed its partnership with the WWF in 2010 and for 2011, as part of the HDS Digital electronic newsstand.

At Lagardère Active, as part of the development of the *Gulli Ma planète* label, the children's television channel Gulli also renewed its partnership with the organisation called *Planète Urgence* (Planet Emergency).

Lagardère Unlimited, meanwhile, is engaged in partnerships with various associations in the countries it operates in, including Israel.

5.3.2.3 ENVIRONMENTAL INFORMATION

Lagardère is a media corporation, with a highly diversified range of business activities mainly in the services sector, and this tends to moderate its direct industrial and environmental risks (1). Certain NRE environmental disclosure requirements are more specifically aimed at industry (disclosures on "discharge into the air, water and soil", for example, or "noise and smell pollution"), and do not apply directly to the Group.

However, Lagardère is well aware that its status as a media corporation in no way exempts it from sound environmental awareness, particularly related to its business sector, and it strives to extend these environmental concerns to all its subsidiaries outside France.

"Developing our business activities with respect for the environment" is the Lagardère Group's second CSR priority. This priority is illustrated by three commitments:

- ensuring responsible and efficient management of paper;
- streamlining transport;
- incorporating environmental concerns into the organisation of our activities.

A) RESPONSIBLE PAPER MANAGEMENT

This responsibility is effective throughout the lifecycle of the paper.

- It begins with the purchase of the paper.
  In 2010, Lagardère bought approximately 470 thousand tonnes of paper.
  The Sustainable Development Report explains the Lagardère group's goals and actions in this domain, such as increasing the proportion (2) of paper originating from sustainably managed forests (3) and using recycled paper whenever possible (4).

  Lagardère Active was awarded PEFC certification in early 2011 (see below) for all its French magazines, reflecting the progress made throughout 2010. Details of the certification procedure are given in the Sustainable Development Report.

(1) A presentation of the management of industrial and environmental risks related to the Group's business activities is given in Chapter 3, section 3.7.
(2) An overview of certifications is provided below in this document.
(3) Among other things, the report explains the extent to which sustainable forest management contributes at this stage to reducing the threat to ecological balance, unspoilt areas, and protected animal and plant species (NRE law).
(4) Since 2009, *Le Journal du Dimanche* has been printed on 100% recycled paper, and Lagardère Publishing now uses almost 4% recycled pulp.

- Responsible paper management continues during the manufacture of the paper itself, magazines and books, particularly with the measures taken to optimise production.
- It ends when the paper's lifecycle ends, with the action instigated to both reduce the rate of returns and recycle the remaining books and magazines. In 2010, the average rate of returns for newspapers and magazines in France was 40.2%. During this same period, the rate of returns at Lagardère Active was 32.9%, or 7.3 points below the national average. As far as the processing of returns is concerned, on average, 90% of the returns generated by the press distribution system for newsstand sales in France are recycled, and the remaining 10% are returned to the publishers at their request. At Lagardère Active, the recycling rate is higher: approximately 97% of unsold magazines are recycled and only 3% are returned to the publishers. Outside France, the proportions are similar and 100% of the unsold copies not returned to the publishers by Lagardère Services' distribution companies are recycled.

B) *STREAMLINING TRANSPORT*

Transport generates high levels of greenhouse gases, and is a critical environmental concern for the Lagardère group. Transport is used in the manufacturing and distribution of newspapers, magazines and books.

Lagardère Active's policy includes measures to encourage French printers to store the paper to be used on their own premises and recommends the delivery of paper from Italy by train to the printing centre in the Greater Paris Area.

Lagardère Publishing outsources the distribution of books to transport firms which optimise the delivery rounds - and therefore the kilometres covered - in accordance with the constraints imposed by customers.

At Lagardère Services, where one of the two activities carried out abroad is distribution, transport is a major concern.

The four principal wholesale distribution companies (AMP, SGEL, Lapker and Naville) together cover almost 50 million kilometres a year to transport magazines from the printers' to the sales outlets, mainly in lorries and vans. Lagardère Services regularly optimises delivery rounds to reduce the number of kilometres covered: in Hungary for example, transport distance was cut by more than 2 million kilometres between 2009 and 2010. Some subsidiaries are also examining the possibility of using new electric and hybrid vehicles.

C) *INTRODUCING ENVIRONMENTAL CONCERNS INTO THE ORGANISATION OF OUR BUSINESS ACTIVITIES*

C.1 UPDATE OF CARBON AUDITS

Lagardère Active and Lagardère Publishing were the first divisions of the Group to carry out carbon audits, using the proprietary *Bilan Carbone®* method.

The carbon audit of Lagardère Publishing's book publishing activities in France, conducted by the company Carbone 4, showed a figure of 210,000 tonnes CO_2 equivalent per annum in 2009. The CO_2 cost of a book was around 1.3 kg CO_2 equivalent per copy sold.

In 2010, Lagardère Publishing, once again with the assistance of Carbone 4, added the production and distribution of Boxed sets and Part-works to the carbon footprint of its French subsidiary, bringing the total to 246,000 tonnes CO_2 equivalent per annum.

Among Lagardère Publishing's international subsidiaries, in the United States Hachette Book Group also carried out a carbon audit in 2009. The resulting figure was 390,000 tonnes CO_2 equivalent per annum, using a different method from the French *Bilan Carbone®* (the loss of CO_2 absorption capacity related to deforestation in particular was calculated differently, and the retail business activity was included).

Lagardère Publishing's Spanish subsidiary calculated its carbon footprint in 2010: it amounted to 41,500 tonnes CO_2 equivalent per annum. The CO_2 cost of a book emerges at around 1.9 kg CO_2 equivalent per copy sold (as economies of scale are smaller in Spain than in France), which can be itemised as follows:

Production: 1,193g

Distribution: 339g

Circulation: 73g

Design/administration: 287g

In 2011, with final harmonisation of European and American calculation methods and inclusion of the carbon footprint from the United Kingdom subsidiary, Lagardère Publishing will be able to calculate the total carbon audit for its global business operations.

In the last quarter of 2008, **Lagardère Active** conducted a carbon audit across the full spectrum of its activities (Press, Radio, Television and Digital) in France and in the rest of the world. The study showed that greenhouse gas emissions for a magazine sold in France ranged from 500 to 600g CO_2 equivalent, approximately half of which is generated by the manufacturing process.

For each euro of sales revenues, emissions in CO_2 equivalent by electronic media (TV, radio and digital) are twice to three times as high as emissions by the press. However, Lagardère Active has focused its environmental action on the press, for the largest share of its CO_2 emissions comes from its suppliers, paper manufacturers and printers, who can all be directly influenced.

In addition to the actual figures, the advantage of the *Bilan Carbone*® method lay in the volume of information gathered, which constituted an initial benchmark. In 2011, Lagardère Active will update its carbon audit to define areas for progress, pursue the actions already initiated, particularly in the Press sector, and schedule new improvement plans.

C.2 MONITORING ENERGY CONSUMPTION

En 2006, the Group incorporated certain environmental data items concerning **water and energy consumption** into its financial data consolidation system.

The data below for 2010 covers 100% of Lagardère's consolidated subsidiaries, totalling 506 companies, with the following breakdown:

Lagardère Publishing > 92

Lagardère Active > 244

Lagardère Services > 69

Lagardère Unlimited > 69

Other Activities > 32

Consumption included in certain site overheads (representing a relatively small number compared to the number of companies consolidated) and not itemised is estimated according to the type of premises and the number of occupants concerned; to ensure consistency in the consolidated data, internal reinvoicing between consolidated companies is not taken into account: the relevant data is entered once only, by the business unit that receives the invoice from the service company.

In line with its continuous improvement approach, the Group has decided this year to present the amount of CO_2 emissions relative to its tertiary energy consumption (consumption by offices and other premises occupied by the Group's employees), not only globally and consolidated at Group level (table 1: 100% of subsidiaries covered), but also with a breakdown by country (table 2). There are several reasons for this:

- to show more rigour and transparency in calculating the CO_2 equivalence of electricity, as the CO_2 emission factors differ from one country to another (because the way electricity is produced depends on the country concerned);
- to give a better representation of Lagardère's consumption levels (and the associated CO_2 emissions) depending on the geographical site.

The table of the Group's consumption levels and CO_2 emissions by country (table 2) covers 90% of Lagardère's workforce and 88.65% of the consolidated turnover.

Lastly, it was also decided to make a specific table of consumption levels for each business division in France (table 3), which represents approximately 1/3 of the Group's total workforce and 1/3 of consolidated turnover.

The method for calculation and conversion to carbon equivalents uses the emission factors proposed by the 2010 update (version 6) of ADEME's Carbon database. Carbon equivalences for gas and oil consumption include emissions upstream of these two types of energy.

To obtain a meaningful comparison with the previous year, the data for 2009 has been recalculated following the same methodology as the data for 2010.

The Group's energy consumption and CO_2 equivalents, by division

Divisions	Year	Water (m^3)	Electricity (kWh)	$MtCO_2e$ (1)	Recycling and/or cogeneration (2) (kWh)	$MtCO_2e$	Gas (kWh)	$MtCO_2e$	Oil (litres)	$MtCO_2e$	Total $MtCO_2e$
Lagardère Publishing	**2010**	82,796	40,524,000	13,555	1,935,277	377	27,438,100	6,368	971,437	2,858	23,158
	2009	73,982	39,916,698	13,272	2,046,098	399	26,018,376	6,038	1,132,156	3,331	23,040
Lagardère Active	**2010**	69,115	46,485,167	15,419	1,948,000	380	4,514,183	1,048	356,017	1,048	17,948
	2009	69,324	49,477,607	16,530	2,218,000	433	5,269,118	1,223	299,711	882	19,015
Lagardère Services	**2010**	409,002	91,540,123	26,742	373,631	73	19,663,711	4,563	1,392,387	4,097	35,475
	2009	424,156	93,408,398	26,460	371,948	73	18,432,080	4,278	1,256,183	3,696	34,507
Lagardère Unlimited	**2010**	10,108	2,653,143	920	85,000	17	667,172	155	7,160	21	1,113
	2009	8,177	2,417,194	854	-	0	569,494	132	-	0	986
Other Activities	**2010**	151,773	6,997,781	595	2,609,300	509	8,297,422	1,926	2,557	8	3,037
	2009	172,774	6,680,579	568	2,543,400	496	8,130,104	1,887	1,957	6	2,957
Total	**2010**	**722,794**	**188,200,214**	**57,231**	**7,221,208**	**1,409**	**60,580,588**	**14,060**	**2,729,558**	**8,032**	**80,732**
	2009	748,413	191,900,476	57,684	6,909,446	1,347	58,419,172	13,558	2,690,007	7,915	80,504

(1) $MtCO_2e$: metric tonne carbon dioxide equivalent.
(2) Recycling of domestic waste and/or combined heat and power production.

The Group's energy consumption levels in 2010 were therefore the following:

- Water: 722,794 m^3
- Electricity: 188 GWh
- Gas: 60.6 GWh
- Oil: 2.7 million litres
- Recycling of domestic waste and/or combined heat and power production (cogeneration): 7.2 GWh.

Altogether, these consumption levels are equal to almost 81,000 tonnes of CO_2 equivalent. All this data is stable overall compared to the previous year.

The Group's energy consumption and CO_2 equivalents, by country

Countries	Water (m^3)	Electricity (kWh)	$MtCO_2e$ (1)	Recycling and/or cogeneration (2) (kWh)	$MtCO_2e$	Gas (kWh)	$MtCO_2e$	Oil (litres)	$MtCO_2e$	Total $MtCO_2e$
France	222,700	61,953,732	5,266	6,762,577	1,319	23,551,611	5,467	386,349	1,136	13,188
Russia	3,507	1,061,844	349	-	0	-	0	80,551	237	586
Spain	39,891	14,758,905	5,165	-	0	3,446,969	800	312,544	919	6,884
United Kingdom	13,984	9,783,053	4,940	-	0	2,695,073	625	261,058	768	6,333
USA	113,574	17,477,418	9,770	-	0	11,567,896	2,685	6,080	18	12,473
Canada	145,321	11,808,048	2,173	-	0	780,352	181	66,289	195	2,549
Switzerland	34,388	4,128,108	107	290,700	57	60,000	14	166,890	491	669
Belgium	15,123	15,676,326	4,076	-	0	8,058,493	1,870	465,177	1,369	7,315
Australia	11,010	5,391,000	4,965	-	0	-	0	-	0	4,965
Poland	1,022	3,726,152	2,456	-	0	83,428	19	193,278	569	3,044
Hungary	17,050	8,289,597	2,852	-	0	5,103,350	1,184	267,394	787	4,823
Germany	51,633	16,530,997	6,678	85,000	17	4,556,183	1,057	70,100	206	7,958
Total	**669,203**	**170,585,180**	**48,797**	**7,138,277**	**1,393**	**59,903,355**	**13,902**	**2,275,710**	**6,695**	**70,786**

(1) $MtCO_2e$: metric tonne carbon dioxide equivalent.
(2) Recycling of domestic waste and/or combined heat and power production.

● The Group's energy consumption and CO_2 equivalents, by division, in France

Divisions	Water (m^3)	Electricity (kWh)	$MtCO_2e$ (1)	Recycling and/or cogeneration (2) (kWh)	$MtCO_2e$	Gas (kWh)	$MtCO_2e$	Oil (litres)	$MtCO_2e$	Total $MtCO_2e$
Lagardère Publishing	29,158	13,551,908	1,152	1,935,277	377	12,210,992	2,834	382,492	1,125	5,488
Lagardère Active	39,561	15,160,771	1,289	2,218,000	433	2,902,585	674	1,300	4	2,399
Lagardère Services	745	25,838,934	2,196	0	0	140,612	33	0	0	2,229
Lagardère Unlimited	1,463	404,338	34	0	0	0	0	0	0	34
Other Activities	151,773	6,997,781	595	2,609,300	509	8,297,422	1,926	2,557	8	3,037
Total	**222,700**	**61,953,732**	**5,266**	**6,762,577**	**1,319**	**23,551,611**	**5,467**	**386,349**	**1,136**	**13,188**

(1) $MtCO_2e$: metric tonne carbon dioxide equivalent.
(2) Recycling of domestic waste and/or combined heat and power production.

Under the Group's ambition to **increase use of low-carbon emission energy sources**, the Parisian head offices of the French Press division and Lagardère Publishing, which are among the largest in the Group, are heated by Compagnie Parisienne de Chauffage Urbain (CPCU). 73% of the energy supplied by CPCU comes from recycled domestic waste and gas produced by cogeneration.

The same applies to the head offices of the Lagardère group, which opted for this same energy mix several years ago to heat one of its two sites (both in Paris), which accounts for 17% of its heating consumption.

Given the concern to reduce and/or optimise energy consumption, a global approach to "Controlling Energy Expenditure" has been instigated in partnership with the Group's electricity supplier, with the aim of identifying all potential sources of energy savings, assessing the potential gains and implementing the corresponding action.

These audits were used to identify specific areas for progress, and improvement operations have been (and will continue to be) implemented on the sites concerned. The majority of measures applied relate to:

- lighting, chiefly the use of low-energy consumption light bulbs or metal iodide lamps to replace existing lamps;
- air conditioning or ventilation and heating, particularly the implementation of processes designed to reduce heat exchanges, as the group's sites are principally tertiary service sites.

One example of this is the reduction of energy consumption at Lagardère Services' sales outlets in France through the implementation of a certain number of measures. In 2010, initiatives continued to design the most eco-efficient stores possible, in particular reducing energy consumption, in three ways:

- by working on better insulation of premises;
- by installing LEDs and T5 bulbs and promoting rational use of lighting;
- by installing new air conditioning systems and recycling the air.

In 2009, a new air conditioning centre was also installed at the head office of the Lagardère group. In addition to preparing for the ban on the use of R22 gas scheduled for 2012, the new systems generated the following energy savings:

- 830 m^3 of water per year;
- 141,500 kW per year, which represents a 50% saving in electricity for refrigeration.

The Sustainable Development Report presents some of the energy saving measures taken in the different divisions.

C.3 WASTE MANAGEMENT

The wide disparity in situations and local constraints leads the divisions to conduct local improvement operations, while making use of the Group's exchanges of best practices. The objectives pursued remain the same:

- reinforce volume tracking and waste sorting by type;
- improve downstream traceability, particularly with respect to the selected subcontractors; and where possible reduce volumes and management costs.

In the course of 2011, Lagardère Active will roll out a waste sorting system for its establishments in the Paris area, to increase the volume of recyclable materials collected (primarily paper) and ultimately reduce the volume of waste.

C.4 CERTIFICATION PROCESSES

ISO 14001 certification

- La Croix Catelan obtained ISO 14001 certification in December 2009 and carried out the follow-up audit in December 2010. The Sustainable Development Report explains the progress made in 2010 and the objectives for 2011.
- Lagardère Publishing continued its efforts to encourage its partners to initiate ISO 14001 environmental certification procedures. To date, 97% of the paper bought by Lagardère Publishing in France comes from ISO 14001-certified factories (compared to 92% in 2009, 95% in 2008, 90% in 2006 and 80% in 2005).
- Since 2009, all French printers selected by Lagardère Active have obtained the Imprim'vert quality label or ISO 14001 certification. At Lagardère Publishing, 44% of printers worldwide were ISO 14001-certified in 2010.

FSC or PEFC certification

At Lagardère Publishing, the proportion of paper manufactured with pulp made from wood from FSC or PEFC-certified sustainably managed forests has continued to increase, from 35% in 2005 to 50% in 2006, reaching 65% in 2008 and 67% in 2009.

In 2010, pulp from certified forests and recycled pulp together accounted for more than 70% of the total for all types of paper purchased by Lagardère Publishing [(1)].

The experimental printing of General Literature publications on recycled paper, which began in 2009, continued in 2010 with collections such as the "Guides Evasion" and "100% Durable".

At the beginning of 2010, Lagardère Active instigated a certification process for the paper control chain. The French magazines were awarded PEFC certification at the beginning of 2011; the Sustainable Development Report gives details of the procedure followed. The Netherlands, Italy and Japan are also PEFC or FSC certified, and the certification process is being gradually extended to cover the whole Group.

C.5 ECOLOGICAL INITIATIVES FOR NON-MEDIA ACTIVITIES

In addition to the policies aimed at enhancing control and reducing the environmental impact of its business activities, through its subsidiary Matra Manufacturing & Services the Group has been involved since 2006 in the development, manufacture and European distribution of electrically-driven vehicles (electric bicycles and scooters, light electric quadricycles).

(1) Until 2009, the proportion of recycled pulp used was close to 0. In 2010, thanks to the action undertaken in connection with the carbon audit, the proportion of recycled pulp used is now 4%.

CHAPTER 6

Net assets – Financial position – Results

6.1 PER SHARE DATA AND DISTRIBUTION POLICY

6.1.1 PER SHARE DATA

(in euros)	**2010**		2009		2008	
	Basic	**Diluted (1)**	Basic	Diluted (1)	Basic	Diluted (1)
Profit attributable to owners of the parent, per share	**1.29**	**1.27**	1.08	1.07	4.62	4.62
Equity attributable to owners of the parent, per share	**30.61**	**30.32**	31.18	31.04	33.88	33.88
Cash flow from operations before change in working capital, per share	**4.65**	**4.60**	5.17	5.14	5.43	5.43
Market price at 31 December	**30.83**		28.41		29.00	
Dividend	1.30 (2)		1.30		1.30	

(1) Including the effect of dilutive stock options and free shares granted to employees.
(2) Dividend to be approved by the Annual General Meeting of Shareholders on 10 May 2011.

6.1.2 DIVIDENDS PAID TO SHAREHOLDERS

Total dividends paid for the years 2007, 2008 and 2009 amounted to €169.2 million, €164.9 million and €165.1 million respectively. For the same years 2007, 2008 and 2009 total dividends accounted for 31.7%, 27.8% and 120.7% of net profit attributable to owners of the parent.

6.1.3 CHANGES IN CLOSING SHARE PRICES

Source: Nyse Euronext

6.2 ANALYSIS OF LAGARDÈRE SCA'S FINANCIAL POSITION AND RESULTS

6.2.1 GENERAL

	2010	2009
Net sales	**7,966**	7,892
Profit before finance costs and tax	**343**	369
Finance costs, net	**(82)**	(82)
Income tax expense	**(67)**	(123)
Net profit	**194**	164
Attributable to:		
- Owners of the parent	**163**	137
- Minority interests	**31**	27

The Lagardère group's consolidated financial statements are prepared in compliance with International Financial Reporting Standards (IFRS), as described in note 1 to the consolidated financial statements – Accounting Principles.

The Lagardère group's business is carried out through the four operating divisions which form Lagardère Media, through its holding in EADS, and through "Other Activities", i.e. business not directly related to the operating divisions.

6.2.2 LAGARDÈRE MEDIA

Lagardère Media includes the operations of the four divisions Lagardère Publishing, Lagardère Active, Lagardère Services, and Lagardère Unlimited, which in 2010 comprises the former Lagardère Sports division and the US company Best, acquired during the year.

Income statement

	2010	2009
Net sales	**7,966**	7,892
Recurring operating profit before associates	**468**	463
Income from associates (*)	**22**	78
Non-recurring items	**(102)**	(591)
Amortization of acquisition-related intangible assets	**(34)**	(66)
– Fully consolidated companies	***(34)***	*(46)*
– Companies accounted for by the equity method	**-**	*(20)*
Profit (loss) before finance costs and tax	**354**	(116)
Finance costs, net	**(46)**	(71)
Profit (loss) before tax	**308**	(187)

(*) Excluding amortization of acquisition-related intangible assets and impairment losses.

Cash flows

	2010	2009
Cash flows from operations before changes in working capital	**656**	641
Changes in working capital	**48**	134
Cash flows from operations	**704**	775
Interest paid and received and income taxes paid	**(188)**	(242)
Net cash provided by operating activities	**516**	533
Cash used in investing activities	**(294)**	(295)
– Intangible assets and property, plant and equipment	***(214)***	*(233)*
– Investments	***(80)***	*(62)*
Proceeds from disposals	**74**	35
– Intangible assets and property, plant and equipment	***10***	*12*
– Investments	***64***	*23*
(Increase) decrease in short-term investments	**(29)**	37
Net cash used in investing activities	**(249)**	(223)
Total cash provided by operating and investing activities	**267**	310
Capital employed (*)	**3,067**	5,398

(*) Non-current assets less non-current liabilities (excluding debt) and working capital requirement.

Income statement

Consolidated sales in 2010 amounted to €7,966 million, a slight increase of +0.9% (or a -1.8% decrease on a like-for-like basis).

This divergence in trends is largely explained by a favourable exchange effect of €225 million for the whole year 2010 (which saw rises in the US, Australian and Canadian dollar, the pound sterling and the Swiss franc, among other currencies). The opposite foreign exchange trend was observed in 2009, affecting Group performance. Changes in the scope of consolidation had only a negligible impact in 2010.

Lagardère Publishing registered a downturn from 2009 (-6.3% on a like-for-like basis) despite an improvement in the final quarter of 2010. This was anticipated after the exceptional performance of 2009, driven by three major bestsellers (Stephenie Meyer's *Twilight* saga, the latest *Asterix* book and Dan Brown's new novel). Sales for 2010 were slightly higher than in 2008 (the first year of success for the *Twilight* saga), confirming Lagardère Publishing's resilience.

Lagardère Active improved its performance thanks to vigorous growth in advertising revenues (in the press and audiovisual activities), and to a lesser extent, in digital activities.

Sales by Lagardère Services were up overall compared to 2009 (+1.7% on a like-for-like basis) to €3,579 million, boosted by a good performance in the final quarter of 2010. Retail activities, which accounted for 70.6% of 2010 sales, rose by +4.2% on a like-for-like basis over the whole year, while distribution activities declined by -3.8%.

Lagardère Unlimited reported a decline in sales compared to 2009 (-23.2% on a like-for-like basis). This was expected, due to:

- foreseeable scheduling effects compared to 2009: in football, the lower number of qualifying matches for the European and World cups (only partly offset by the World Cup tournament in South Africa), and no final phase of the Handball World Championship;
- the loss of certain contracts (Fédération Française de Football, International Handball Federation, Europa League);
- the effect of the economic and financial crisis, which left some customers in a fragile position, affected the popularity of certain events and hindered development of new projects.

The recurring operating profit before associates amounted to +€468 million, up by €5 million from 2009 or 1% before adjustment for changes in group structure and exchange rates.

Changes in recurring operating profit before associates were as follows for each division:

- Lagardère Publishing's recurring operating profit was +€250 million in 2010, -€51 million lower than in 2009. The main factor in this decline was the lower sales after the exceptional levels recorded in 2009;
- In the Lagardère Active division, recurring operating profit stood at +€85 million, substantially higher (+€70 million) than in 2009. The magazine publishing business registered a significant rise in advertising revenues, especially in France, partly counterbalanced by slightly lower circulation for identical titles. The Radio broadcasting business also

benefited from the growth in advertising revenues, especially at Europe 1 and radio stations outside France, while music stations in France registered negative trends.

- Lagardère Services reported recurring operating profit of +€105 million, up by +€14 million from 2009. This increase is explained by a very good retail sales performance (particularly in France), resulting in a +4.2% increase on a like-for-like basis, benefiting in particular from a general improvement in airport traffic. This rise was partly offset by a -3.8% downturn in the Press distribution activities, particularly in Western and Central Europe;
- The recurring operating profit of Lagardère Unlimited was +€28 million, down by -€28 million from 2009. This excludes amortization of acquisitions-related intangible assets (-€27 million at 31 December 2010 compared to -€42 million in 2009). The decline reflects the anticipated drop in sales revenues after 2009. Business also continued to be affected by the stringent market conditions for sales of media rights in Europe.

Income from associates was +€22 million in 2010 compared to +€78 million in 2009. In 2009, income from associates included the contribution of Canal+ France amounting to +€62 million. At 31 December 2010, the investment in Canal+ France is carried at its value in use of €1,507 million, unchanged from its carrying value at 31 December 2009. The Group's share in net income of Canal+ France for 2010 (+€71 million) was offset by an equivalent impairment loss recognised against these shares; consequently no contribution from Canal+ France is included in income from associates in 2010.

Non-recurring/non-operating items included in the profit before finance costs and tax represented a net loss of -€136 million in 2010, compared to a net loss of -€657 million in 2009.

This loss comprises the following components:

- Impairment losses of -€100 million, including -€87 million on goodwill on acquisition of Sportfive (Lagardère Unlimited) due to the loss of certain contracts in 2010. In 2009 impairment losses amounted to -€484 million, including -€441 million on intangible assets relating to Lagardère Active and -€31 million in respect of shares in Marie-Claire accounted for by the equity method, reflecting the economic recession and its effect on prospects for advertising revenues and magazine circulation;
- -€40 million of restructuring costs spread across all divisions and the Media segment entities (including -€22 million for Lagardère Active), principally for the cost-cutting and company rationalisation plans;
- Gains of +€38 million on disposals, mainly comprising a gain of +€53 million on the sale of the DTT channel Virgin 17, and losses of -€11 million on the sale of the Brazilian publisher Escala Educacional and -€10 million on the sale on the 5% investment in Le Monde SA;
- -€34 million of amortization of acquisition-related intangible assets, including -€27 million concerning the Unlimited division.

As a result of the above items, the Media segment reported a profit before finance costs and tax of +€354 million in 2010, compared to a loss of -€116 million in 2009.

Net finance costs were -€46 million against -€71 million in 2009. The capital contribution to Lagardère Active in late 2009 was the main factor in this improvement.

Cash flows

Cash flows from operations before changes in working capital amounted to +€656 million in 2010, compared to +€641 million in 2009, in line with the increase in recurring operating profit.

Working capital decreased (by €48 million) for the second year running; this improvement was mainly visible at Lagardère Publishing and Lagardère Active.

Interest paid (net of interest received) totalled €38 million in 2010, compared to €67 million in 2009, reflecting the reduction in debt (including the positive impact of the capital contribution to Lagardère Active in late 2009) and the lower interest rates. Taxes paid declined from €175 million in 2009 to €150 million in 2010.

All these items generated net cash from operating activities of +€516 million in 2010, compared to +€533 million in 2009.

Purchases of property, plant and equipment and intangible assets, net of disposals, totalled €204 million in 2010, compared to €221 million in 2009, and principally concerned the Unlimited (sports rights) and Services (sales outlet refits) divisions in both years.

Purchases of investments amounted to €80 million in 2010. The principal investments were the acquisition of Best by the Unlimited division, the acquisition of minority interests in the Active division and the payment of acquisition price supplements in the Unlimited division.

Disposals of investments amounted to €64 million in 2010, including in particular the sale of the Virgin 17 TV channel. Other changes in investments amounted to €29 million, corresponding to purchases of short-term investments, exclusively in the Services division.

As a result, total cash of +€267 million was provided by operating and investing activities in 2010, compared with +€310 million in 2009.

6.2.3 EADS

In 2010, the EADS group is accounted for by the equity method based on a percentage interest of 7.5%. In 2009, the share of profit included in the consolidated income statement was based on a percentage interest of 10% for the first quarter and 7.5% for the rest of the year following the disposal of 2.5% of EADS on 24 March 2009 in redemption of the final tranche of the Mandatory Exchangeable Bonds. The gain recorded in 2009 on this transaction was +€539 million. EADS' contribution to Lagardère's 2010 consolidated profit amounted to +€43 million, compared to -€49 million for 2009.

6.2.4 OTHER ACTIVITIES

Other activities comprise those operations not directly related to one of Lagardère Media's operating divisions.

Income statement

	2010	2009
Recurring operating profit (loss)	**(6)**	(2)
Non-recurring items	**(48)**	(3)
Profit (loss) before finance costs and tax	**(54)**	(5)
Net financial income (loss)	**(36)**	(11)
Profit (loss) before tax	**(90)**	(16)

Other activities recorded a recurring operating loss of -€6 million after a loss of –€2 million in 2009.

Non-recurring items amounted to -€48 million in 2010, essentially comprising:

- -€47 million for Hachette SA's participation in the recovery plan for Presstalis (plus a publisher's contribution of -€2 million by Lagardère Active). This expense is offset by a +€19 million gain on Hachette SA's sale to Presstalis of its 49% investment in Mediakiosk;
- a -€23 million loss on the sale of Hachette SA's 12% holding in Le Monde SA (plus a loss of -€10 million on Lagardère Active's 5% investment in Quillet);
- a +€6 million gain on the sale of the service company Arlis.

A net financial loss of -€36 million was recorded in 2010, -€25 million more than in 2009. This deterioration is largely due to a fall in financial income invoiced to subsidiaries, as a result of lower interest rates and the capital contribution to Lagardère Active in late 2009.

6.2.5 OVERVIEW OF CONSOLIDATED RESULTS

Profit before tax of the Group's activities, and consolidated profit for the year, are as follows:

	2010	2009
Lagardère Media	**308**	(187)
Income (loss) from EADS (accounted for by the equity method)	**43**	(49)
Gain on sale of EADS shares	**-**	539
Other Activities	**(90)**	(16)
Profit before tax	**261**	287
Income tax expense	**(67)**	(123)
Consolidated profit for the year	**194**	164
Attributable to owners of the parent	**163**	137
Attributable to minority interests	**31**	27

6.2.6 CASH FLOWS

6.2.6.1 CONSOLIDATED CASH FLOW STATEMENT

In 2010, net cash from operating activities amounted to +€531 million (compared with +€552 million in 2009), +€516 million of which was attributable to Lagardère Media and +€15 million to Other Activities, which benefited from the tax gain recorded by Lagardère SCA as a result of the tax consolidation.

Net cash of €235 million was used in investing activities in 2010, including €249 million of funds used by Lagardère Media.

Net cash of €233 million was used in financing activities in 2010, principally comprising the following:

- sources:
  - a €84 million increase in drawings on the syndicated loan;
- applications:
  - dividends paid (€200 million);
  - a reduction of nearly €90 million in Lagardère Active's external debt;
  - repayment of the debt under the lease for the building occupied by Presstalis until 31 December 2009 following purchase of the building by Hachette SA in 2010 (€22 million).

Other movements reported in the consolidated cash flow statement included:

- a -€99 million cash effect resulting from the reclassification of International Magazine Publishing's net cash as assets held for sale and associated liabilities;
- a +€28 million cash effect of translation adjustments and other reclassifications.

As a result of the above cash flows, cash and cash equivalents decreased by -€8 million from 2009 and stood at +€511 million at 31 December 2010.

6.2.6.2 NET INDEBTEDNESS

Net indebtedness is calculated as follows:

	31 Dec. 2010	31 Dec. 2009
Short-term investments and cash and cash equivalents	**722**	842
Non-current debt	**(1,953)**	(2,174)
Current debt	**(541)**	(492)
Net indebtedness	**(1,772)**	(1,824)

Changes during 2010 and 2009 were as follows:

	2010	2009
Net indebtedness at 1 January	**(1,824)**	(2,619)
Total cash from operating and investing activities	**296**	986
Sale (acquisition) of treasury shares	**5**	(2)
Dividends	**(200)**	(202)
Increase (decrease) in short-term investments	**29**	(37)
Change in put options granted to minority shareholders recognised in debt	**10**	(16)
Change in financial liabilities following measurement at fair value	**(7)**	10
Net cash reclassified as assets held for sale and associated liabilities	**(99)**	-
Debt reclassified as liabilities held for sale	**54**	-
Effect on cash of changes in exchange rates, consolidation scope and other	**(36)**	56
Net indebtedness at 31 December	**(1,772)**	(1,824)

6.3 CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010

Consolidated income statement for the year ended 31 December 2010

(in millions of euros)		**2010**	2009
Net sales	*(notes 5 and 6)*	**7,966**	7,892
Other income from ordinary activities		**373**	397
Revenues		**8,339**	8,289
Purchases and changes in inventories		**(3,660)**	(3,738)
Capitalised production		**3**	(5)
Production transferred to inventories		**107**	90
External charges		**(2,404)**	(2,289)
Payroll costs	*(note 7)*	**(1,652)**	(1,608)
Depreciation and amortization other than on acquisition-related intangible assets		**(206)**	(210)
Amortization of acquisition-related intangible assets		**(34)**	(47)
Restructuring costs	*(note 8)*	**(90)**	(93)
Gains (losses) on disposals of assets	*(note 9)*	**40**	524
Impairment losses on goodwill, property, plant and equipment and intangible assets	*(note 10)*	**(100)**	(451)
Other operating expenses	*(note 11)*	**(89)**	(96)
Other operating income	*(note 12)*	**24**	29
Income (loss) from associates	*(note 19)*	**65**	(26)
Profit before finance costs and tax	*(note 5)*	**343**	369
Financial income	*(note 13)*	**21**	14
Financial expenses	*(note 13)*	**(103)**	(96)
Profit before tax		**261**	287
Income tax expense	*(note 14)*	**(67)**	(123)
Profit for the year		**194**	164
Attributable to: Owners of the parent		**163**	137
Minority interests	*(note 26.5)*	**31**	27
Earnings per share – Attributable to owners of the parent: *Basic earnings per share (in euros)*	*(note 15)*	***1.29***	*1.08*
Diluted earnings per share (in euros)	*(note 15)*	***1.27***	*1.07*

Consolidated statement of comprehensive gains and losses at 31 December 2010

(in millions of euros)		**2010**	2009
Profit for the year		**194**	164
Currency translation adjustments		**92**	43
Change in fair value of:			
– derivative financial instruments[1]		**(2)**	(420)
– investments in non-consolidated companies		**9**	5
Actuarial gains and losses on employee benefit and similar obligations		**-**	(15)
Share of gains and losses of associates (net of tax)[2]		**(171)**	10
Income tax on gains and losses recognised in equity		**(1)**	5
Gains and losses recognised in equity, net of tax	*(note 26.7)*	**(73)**	(372)
Comprehensive gains and losses		**121**	(208)
Attributable to: Owners of the parent		**90**	(235)
Minority interests	*(note 26.5)*	**31**	27

(1) In 2009, the -€420 million change results from cancellation of the hedging derivative included in the Mandatory Exchangeable Bonds (EADS), the last tranche of which was redeemed on 24 March 2009.
(2) In 2010, €165 million of the -€171 million change results from the negative impact of fair value adjustment of EADS currency hedging instruments.

Consolidated statement of cash flows for the year ended 31 December 2010

(in millions of euros)		**2010**	2009
Profit for the year		**194**	164
Income tax expense		**67**	123
Finance costs, net		**82**	82
Profit before finance costs and tax		**343**	369
Depreciation and amortization expense		**238**	257
Impairment losses, provision expense and other non-cash items		**98**	496
Gains on disposals of assets		**(40)**	(524)
Dividends received from associates		**17**	31
(Income) loss from associates		**(65)**	26
Changes in working capital		**81**	127
Cash flows from operations		**672**	782
Interest paid		**(87)**	(124)
Interest received		**20**	13
Income taxes paid		**(74)**	(119)
Net cash provided by operating activities	*(A)*	**531**	552
Cash used in investing activities			
Purchases of intangible assets and property, plant and equipment		**(228)**	(240)
Purchases of investments		**(74)**	(44)
Cash acquired through acquisitions		**17**	28
Purchases of other non-current assets		**(25)**	(47)
Total cash used in investing activities	*(B)*	**(310)**	(303)
Cash from investing activities			
Proceeds from disposals of non-current assets			
Intangible assets and property, plant and equipment		**10**	12
Investments		**78**	673
Cash transferred on disposals		**1**	(1)
Decrease in other non-current assets		**15**	16
Total cash from investing activities	*(C)*	**104**	700
Decrease (increase) in short-term investments	*(D)*	**(29)**	37
Net cash provided by (used in) investing activities	*(E) = (B) + (C) + (D)*	**(235)**	434
Total cash provided by operating and investing activities	*(F) = (A) + (E)*	**296**	986
Capital transactions			
Proceeds from capital increase by the parent		**-**	-
Change in minority interests in capital increases by subsidiaries		**3**	1
Change in treasury shares		**5**	(2)
Dividends paid to owners of the parent(*)		**(167)**	(171)
Dividends paid to minority shareholders of subsidiaries		**(33)**	(31)
Financing transactions			
Increase in debt		**92**	1,061
Decrease in debt		**(133)**	(1,913)
Net cash used in financing activities	*(G)*	**(233)**	(1,055)
Other movements			
Effect on cash of changes in exchange rates		**32**	7
Effect on cash of reclassification of net cash as assets held for sale and associated liabilities		**(99)**	-
Effect on cash of other movements		**(4)**	5
Total other movements	*(H)*	**(71)**	12
Change in net cash and cash equivalents	*(I) = (F) + (G) + (H)*	**(8)**	(57)
Cash and cash equivalents at beginning of the year		**519**	576
Cash and cash equivalents at end of the year	*(note 25)*	**511**	519

(*) Including the portion of net profit paid to the General Partners.

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Consolidated balance sheet at 31 December 2010

ASSETS *(in millions of euros)*		**31 Dec. 2010**	31 Dec. 2009
Intangible assets	*(note 17)*	**846**	1,386
Goodwill	*(note 16)*	**2,583**	2,810
Property, plant and equipment	*(note 18)*	**625**	635
Investments in associates	*(note 19)*	**2,054**	2,169
Other non-current assets	*(note 20)*	**112**	206
Deferred tax assets	*(note 14)*	**167**	169
Total non-current assets		**6,387**	7,375
Inventories	*(note 21)*	**523**	538
Trade receivables	*(note 22)*	**1,189**	1,468
Other current assets	*(note 23)*	**983**	902
Short-term investments	*(note 24)*	**106**	78
Cash and cash equivalents	*(note 25)*	**616**	764
Total current assets		**3,417**	3,750
Assets held for sale	*(note 32)*	**1,097**	-
Total assets		**10,901**	11,125

Consolidated balance sheet at 31 December 2010

EQUITY AND LIABILITIES *(in millions of euros)*		**31 Dec. 2010**	31 Dec. 2009
Share capital		**800**	800
Reserves		**2,923**	3 021
Profit attributable to owners of the parent		**163**	137
Equity attributable to owners of the parent		**3,886**	3,958
Minority interests	*(note 26.5)*	**132**	124
Total equity		**4,018**	4,082
Provisions for employee benefit and similar obligations	*(note 27)*	**101**	102
Non-current provisions for contingencies and losses	*(note 27)*	**170**	179
Non-current debt	*(note 28)*	**1,953**	2,174
Other non-current liabilities	*(note 31)*	**219**	395
Deferred tax liabilities	*(note 14)*	**126**	223
Total non-current liabilities		**2,569**	3,073
Current provisions for contingencies and losses	*(note 27)*	**342**	370
Current debt	*(note 28)*	**541**	492
Trade payables		**1,618**	1,754
Other current liabilities	*(note 31)*	**1,414**	1,354
Total current liabilities		**3,915**	3,970
Liabilities associated with assets held for sale	*(note 32)*	**399**	-
Total equity and liabilities		**10,901**	11,125

Consolidated statement of changes in equity for the year ended 31 December 2010

(in millions of euros)	Share capital	Share premiums	Other reserves	Treasury shares	Translation reserve	Valuation reserve	Equity attributable to owners of the parent	Minority interests	Equity
At 1 January 2009	**800**	**888**	**2,630**	**(208)**	**(153)**	**398**	**4,355**	**91**	**4,446**
Net profit for the year			137				137	27	164
Gains and losses recognised in equity (1)			(47)		24	(349)	(372)		(372)
Comprehensive gains and losses for the year			**90**		**24**	**(349)**	**(235)**	**27**	**(208)**
Dividends			(171)				(171)	(31)	(202)
Capital increase attributable to minority interests							0	1	1
Changes in treasury shares				(2)			(2)		(2)
Share-based payments			11				11		11
Changes in consolidation scope and other							0	36	36
At 31 December 2009	**800**	**888**	**2,560**	**(210)**	**(129)**	**49**	**3,958**	**124**	**4,082**
Net profit for the year			163				163	31	194
Gains and losses recognised in equity (1)			(5)		97	(171)	(79)	6	(73)
Comprehensive gains and losses for the year			**158**		**97**	**(171)**	**84**	**37**	**121**
Dividends			(167)				(167)	(33)	(200)
Capital increase attributable to minority interests							0	3	3
Changes in treasury shares				6			6		6
Share-based payments			10				10		10
Effect of transactions with minority interests			(5)				(5)		(5)
Changes in consolidation scope and other							0	1	1
At 31 December 2010	**800**	**888**	**2,556**	**(204)**	**(32)**	**(122)**	**3,886**	**132**	**4,018**

(1) See details in note 26.7 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – SUMMARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(All figures are expressed in millions of euros)

NOTE 1 ACCOUNTING PRINCIPLES

In application of European Commission regulation 1606/2002 of 19 July 2002, the consolidated financial statements of the Lagardère group have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB).

All IFRS standards and interpretations of the International Financial Reporting Interpretation Committee (IFRIC) endorsed by the European Union for application at 31 December 2010 are applied. They can be consulted on the European Commission website at: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

The following standards, revised standards and interpretations became mandatory from 1 January 2010:

Revised IAS 27 – Consolidated and Separate Financial Statements;

Revised IFRS 3 – Business Combinations;

2008 amendments to IAS 39 – Financial Instruments – Eligible hedged items;

Annual improvements to IFRS (published May 2008) – Amendments to IFRS 1 and IFRS 5;

Annual improvements to IFRS (published April 2009);

Amendments to IFRS 2 – Group Cash-settled Share-based Payment Transactions;

IFRIC 12 – Service Concession Agreements;

IFRIC 15 – Agreements for the Construction of Real Estate;

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation;

IFRIC 17 – Distributions of Non-Cash Assets to Owners;

IFRIC 18 – Transfers of Assets from Customers.

The revisions to IFRS 3 and IAS 27 introduce substantial modifications in the accounting principles for business combinations, as described below. Application of the other standards, revisions and interpretations mentioned above did not have any material impact at 31 December 2010.

The Group has not elected for early application in 2010 of the following standards and interpretations which will become mandatory after 2010:

Revised IAS 24 – Related Party Disclosures;

IFRS 9 – Financial Instruments – Classification and Measurement;

Amendments to IAS 32 – Classification of Rights Issues;

Amendments to IFRS 7 – Financial Instruments – Disclosures – Transfers of financial assets;

Annual improvements to IFRS (published May 2010);

IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments;

The Group does not anticipate that application of these standards, revisions and interpretations will have any material impact.

APPLICATION AT 1 JANUARY 2010 OF IFRS 3 (REVISED) AND IAS 27 (REVISED): BUSINESS COMBINATIONS AND CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

These new standards are applied prospectively to transactions occurring on or after 1 January 2010, resulting primarily in the following changes:

- Recognition in the income statement of certain items previously charged to goodwill arising on an acquisition, i.e. expenses on acquisitions (which are immediately charged to profit and loss) and changes in liabilities corresponding to “earn-out” clauses when such changes occur more than 12 months after the acquisition date.
  The Group has decided to exclude these new items from calculation of the recurring operating profit, which is its main performance indicator, as defined in note 3.3 to the 2010 consolidated financial statements. No significant amount was recognised in this respect in the financial statements for 2010;
- The choice at the time of an acquisition to value minority interests either at fair value (the “full goodwill” method) or at the share in the value of the assets and liabilities acquired (the “partial goodwill” method);

- Recognition in equity of the change in percentage interest held in a subsidiary when this change entails neither an acquisition nor loss of control. Consequently, purchases and sales of minority interests will no longer be reflected in an adjustment to goodwill or recognition of a gain or loss in the income statement; instead, equity will be reallocated between the share attributable to owners of the parent and minority interests;
- In the event of a change in percentage ownership involving a loss or gain of control over an entity, a gain or loss is recognised, calculated assuming the entire previous investment held was sold at fair value.

NEW TAX REGULATIONS APPLICABLE IN FRANCE FROM 1 JANUARY 2010: REPLACEMENT OF BUSINESS TAX *(TAXE PROFESSIONNELLE)*

France's 2010 finance law published on 31 December 2009 introduced a new local tax called the *Contribution Économique Territoriale* (CET) which has replaced business tax (*taxe professionnelle*). The CET has two components:

- a contribution based on the rental value of property that is owned by a business and that is subject to real estate tax (*Contribution Foncière des Entreprises* - CFE);
- a contribution based on the business' value added (*Cotisation sur la Valeur Ajoutée des Entreprises* - CVAE).

For the accounting treatment of this second component, the CVAE, the Group takes the position that value added is an intermediate stage of net profit which is significantly different from the taxable profit, and in substance the CET is a new tax following on from the business tax it replaces. Consequently, the Group has decided not to classify the CVAE as income tax as from 1 January 2010 and treats it as an operating expense that is a component of profit before finance costs and tax, under the same approach applied for business tax until 2009.

MEASUREMENT PRINCIPLES

The financial statements have been prepared using the historical cost model, except for certain financial assets and liabilities which have been measured at fair value.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires the use of estimates and assumptions to determine the value of assets and liabilities and contingent amounts at year-end, and the value of income and expenses for the year.

Management reviews these estimates and assumptions at regular intervals, based on past experience and various other factors considered as reasonable, which form the basis of its assessment of the carrying amount of assets and liabilities. Actual amounts may differ from these estimates, due to changes in assumptions or other conditions.

NOTE 2 SCOPE AND METHODS OF CONSOLIDATION

2.1 SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Parent Company and the subsidiaries under its control, jointly-controlled entities (joint ventures) and entities in which the Group has significant influence in management and financial policy (associates), which are consolidated by the methods described below. Significant influence is assumed to be exercised when the Group holds, directly or indirectly, 20% or more of the capital.

2.2 CONSOLIDATION METHODS

The consolidation methods used are as follows:

- **Full consolidation** – All subsidiaries controlled by Lagardère are fully consolidated. Control is the power to govern the financial and operating policies of an entity. The full consolidation method consists of combining the financial statements of the parent and its subsidiaries line by line and recognising minority interests in the net assets of each subsidiary on a separate line in equity;
- **Equity method** – Joint ventures and associates are accounted for by the equity method. Under the equity method, the investment is initially recognised at cost and is adjusted thereafter for the post-acquisition change in the Group's share of the entity's net assets.

A list of consolidated companies is provided in note 37.

2.3 CLOSING DATES

The financial statements of all consolidated subsidiaries were closed at 31 December.

2.4 TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

The financial statements of foreign subsidiaries are translated into euros as follows:

- Balance sheet items are translated using official year-end exchange rates;
- Income statement items are translated using average exchange rates for the year.

The resulting exchange differences are recognised as a separate component of equity, under "Translation reserve".

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are considered as assets and liabilities of the subsidiary concerned. They are therefore measured in the subsidiary's functional currency and translated at the year-end exchange rate. When a foreign subsidiary is sold, cumulative exchange differences recognised in equity are reclassified into profit.

2.5 INTRA-GROUP BALANCES AND TRANSACTIONS

Intra-Group balances and transactions are eliminated on consolidation. Impairment losses deducted from the carrying amount of investments in and receivables from consolidated companies are cancelled by adjusting equity, and movements for the year are neutralised in the income statement.

NOTE 3 ACCOUNTING PRINCIPLES AND VALUATION METHODS

3.1 NET SALES

Revenue from sales of goods and services is recognised when title is transferred to the buyer or the service is rendered.

Purchases and sales corresponding to exchanges of goods or services of a similar nature and value are eliminated on consolidation and do not therefore appear in the income statement.

Revenues from magazine sales (Press division) and sales of part-books (Publishing division) are stated net of distribution fees.

For sales of advertising space, national press distribution (Curtis at Lagardère Services) and sports rights contracts when Group entities act as agents only, revenues consist solely of the fees received.

3.2 OPERATING LEASES

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

3.3 PERFORMANCE INDICATORS USED BY THE GROUP

The Group uses as its main performance indicator recurring operating profit before associates, which is calculated as follows:

Profit before finance costs and tax

Items to be excluded:

- Gains or losses on disposals of assets
- Impairment losses on goodwill, property, plant and equipment and intangible assets
- Restructuring costs

- Items related to business combinations
  - Expenses on acquisitions
  - Gains and losses resulting from acquisition price adjustments
  - Amortization of acquisition-related intangible assets

= Recurring operating profit

Less:

- Income from associates before amortization of acquisition-related intangible assets and impairment losses

= Recurring operating profit before associates

As explained in note 1 above, application of IFRS 3 (revised) and IAS 27 (revised) on business combinations from 1 January 2010 resulted in recognition in the income statement of items previously charged to goodwill on acquisition: expenses on acquisitions and changes in liabilities corresponding to "earn-out" clauses when such changes occur more than 12 months after the acquisition date. These new items are excluded from calculation of the recurring operating profit.

Profit before finance costs and tax includes amortization of certain intangible assets with finite lives, which resulted from allocation of the acquisition price of the business combinations. The Group has decided to neutralise the effects of these items in calculating the recurring operating profit and the recurring operating profit before associates, so that book amortization with no effect on cash generated by the businesses acquired is eliminated from the measure of performance.

3.4 TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

In the balance sheet, foreign currency receivables and payables are translated into euros at the year-end exchange rate. The resulting exchange differences are recognised in profit, except for those related to long-term financing of the Group's net investment in foreign operations which are recognised directly in equity.

3.5 SHARE-BASED PAYMENTS

Stock purchase options and free shares have been granted to certain members of management and employees of the Group. In accordance with IFRS 2 "Share Based Payment", an expense is recognised in payroll costs representing the benefit granted to beneficiaries as of the grant date, and a matching entry is recognised directly in equity. IFRS 2 applies to stock options and free shares granted from 7 November 2002 and not yet vested at 1 January 2005.

The fair value of the share-based payment is calculated using a binomial model for stock options and a Black-Scholes type model for free share allocations, taking into account the plan's features (exercise price and period), market factors at grant date (risk-free interest rate, share price, volatility, projected dividends) and assumptions regarding beneficiaries' future behaviour.

This expense is recorded over the vesting period (two years for Lagardère SCA's plans) and may be adjusted during that period if beneficiaries leave the Group or if options are forfeited. It is not adjusted to reflect subsequent movements in the share price.

3.6 FINANCIAL INCOME AND EXPENSES

These items correspond to interest expenses on borrowings and income from the investment of available cash. They also include gains and losses on derivative instruments related to borrowings, short-term investments, cash and cash equivalents.

3.7 DEFERRED TAXES

Deferred taxes are recognised for temporary differences between the carrying amount of assets and liabilities and their tax base. In accordance with the liability method, they are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Adjustments to deferred taxes for changes in tax rates are recognised in profit for the period in which the change is announced. In accordance with IAS 12 "Income Taxes", deferred tax assets and liabilities are not discounted.

At the level of each tax entity (company or tax group), deferred tax assets arising from deductible temporary differences, tax assets and tax loss carry-forwards are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

For investments in associates, when the difference between the carrying amount of the investment and the tax base corresponds to the associate's cumulative undistributed profits from the acquisition date, the related deferred tax is therefore calculated at the tax rate that will be paid by the Group when the profits are distributed.

Deferred taxes are recognised as income or an expense and included in profit for the year, except to the extent that they arise from a transaction which is recognised directly in equity, in which case they are credited or charged to equity.

3.8 BUSINESS COMBINATIONS AND GOODWILL

From 1 January 2010, business combinations are recorded in compliance with IFRS 3 (revised) and IAS 27 (revised). The main new accounting principles are described in note 1.

Goodwill generally corresponds to the difference between the price paid and the acquirer's interest in the equity of the entity at the date of the acquisition, after valuation of the identifiable assets and liabilities at fair value at that date. This is defined as the "partial goodwill" method, as minority interests are valued in proportion to their share in the assets and liabilities of the entity acquired.

Depending on the choice made at the time of each business combination, minority interests can be valued at fair value, leading to recognition of goodwill on minority interests as well as goodwill on the portion acquired by the majority shareholder: this is known as the "full goodwill" method.

If the percentage interest held in a subsidiary subsequently changes without loss of control, no adjustment is made to the goodwill initially recognised, and the difference between the price paid or received and the change in minority interests is recorded directly in equity.

If the acquirer's interest in the net fair value of the identifiable assets and liabilities exceeds the price paid for the business combination, the excess is recognised immediately in profit.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Any adjustments to the purchase price occurring more than 12 months after the acquisition date are recorded in profit and loss.

Goodwill is not amortized but is reviewed for impairment at each year-end or whenever there is an indication that fair value may be impaired. The method used to test goodwill for impairment is described in note 3.10 below.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill related to entities accounted for by the equity method is included in the carrying amount of the investment.

3.9 INTANGIBLE ASSETS

Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. They are amortized over their probable useful life. Intangible assets with an indefinite life are not amortized but are tested regularly for impairment in the same way as goodwill (see note 3.10).

In the Group's Media business, no development costs are incurred that would be recognised in the balance sheet under IFRS.

3.10 IMPAIRMENT TESTS

The carrying amount of property, plant and equipment and intangible assets is reviewed at regular intervals to determine whether there is any indication that their value may be impaired. One such indication is evidence that an asset's economic performance is or will be worse than expected. If such an indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount. The recoverable amount of goodwill and intangible assets with an indefinite life is estimated at each balance sheet date, irrespective of whether there is any indication of impairment. When the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised on goodwill are irreversible.

If it is not possible or relevant to estimate the recoverable amount of an individual asset, the estimate is performed at the level of the cash-generating unit to which the asset belongs.

Two methods are used to estimate recoverable amounts:

- the discounted cash flows method, applied to the individual asset or to the cash-generating unit to which the asset belongs;
- the market price method or the price of recent transactions involving similar assets.

Cash flow projections are based on the most recent business plans and forecasts, generally covering a period of three years. Cash flow projections beyond that period are estimated using a growth rate that reflects the average long-term growth rate observed in the industry. This process involves the use of key assumptions and judgement to determine trends on the markets in which the Group operates, and actual future cash flows may differ from the forecasts used to calculate value in use.

The discount rates used are after-tax rates determined separately for each business, applied to cash flows after tax.

3.11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured using the cost method.

The Group did not elect to apply the option available under IFRS 1 "First-Time Adoption of IFRS" to measure items of property, plant and equipment at the IFRS transition date (1 January 2004) at their fair value. Furthermore, as Group assets do not qualify for capitalisation of borrowing costs under IAS 23 (revised) which applies to assets requiring a long period of preparation before they can be used or sold, borrowing costs are directly charged to the income statement.

Depreciation is calculated by the straight-line method over the estimated useful lives of the assets. The ranges of useful lives applied to the main categories of property, plant and equipment are as follows:

Buildings	6 to 50 years
Machinery and equipment	3 to 20 years
Other equipment, furniture, fixtures and fittings	2 to 10 years

The depreciable amount corresponds to the cost of the asset less any residual value at the end of its useful life. With the exception of the Group's headquarters building, property, plant and equipment are generally considered as having no residual value.

FINANCE LEASES

All material finance leases are accounted for as purchases of assets financed by debt. Leases are classified as finance leases if they transfer to the lessee substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

The leased assets are depreciated on a basis that is consistent with the policy for owned assets, over the asset's useful life or over the lease term if this is shorter.

INVESTMENT PROPERTY

Investment property is recorded at cost less any accumulated depreciation and impairment losses.

3.12 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. The carrying amount of inventories does not include any borrowing costs, as they do not meet the requirements for capitalisation under IAS 23 (revised) (see note 3.11).

3.13 FINANCIAL ASSETS

INVESTMENTS IN NON-CONSOLIDATED COMPANIES

Investments in non-consolidated companies are initially recognised at cost. Based on the criteria set out in IAS 39, all investments in non-consolidated companies are classified as available-for-sale investments.

At each year-end, shares traded on an active market or for which other sufficiently reliable price information exists are measured at fair value. Shares that do not fulfil these criteria are measured using the cost method.

When the fair value, if it can be measured, exceeds the carrying amount, the gain arising from remeasurement at fair value is recognised in equity.

When there is objective evidence that an investment in a non-consolidated company is impaired, an impairment loss is recognised:

- in the income statement if the impairment is considered permanent, with any subsequent gains recognised in equity. The permanence of the impairment is assessed on a case-by-case basis, with reference to the significance or duration of the decline in the shares' value compared to its acquisition price;
- in equity if the impairment is considered reversible.

When the investment is sold, the cumulative gains or losses recognised directly in equity are reclassified into profit and loss.

LOANS AND RECEIVABLES

Loans and receivables are measured at amortized cost, calculated by the effective interest method. Any impairment losses, corresponding to the difference between the carrying amount and recoverable amount, are recognised in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

- cash and demand deposits;
- deposits and loans with maturities of less than three months;
- marketable securities such as money market funds that are not exposed to a material risk of changes in value and are readily convertible into known amounts of cash; they are recognised at fair value through profit and loss.

Shares, bonds, deposits and loans with maturities of more than three months are excluded from cash and cash equivalents and reported in the balance sheet under "Short-term investments".

3.14 FINANCIAL LIABILITIES

Financial liabilities comprise borrowings, trade payables and other liabilities. They are measured at amortized cost by the effective interest method.

Specific measurement rules apply to financial liabilities hedged by derivative instruments. These rules are described in note 3.16.

3.15 PUT OPTIONS GRANTED TO MINORITY SHAREHOLDERS

In its Media activities, the Group has granted put options to the minority shareholders of certain fully-consolidated subsidiaries for the sale of their investments on defined terms. For some of these options, the exercise price was not fixed at the outset, and will be determined based on independent valuations.

In compliance with IAS 32, the put options are recognised in debt at their estimated present value.

In the income statement, consolidated net profit for the year is presented in two separate lines: profit attributable to owners of the parent and profit attributable to minority interests according to the legal rights effectively held.

For put options granted prior to 1 January 2010, the effective date of IFRS 3 (revised) on business combinations, any change in the estimated amount of the debt is regognised as an adjustment to goodwill. For put options granted after 1 January 2010, changes in the value of the debt are recorded in equity.

3.16 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge currency and interest rate risks. These instruments are initially recognised at cost, in "Other current assets" or "Other current liabilities", and are subsequently measured at fair value through profit and loss.

However, certain derivative instruments are qualified as fair value hedges (mainly of currency and interest rate risks on debt) or cash flow hedges (of future sales and purchases).

These instruments qualify for hedge accounting if the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship;
- the hedge is expected to be highly effective and its effectiveness can be reliably measured from its inception.

Under hedge accounting:

Fair value hedges

Derivative instruments and hedged items are measured at fair value. Changes in the fair values of the derivative instrument and the hedged item are recognised in profit on a symmetrical basis. When the hedge is effective, the change in the fair value of the derivative instrument offsets an opposite change in the fair value of the hedged item.

Cash flow hedges

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit and loss.

The cumulative gains and losses recognised in equity are reclassified into profit and loss when the hedged transaction takes place.

3.17 TREASURY SHARES

Lagardère SCA shares held by the Company or by other Group entities are deducted from consolidated equity. When treasury shares are sold outside the Group, the after-tax gain or loss is also recognised directly in equity.

3.18 PROVISIONS FOR EMPLOYEE BENEFIT OBLIGATIONS

The Group recognises provisions to cover the present value of its obligations for benefits payable to employees at the time of their retirement and after retirement, when the plans concerned qualify as defined-benefits plans. For defined-contribution plans, the Group's obligation consists solely of payment of premiums or contributions to external organisations, and these premiums and contributions are charged to expenses as incurred.

The defined-benefit plans to which the Group subscribes are principally pension plans outside France, while in France they cover end-of-career bonuses paid to employees upon their retirement.

The present value of obligations is calculated by the projected unit credit method, which considers that each period of service gives rise to an additional unit of benefit entitlement. The method takes into account parameters such as:

- expected salary increases;
- employee turnover;
- mortality rates;
- a financial discount rate, and the expected rate of return on plan assets where applicable.

These calculations are performed in full at least every three years, and updated annually, unless a more in-depth review is required due to exceptional events such as substantial modifications in the terms of the plan, or in the types of employees covered.

From 1 January 2007, the Group elected to apply the option allowed by IAS 19 (revised) under which actuarial gains and losses arising from changes in the assumptions used in measuring obligations could be recognised directly in equity.

3.19 PROVISIONS FOR CONTINGENCIES AND LOSSES

A provision is recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision corresponds to the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Restructuring provisions are recorded when the Group has a detailed formal plan and has announced details of the plan to the persons concerned.

3.20 ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

An asset or group of assets and directly associated liabilities is considered to be held for sale when its book value will be recovered primarily through a sale transaction rather than through continuous use. For this to be the case, the asset must be available for immediate sale and its sale must be highly probable. Such assets or groups of assets held for sale are stated at the lower of book value or estimated sale price, net of selling costs. Assets held for sale and the associated liabilities are respectively presented on specific lines in the consolidated balance sheet.

NOTE 4 MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

Significant changes in consolidated companies during 2010, none of which had a material impact on the 2010 consolidated financial statements, were as follows:

Lagardère Publishing

- Sale of the 51% investment in the Brazilian publisher Escala Educacional, which is deconsolidated as of 30 April 2010.

Lagardère Active

- Sale to Bolloré Média of the TV channel Virgin 17, which was deconsolidated from 31 May 2010.

Lagardère Services

- Full consolidation from 1 February 2010 of Aélia CZ, a company that operates airport shops in the Czech Republic.

Lagardère Unlimited

- Acquisition of the US company Best, which specialises in the representation of sports personalities and celebrities. The company is fully consolidated with effect from 23 April 2010.

At 31 December 2010, the assets and liabilities associated with the international magazine publishing activity concerned by the firm purchase offer by Hearst Corporation in January 2011 have been reclassified as assets held for sale and associated liabilities in the balance sheet. These activities remain consolidated in the income statement over the whole of 2010 and will remain beyond that date, until completion of the transaction.

For details of this operation, see note 32 to the consolidated financial statements.

NOTE 5 SEGMENT INFORMATION

Lagardère's main businesses are carried out through Lagardère Media, which comprises the following divisions (business segments):

- Lagardère Publishing: publication of general literature, textbooks, illustrated books and part-books;
- Lagardère Active, which comprises:
  - Audiovisual and digital operations including special interest television channels, audiovisual production and distribution, radio and sales of advertising space;
  - Press activities, principally mainstream magazine publishing;
- Lagardère Services: press distribution, retailing in cultural, entertainment and consumer products;
- Lagardère Unlimited, which specialises in sports and entertainment and operates in the six following areas:
  - media (management and administration of sports broadcasting rights);
  - marketing (sports marketing, sponsoring and hospitality);
  - event organisation (production, management and ownership of events);
  - representation of sports and entertainment celebrities;
  - sports training academies;
  - consulting (advice and assistance to operators of stadiums and sports facilities).

At 31 December 2010 Lagardère also held a 7.5% investment in the EADS group which manufactures commercial aircraft, civil and military helicopters, commercial launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics, and provides the full range of services associated with these products.

In addition to the above business divisions, the Group has a "corporate" reporting unit ("Other Activities") used primarily to report the effect of financing obtained by the Group, the net operating costs of Group holding companies, the activities of Matra Manufacturing & Services (whose revenues are reported under "Other income from ordinary activities").

Transactions between business divisions are generally carried out on arm's length terms.

5.1 INFORMATION BY BUSINESS SEGMENT

2010 Income statement

	Lagardère Publishing	Lagardère Active(***)	Lagardère Services	Lagardère Unlimited	Lagardère Media	EADS and Other Activities(*)	Total
Net sales	2,199	1,855	3,580	396	**8,030**		**8,030**
Inter-segment sales	(34)	(29)	(1)	-	**(64)**		**(64)**
Consolidated net sales	**2,165**	**1,826**	**3,579**	**396**	**7,966**	**-**	**7,966**
Recurring operating profit (loss) before associates	**250**	**85**	**105**	**28**	**468**	**(6)**	**462**
Income (loss) from associates before amortization of acquisition-related intangible assets and impairment losses	3	12	7	-	**22**	43	**65**
Recurring operating profit	**253**	**97**	**112**	**28**	**490**	**37**	**527**
Restructuring costs	(3)	(22)	(7)	(8)	**(40)**	(50)	**(90)**
Gains (losses) on disposals of assets	(12)	50	-	-	**38**	2	**40**
Impairment losses (**)							
Fully consolidated companies	(3)	(5)	(3)	(89)	**(100)**	-	**(100)**
Companies accounted for by the equity method	-	-	-	-	**-**	-	**-**
Amortization of acquisition-related intangible assets							
Fully consolidated companies	(1)	-	(6)	(27)	**(34)**	-	**(34)**
Companies accounted for by the equity method	-	-	-	-	**-**	-	**-**
Profit (loss) before finance costs and tax (*)	**234**	**120**	**96**	**(96)**	**354**	**(11)**	**343**
Finance costs, net	(2)	(29)	(3)	(12)	**(46)**	(36)	**(82)**
Profit (loss) before tax (*)	**232**	**91**	**93**	**(108)**	**308**	**(47)**	**261**
Items included in recurring operating profit							
Depreciation and amortization of intangible assets and property, plant and equipment	(24)	(28)	(56)	(86)	**(194)**	(12)	**(206)**
Cost of stock option plans	(2)	(3)	(1)	-	**(6)**	(2)	**(8)**

(*) Including EADS: €43 million (net income from associates).
(**) Impairment losses on goodwill, intangible assets and property, plant and equipment.
(***) In 2010, the contribution by Canal+ France is presented at its net impact, which is nil, as the corresponding share of income from associates (+€71 million) was offset by an equivalent impairment loss (see note 19).

2009 Income statement

	Lagardère Publishing	Lagardère Active	Lagardère Services	Lagardère Unlimited	Lagardère Media	EADS and Other Activities(*)	Total
Net sales	2,311	1,754	3,388	507	**7,960**	-	**7,960**
Inter-segment sales	(38)	(29)	(1)	-	**(68)**	-	**(68)**
Consolidated net sales	**2,273**	**1,725**	**3,387**	**507**	**7,892**	**-**	**7,892**
Recurring operating profit (loss) before associates	**301**	**15**	**91**	**56**	**463**	**(2)**	**461**
Income (loss) from associates before amortization of acquisition-related intangible assets and impairment losses	3	67	8	-	**78**	(49)	**29**
Recurring operating profit (loss)	**304**	**82**	**99**	**56**	**541**	**(51)**	**490**
Restructuring costs	(9)	(61)	(14)	(8)	**(92)**	(1)	**(93)**
Gains (losses) on disposals of assets	-	(14)	(1)	-	**(15)**	539	**524**
Impairment losses (**)							
Fully consolidated companies	(5)	(441)	(2)	(1)	**(449)**	(2)	**(451)**
Companies accounted for by the equity method	-	(35)	-	-	**(35)**	-	**(35)**
Amortization of acquisition-related intangible assets							
Fully consolidated companies	(1)	-	(3)	(42)	**(46)**	-	**(46)**
Companies accounted for by the equity method	-	(20)	-	-	**(20)**	-	**(20)**
Profit (loss) before finance costs and tax (*)	**289**	**(489)**	**79**	**5**	**(116)**	**485**	**369**
Finance costs, net	(5)	(46)	(3)	(17)	**(71)**	(11)	**(82)**
Profit (loss) before tax (*)	**284**	**(535)**	**76**	**(12)**	**(187)**	**474**	**287**
Items included in recurring operating profit							
Depreciation and amortization of intangible assets and property, plant and equipment	(26)	(35)	(52)	(91)	**(204)**	(6)	**(210)**
Cost of stock option plans	(2)	(4)	(1)	-	**(7)**	(3)	**(10)**

(*) Including EADS: €490 million (net loss from associates: -€49 million; gain on sale of shares: +€539 million).
(**) Impairment losses on goodwill, intangible assets and property, plant and equipment.

2010 Cash flow statement

	Lagardère Publishing	Lagardère Active	Lagardère Services	Lagardère Unlimited	Lagardère Media	EADS, Other Activities and eliminations	Total
Cash flows from operations	303	144	168	89	**704**	(32)	**672**
Interest paid and received, income tax paid	(87)	(60)	(23)	(18)	**(188)**	47	**(141)**
Net cash provided by (used in) operating activities	**216**	**84**	**145**	**71**	**516**	**15**	**531**
Cash used in investing activities	(24)	(53)	(77)	(140)	**(294)**	(16)	**(310)**
– *Purchases of intangible assets and property, plant and equipment*	*(20)*	*(18)*	*(69)*	*(107)*	***(214)***	*(14)*	***(228)***
– *Purchases of investments*	*(4)*	*(35)*	*(8)*	*(33)*	***(80)***	*(2)*	***(82)***
Proceeds from disposals of non-current assets	6	51	10	7	**74**	30	**104**
– *Sales of intangible assets and property, plant and equipment*	-	*3*	*5*	*2*	***10***	-	***10***
– *Sales of investments*	*6*	*48*	*5*	*5*	***64***	*30*	***94***
Increase in short-term investments	-	-	(29)	-	**(29)**	-	**(29)**
Net cash provided by (used in) investing activities	**(18)**	**(2)**	**(96)**	**(133)**	**(249)**	**14**	**(235)**
Total cash provided by (used in) operating and investing activities	**198**	**82**	**49**	**(62)**	**267**	**29**	**296**

Balance sheet at 31 December 2010

	Lagardère Publishing	Lagardère Active	Lagardère Services	Lagardère Unlimited	Lagardère Media	EADS, Other Activities and eliminations	Total
Segment assets	2,101	1,973	1,080	1,600	**6,754**	273	**7,027**
Investments in associates	18	1,756	4	5	**1,783**	271	**2,054**
Segment liabilities	(1,174)	(1,189)	(962)	(638)	**(3,963)**	(26)	**(3,989)**
Capital employed	**945**	**2,540**	**122**	**967**	**4,574**	**518**	**5,092**
Assets held for sale and associated liabilities							**698**
Net indebtedness							**(1,772)**
Equity							**4,018**

2009 Cash flow statement

	Lagardère Publishing	Lagardère Active	Lagardère Services	Lagardère Unlimited	Lagardère Media	EADS, Other Activities and eliminations	Total
Cash flows from operations	375	95	187	118	**775**	7	**782**
Interest paid and received, income tax paid	(85)	(83)	(24)	(50)	**(242)**	12	**(230)**
Net cash provided by (used in) operating activities	**290**	**12**	**163**	**68**	**533**	**19**	**552**
Cash used in investing activities	(22)	(56)	(119)	(98)	**(295)**	(8)	**(303)**
– Purchases of intangible assets and property, plant and equipment	*(28)*	*(38)*	*(66)*	*(101)*	***(233)***	*(7)*	***(240)***
– Purchases of investments	*6*	*(18)*	*(53)*	*3*	***(62)***	*(1)*	***(63)***
Proceeds from disposals of non-current assets	2	25	5	3	**35**	665	**700**
– Sales of intangible assets and property, plant and equipment	*1*	*8*	*3*	-	***12***	-	***12***
– Sales of investments	*1*	*17*	*2*	*3*	***23***	*665*	***688***
Decrease in short-term investments	-	-	37	-	**37**	-	**37**
Net cash provided by (used in) investing activities	**(20)**	**(31)**	**(77)**	**(95)**	**(223)**	**657**	**434**
Total cash provided by (used in) operating and investing activities	**270**	**(19)**	**86**	**(27)**	**310**	**676**	**986**

Balance sheet at 31 December 2009

	Lagardère Publishing	Lagardère Active	Lagardère Services	Lagardère Unlimited	Lagardère Media	EADS, Other Activities and eliminations	Total
Segment assets	2,154	3,098	1,032	1,669	**7,953**	162	**8,115**
Investments in associates	16	1,754	3	1	**1,774**	395	**2,169**
Segment liabilities	(1,225)	(1,509)	(912)	(683)	**(4,329)**	(49)	**(4,378)**
Capital employed	**945**	**3,343**	**123**	**987**	**5,398**	**508**	**5,906**
Net indebtedness							**(1,824)**
Equity							**4,082**

5.2 INFORMATION BY GEOGRAPHICAL SEGMENT

Net sales

	2010	2009
France	**2,741**	2,652
European Union	**2,887**	2,906
Rest of Europe	**664**	586
USA and Canada	**971**	1,009
Middle East	**31**	48
Asia-Oceania	**527**	520
Other (Africa, Latin America)	**145**	171
Total	**7,966**	7,892

Segment assets

	31 Dec. 2010	31 Dec. 2009
France	**3,749**	4,053
European Union	**1,760**	2,267
Rest of Europe	**323**	376
USA and Canada	**696**	877
Middle East	**-**	-
Asia-Oceania	**458**	471
Other (Africa, Latin America)	**41**	71
Total	**7,027**	8,115

Purchases of intangible assets and property, plant and equipment

	2010	2009
France	**64**	83
European Union	**84**	84
Rest of Europe	**33**	17
USA and Canada	**10**	14
Asia-Oceania	**35**	41
Other (Africa, Latin America)	**2**	1
Total	**228**	240

NOTE 6 NET SALES

Total consolidated net sales before adjustment for changes in group structure and exchange rates increased by +0.9% in 2010 and decreased by -1.8% on a like-for-like basis.

Like-for-like net sales are calculated by adjusting:

- 2010 net sales to exclude companies consolidated for the first time during the year and 2009 net sales to exclude companies divested in 2010;
- 2010 and 2009 net sales based on 2010 exchange rates.

Net sales break down as follows:

	2010	2009
Sales of goods and services	**6,842**	6,819
Advertising revenue	**1,102**	1,049
Barter transactions	**22**	24
Total	**7,966**	7,892

NOTE 7 PAYROLL COSTS

7.1 AVERAGE NUMBER OF EMPLOYEES

The average number of employees of fully consolidated companies breaks down as follows by division:

	2010	2009
Lagardère Publishing	**7,459**	7,730
Lagardère Active	**10,246**	10,922
Lagardère Services	**9,472**	9,504
Lagardère Unlimited	**903**	872
Lagardère Media	**28,080**	29,028
Other Activities	**430**	491
Total	**28,510**	29,519

7.2 PAYROLL COSTS

	2010	2009
Wages and salaries	**1,339**	1,292
Payroll taxes	**305**	306
Share-based payments	**8**	10
Total	**1,652**	1,608

7.3 SHARE-BASED PAYMENTS

SHARE PURCHASE OPTION PLANS

In past years up to and including 2006, the Managing Partners granted purchase options on Lagardère SCA shares to certain members of management and employees of the Group under shareholder-approved plans. The main features of the plans operative at 1 January 2010 are presented in note 26.2.

In accordance with the principles described in note 3.5 "Share-based payments", options granted are measured at fair value at grant date. Under the plans' terms and conditions, options vest after a two-year period and lapse ten years after their grant date.

Details of options outstanding and movements in 2009 and 2010 are presented below:

	Number of options	Weighted average exercise price (in euros)
Options outstanding at 31 December 2008	**6,288,132**	**54.27**
Options forfeited	(496,991)	53.97
Options exercised	-	-
Options outstanding at 31 December 2009	**5,791,141**	**54.29**
Options forfeited	(34,558)	54.51
Options exercised	-	-
Options outstanding at 31 December 2010	**5,756,583**	**54.29**
Including: options exercisable	*5,756,583*	*54.29*

Options outstanding at 31 December 2010 were exercisable at prices ranging between €51.45 and €56.97 and their average term to maturity was 4.55 years.

FREE SHARE ALLOCATION PLANS

On 28 December 2007, a plan to award free shares in Lagardère SCA was introduced for certain members of management and employees of the Group, covering a total of 594,350 shares. These shares were to be remitted to the beneficiaries on 29 December 2009, provided the average quoted price for the Lagardère SCA share in December 2009 was at least equal to the quoted price at the grant date, which was €51.14. As this condition was not fulfilled, no free shares were allocated.

On 1 October and 31 December 2009, a plan to award free shares in Lagardère SCA was introduced for Co-Managing Partners and certain employees of the Group, covering a total of 571,525 shares.

On 17 December 2010, another plan to award free shares in Lagardère SCA was introduced also for Co-Managing Partners and certain employees of the Group, covering a total of 634,950 shares.

For Group employees these two plans include no performance conditions and final allocation of the shares will take place only after a two-year period providing that the beneficiaries have remained in the Group's employment during that period. For beneficiaries who are not residents in France for tax purposes, the shares will be remitted at the end of a four-year period providing that they are remained in the Group's employment for two years.

For the Co-Managing Partners, final allocation of the shares is conditional on:

- presence in the Group for periods to run until 1 April 2013 and 1 April 2012 respectively under the 2010 and 2009 plans;
- achievement of objectives based on criteria internal to the Group (consolidated recurring operating profit and net cash flows from operating activities); non-fulfilment of these objectives reduces the number of shares allocated.

ASSUMPTIONS USED TO CALCULATE FAIR VALUE

The assumptions underlying the plans for which an expense was recognised in the 2010 and 2009 financial statements are described below:

	Free shares		
	17 Dec. 2010 Plan	31 Dec. 2009 Plan	1 Oct. 2009 Plan
Share market price at grant date (€)	29.30	28.41	31.58
Expected dividend	Between 4.5% and 4.7%	4.6%	4%

Expenses recognised by the fully consolidated companies in respect of share-based payments amounted to €8 million in 2010 and €10 million in 2009.

NOTE 8 RESTRUCTURING COSTS

Restructuring costs for 2010 totalled €90 million.

These costs include €49 million for the Group's exceptional contractual contribution to financing for the Presstalis recovery plan, under the terms of the framework agreement of 27 May 2010 signed by Presstalis, the Press cooperatives and Hachette SA which will lead to the Lagardère group's full withdrawal by 30 June 2011.

In application of this agreement:

- Hachette SA sold its 49% investment in Mediakiosk (also owned 51% by Presstalis) to Presstalis on 22 December 2010. The full and final sale price for this transaction was €24 million, and the resulting receivable was waived by Hachette SA to the benefit of Presstalis;
- Hachette SA will pay Presstalis a financial subsidy of €22.5 million, and Lagardère Active will make a contribution of €2.3 million as press publisher.

These transactions are all due to be completed by 30 June 2011, and at that date the Group will transfer its 49% investment in Presstalis to the cooperatives for one euro.

Other restructuring expenses are spread across all Group divisions and entities, and are incurred under cost savings and company rationalisation plans.

In 2009, restructuring costs totalled €93 million and included €61 million for Lagardère Active, principally in Magazine publishing in the United States, Spain, France and Italy; the balance concerned the Group's other Media divisions.

NOTE 9 GAINS (LOSSES) ON DISPOSALS OF ASSETS

In 2010, gains and losses on disposals of assets generated a net profit of €40 million, mainly including:

- a €53 million gain on the sale of the DTT channel Virgin 17 by Lagardère Thématiques to Bolloré Media;
- a €19 million gain on the sale by Hachette SA to Presstalis of its 49% investment in Mediakiosk;
- a €6 million gain recorded by Other Activities on the sale of the service company Arlis on 1 January 2010 to a subsidiary of the Paribas BNP group. Arlis specialises in organisation and administration for general shareholders' meetings and registered shareholders;
- a € 33 million loss on the sale of the 17% investment held by the Group (Hachette SA and Quillet) in Le Monde SA. This sale completes the Group's withdrawal, ending a process that began with the decision not to participate in the Le Monde group's recapitalisation plan in 2010;
- a €11 million loss on the sale of the Brasilian subsidiary Escala Educational, 51%-held by the Publishing division.

In 2009, net gains on disposals totalled €524 million, including €539 million relating to the sale of 2.5% of EADS capital.

NOTE 10 IMPAIRMENT LOSSES ON GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Impairment losses booked in 2010 result from impairment tests carried out as described in note 3.10.

The discount rates used by Lagardère at 31 December 2010 are after-tax rates determined separately for each business, based on internal rates of return published by the market.

The following discount rates are thus used in the different divisions:

	2010	2009
Publishing	**9.00 %**	8.57 %
Active	**7.15 % – 10.83 %**	8.28 % – 10.25 %
Services	**9.11 %**	9.07 %
Unlimited	**7.15 %**	8.28 %

These after-tax rates correspond to pre-tax rates (as required by IFRS) in an estimated range of 8.5%-17%.

The internal budgets and plans referred to by the Group for impairment testing were established at the end of 2010 based on key assumptions and assessments incorporating the effects of the economic environment as identified at that date on future cash flows in the coming three years, apart from specific exceptions relating to sports events for which the application extends beyond three years.

The perpetuity growth rates used range between 1% and 3.5% depending on the activity. For some activities specific growth rates ranging between 5% and 7.5% have been used for the first few years after the budget.

Impairment losses of €100 million were recognised in 2010, including €96 million on goodwill and intangible assets of Lagardère Unlimited (€87 million), Lagardère Active (€7 million) and Lagardère Publishing (€2 million). At Lagardère Unlimited, the impairment loss concerns goodwill on acquisition of the Sportfive group, resulting from losses of certain contracts in 2010.

Impairment losses recognised in 2009 amounted to €451 million, €441 million for Lagardère Active reflecting the impact of the economic recession at that date, particularly for Magazine publishing where the prospects for advertising revenues and circulation were affected.

SENSITIVITY CALCULATIONS

The potential effects of increases or decreases in the discount rates and growth rates on impairment losses booked in 2010 are shown below:

(Increase) decrease in impairment losses

(in millions of euros)	Discount rate				
Perpetuity growth rate	–1%	–0.5%	0%	+0.5%	+1%
– 1%	69	(55)	(180)	(287)	(395) (1)
– 0.5%	89	34	(75)	(185)	(294)
0%	90	88	-	(109)	(210)
+ 0.5%	90	90	84	(33)	(141)
+ 1%	94 (2)	90	90	48	(63)

(1) Including: Lagardère Unlimited -€242 million, Lagardère Publishing -€78 million, Lagardère Active -€70 million and Lagardère Services -€5 million.
(2) Including: Lagardère Unlimited +€87 million, Lagardère Active +€5 million and Lagardère Publishing +€2 million.

NOTE 11 OTHER OPERATING EXPENSES

	2010	2009
Write-downs of assets	**(57)**	(66)
Exchange losses	**(1)**	-
Financial expenses other than interest	**(3)**	(3)
Provisions for contingencies and losses	**(7)**	(3)
Other expenses	**(21)**	(24)
Total	**(89)**	(96)

Write-downs of assets totalled €57 million in 2010 and €66 million in 2009, principally relating to advances paid to writers by Lagardère Publishing.

NOTE 12 OTHER OPERATING INCOME

	2010	2009
Exchange gains	**-**	3
Provisions for contingencies and losses	**-**	-
Other income	**24**	26
Total	**24**	29

NOTE 13 FINANCIAL INCOME AND EXPENSES

Financial income and expenses break down as follows:

	2010	2009
Interest income on loans	**8**	6
Investment income and gains on sales of short-term investments	**13**	8
Financial income	**21**	14
Interest expense on borrowings	**(100)**	(87)
Loss on financial derivative instruments acquired as hedges of net debt	**(3)**	(9)
Financial expenses	**(103)**	(96)
Total	**(82)**	(82)

NOTE 14 INCOME TAX EXPENSE

14.1 ANALYSIS OF INCOME TAX EXPENSE

Income tax expense breaks down as follows:

	2010	2009
Current taxes	**(78)**	(112)
Deferred taxes	**11**	(11)
Total	**(67)**	(123)

14.2 TAX PROOF

The following table reconciles income tax expense reported in the income statement to theoretical income tax expense for 2010 and 2009:

	2010	2009
Profit before tax	**261**	287
Income (loss) from associates	**65**	(26)
Profit before tax and income from associates	**196**	313
Theoretical tax expense (1)	**(67)**	(108)
Effect on theoretical tax expense of:		
Profit taxed (losses deducted) at reduced rates	**-**	-
Tax loss carryforwards used in the year (2)	**12**	9
Tax loss carryforwards arising during the year (2)	**(8)**	(28)
Tax differential on foreign subsidiaries' earnings	**11**	21
Limitation on deferred taxes	**-**	(54)
Tax credit and similar	**2**	-
Impairment losses on goodwill and other intangible assets	**(34)**	(143)
Gain on sale of EADS shares	**-**	177
Permanent differences	**17**	3
Effective tax expense	**(67)**	(123)

(1) At the French standard rate (34.43% in 2010 and 2009).
(2) The tax effect of these tax losses was not recorded.

14.3 DEFERRED TAXES RECOGNISED IN THE BALANCE SHEET

Deferred taxes concern the following assets and liabilities:

	31 Dec. 2010	31 Dec. 2009
Intangible assets	**(78)**	(171)
Property, plant and equipment	**(38)**	(43)
Non-current financial assets	**(44)**	(35)
Inventories	**24**	20
Provisions for employee benefit obligations	**17**	16
Other provisions	**163**	139
Other working capital requirements	**110**	136
Temporary differences (gross amount)	**154**	62
Provision for write-down of deferred tax assets	**(140)**	(140)
Temporary differences (net amount)	**14**	(78)
Tax loss carryforwards	**27**	24
Tax credits	**-**	-
Net deferred tax liability	**41**	(54)
Deferred tax assets	**167**	169
Deferred tax liabilities	**(126)**	(223)

14.4 CHANGES IN DEFERRED TAXES

	2010	2009
Net deferred tax liability at 1 January	**(54)**	(40)
Income tax benefit (expense) recognised in the income statement	**11**	(11)
Deferred tax recognised directly in equity	**(1)**	5
Reclassifications as assets held for sale and associated liabilities	**89**	-
Effect of change in consolidation scope and exchange rates	**(4)**	(8)
Net deferred tax asset (liability) at 31 December	**41**	(54)

Deferred taxes recognised directly in equity can be analysed as follows:

	31 Dec. 2010	31 Dec. 2009
Available-for-sale investments	**-**	2
Cash flow hedges	**1**	-
Actuarial gains or losses on provisions for pensions and similar obligations	**4**	4
Total	**5**	6

NOTE 15 EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

Earnings per share is calculated by dividing net profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. Changes in the number of shares as a result of employees exercising their stock options (movements throughout the year) are included using the average of opening and closing balances for the year.

DILUTED EARNINGS PER SHARE

The only dilutive ordinary shares are unexercised uncovered employee stock options, with exercise prices lower than the average quoted price of Lagardère SCA share over the reference period ("in-the-money" options), and free shares, when their allocation at the date set in the plan is probable (specific case of free shares allocated subject to performance conditions).

	2010	2009
Net profit attributable to owners of the parent (in millions of euros)	**163**	137
Number of shares making up the share capital at 31 December	**131,133,286**	131,133,286
Treasury shares	**(4,098,948)**	(4,238,948)
Number of shares outstanding at 31 December	**127,034,338**	126,894,338
Average number of shares outstanding during the year	**126,964,338**	126,923,838
Basic earnings per share attributable to owners of the parent (in euros)	**1.29**	1.08
Dilutive stock options and free shares		
Stock options	**-**	-
Free shares	**1,206,475**	571,525
Average number of shares including dilutive stock options and free shares	**128,170,813**	127,495,363
Diluted earnings per share attributable to owners of the parent (in euros)	**1.27**	1.07

NOTE 16 GOODWILL

	2010	2009
At 1 January	**2,810**	2,980
Cost	***3,219***	*3,120*
Accumulated impairment losses	***(409)***	*(140)*
Acquisitions	**50**	86
Reclassification as assets held for sale	**(219)**	-
Goodwill written off following disposal or deconsolidation	**(16)**	(4)
Impairment losses	**(89)** (*)	(266) (**)
Translation adjustments	**54**	25
Other movements	**(7)**	(11)
At 31 December	**2,583**	2,810
Cost	***3,053***	*3,219*
Accumulated impairment losses	***(470)***	*(409)*

(*) Including €87 million for goodwill arising on acquisition of the Sportfive group (see note 10).
(**) Including €150 million for goodwill at Lagardère Active.

Net goodwill in the balance sheet concerns the following companies:

	31 Dec. 2010	31 Dec. 2009
Sportfive group	**545**	632
Lagardère Active	**236**	386
Lagardère Active Broadcast group	**277**	279
Editis group	**241**	241
Hachette Book Group	**220**	204
HL UK group	**161**	156
Doctissimo	**90**	90
Hatier group	**84**	84
Compagnie Immobilière Europa	**77**	77
IEC in Sports	**75**	65
World Sport Group	**52**	45
Little, Brown Book Group	**51**	49
Lagardère (1)	**45**	45
Payot Naville Distribution group	**40**	40
Société de Presse Féminine	**40**	38
Newslink	**31**	26
Hachette Livre España group	**27**	27
Orion group	**27**	26
Sports Investment Company group (Best)	**21**	-
Curtis Circulation	**20**	18
Newsweb	**17**	17
Aelia CZ	**17**	-
FINEV (Psychologies Magazine group)	**16**	16
NextIdea	**16**	16
Lapker group	**15**	15
Hachette Filipacchi Presse (Charles Massin)	**14**	14
Pika Edition	**14**	14
Upsolut Sports	**14**	14
Editions Albert René	**11**	11
Octopus group	**7**	9
Jumpstart Automotive Media	**-**	24
Inter Media Group	**-**	17
Escala Educacional group	**-**	11
Digital Spy	**-**	9
Other	**82**	95
Total	**2,583**	2,810

(1) Goodwill on Matra Hachette shares purchased prior to the business combination.

NOTE 17 INTANGIBLE ASSETS

Cost

	Publication titles	Sports rights	Other	Total
At 1 January 2009	**1,252**	**551**	**562**	**2,365**
Acquisitions	-	148	30	178
Changes in scope of consolidation	(2)	320	11	329
Disposals	(69)	(16)	(10)	(95)
Reclassifications	(1)	(39)	(30)	(70)
Translation adjustments	(19)	(7)	3	(23)
At 31 December 2009	**1,161**	**957**	**566**	**2,684**
Acquisitions	-	42	18	60
Changes in scope of consolidation	4	6	10	20
Reclassification as assets held for sale	(1,046)	-	(30)	(1,076)
Disposals	-	(45)	(6)	(51)
Reclassifications	-	(34)	6	(28)
Translation adjustments	59	27	13	99
At 31 December 2010	**178**	**953**	**577**	**1,708**

Amortization and impairment losses

	Publication titles	Sports rights	Other	Total
At 1 January 2009	**(419)**	**(267)**	**(339)**	**(1,025)**
Amortization	-	(129)	(28)	(157)
Impairment losses	(178)(*)	(1)	(4)	(183)
Changes in scope of consolidation	(13)	(86)	(4)	(103)
Disposals	69	4	8	81
Reclassifications	1	66	3	70
Translation adjustments	18	1	-	19
At 31 December 2009	**(522)**	**(412)**	**(364)**	**(1,298)**
Amortization	-	(110)	(28)	(138)
Impairment losses	(7)	-	-	(7)
Changes in scope of consolidation	-	-	3	3
Reclassification as assets held for sale	557	-	26	583
Disposals	-	45	5	50
Reclassifications	-	10	(6)	4
Translation adjustments	(43)	(8)	(8)	(59)
At 31 December 2010	**(15)**	**(475)**	**(372)**	**(862)**

(*) Including impairment losses on publication titles in the US: -€148 million in 2009.

Net carrying amounts

At 31 December 2009	**639**	**545**	**202**	**1,386**
At 31 December 2010	**163**	**478**	**205**	**846**

The main Lagardère Media publication titles are owned by the following companies:

Net carrying amounts

	31 Dec. 2010	31 Dec. 2009
Psychologies Magazine group	**35**	35
Lagardère Active (Press activities)	**32**	32
Hachette Filipacchi Presse (Charles Massin)	**21**	21
Rusconi group	-(*)	192
Hachette Filipacchi Magazines Inc.	-(*)	146
Hachette Filipacchi UK	-(*)	85
Hachette Filipacchi SA (Spain)	-(*)	18
Hachette Fujingaho	-(*)	8

(*) Reclassified as assets held for sale.

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down as follows by category:

2010 - Cost

	At 1 January 2010	Acquisitions	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustment	At 31 December 2010
Land	149	1	-	-	-	1	151
Buildings	474	17	-	(10)	2	17	500
Machinery and equipment	427	31	(1)	(27)	(7)	7	430
Other	520	41	(1)	(21)	(41)	20	518
Assets under construction	13	13	-	(1)	(9)	-	16
Total	**1,583**	**103**	**(2)**	**(59)**	**(55)(*)**	**45**	**1,615**

(*) Including €53 million reclassified as assets held for sale.

2010 - Depreciation and impairment losses

	At 1 January 2010	Depreciation	Impairment losses	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustment	At 31 December 2010
Land	(3)	-	-	-	-	-	-	(3)
Buildings	(255)	(24)	(1)	-	8	(7)	(11)	(290)
Machinery and equipment	(323)	(34)	(2)	1	24	12	(5)	(327)
Other	(367)	(43)	(1)	1	19	34	(13)	(370)
Assets under construction	-	-	-	-	-	-	-	-
Total	**(948)**	**(101)**	**(4)**	**2**	**51**	**40(*)**	**(29)**	**(990)**
Carrying amounts	**635**	**2**	**(4)**	**0**	**(8)**	**(15)**	**16**	**625**

(*) Including €40 million reclassified as assets held for sale.

2009 - Cost

	At 1 January 2009	Acquisitions	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustment	At 31 December 2009
Land	147	1	-	-	1	-	149
Buildings	463	17	(1)	(11)	3	3	474
Machinery and equipment	406	30	3	(18)	6	-	427
Other	489	45	5	(27)	4	4	520
Assets under construction	9	12	-	(1)	(7)	-	13
Total	**1,514**	**105**	**7**	**(57)**	**7**	**7**	**1,583**

2009 - Depreciation and impairment losses

	At 1 January 2009	Depreciation	Impairment losses	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustment	At 31 December 2009
Land	(3)	-	-	-	-	-	-	(3)
Buildings	(244)	(22)	-	1	8	3	(1)	(255)
Machinery and equipment	(296)	(35)	(2)	(2)	17	(5)	-	(323)
Other	(335)	(43)	-	(4)	22	(4)	(3)	(367)
Assets under construction	-	-	-	-	-	-	-	-
Total	**(878)**	**(100)**	**(2)**	**(5)**	**47**	**(6)**	**(4)**	**(948)**
Carrying amounts	**636**	**5**	**(2)**	**2**	**(10)**	**1**	**3**	**635**

INVESTMENT PROPERTY

Balance sheet assets include a real property complex carried at net value of €68 million at 31 December 2010 and €71 million at 31 December 2009. This property was subject to an operating lease agreement with the Presstalis group which was terminated as of 31 December 2009. Rental income received in 2009 amounted to €10 million.

The market value of the property is estimated at €100 million at 31 December 2010 and 2009.

FINANCE LEASES

Finance leases are included mainly in land and buildings at the following amounts:

	31 Dec. 2010	31 Dec. 2009
Cost	-	116
Carrying amount	-	71

At 1 April 2010 the lease contract concerned was purchased by the Group, which became the owner of the property.

NOTE 19 INVESTMENTS IN ASSOCIATES

The following amounts are recognised in the consolidated financial statements for the principal companies accounted for by the equity method:

	% interest		Balance sheet		Income statement	
	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009	2010	2009
Canal+ France (*)	20%	20%	1,507	1,507	0	42
Marie-Claire (**)	42%	42%	127	128	3	(27)
Amaury group	25%	25%	94	87	8	7
O.E.E. (Because)	25%	25%	16	16	-	-
SETC	49%	39%	11	12	1	1
Editions J'ai lu	35%	35%	15	13	2	1
Other			13	11	8	(1)
Excluding EADS			**1,783**	**1,774**	**22**	**23**
EADS	7.5%	7.5%	271	395	43	(49)
Total			**2,054**	**2,169**	**65**	**(26)**

(*) Reclassification of Canal+ France shares as assets held for sale.
(**) Including impairment losses of -€31 million in 2009.

Condensed financial information for EADS and Canal+ France is presented below:

	31 Dec. 2010		31 Dec. 2009	
(On a 100% basis)	EADS	Canal+ France	EADS	Canal+ France
Balance sheet information				
Total assets	77,849	5,517	74,908	5,291
Total liabilities	74,136	2,445	69,537	2,556
Income statement information				
Net sales	45,752	3,956	42,822	3,837
Net profit (loss)	580	357	(727)	308

EADS

For the purposes of the consolidation, EADS' consolidated financial statements have been restated to neutralise the effects of the adjustments recorded by EADS at the time of the business combinations with Aerospatiale Matra and Dasa. This treatment was applied as a result of the Lagardère group's election not to restate business combinations carried out prior to 1 January 2004 on first-time adoption of IFRS and therefore to recognise these entities' net assets at historical cost. EADS reported a net profit of +€553 million for 2010 compared to a net loss of -€763 million for 2009.

CANAL+ FRANCE

On 8 April 2010, in accordance with the liquidity contract covering its 20% holding in Canal+ France, Lagardère informed Vivendi that it wished to start the procedure set forth in the shareholder agreement signed on 4 January 2007. The Lagardère group informed Vivendi of the terms and minimum price it would accept for the sale of its investment. Meanwhile, on 2 July 2010 Lagardère decided to begin the initial public offering (IPO) process for Canal+ France, in accordance with the aforementioned shareholder agreement.

Following these decisions, Lagardère's shares in Canal+ France were presented as assets held for sale in the balance sheet at 30 June 2010, in compliance with the classification criteria set out in IFRS 5 – Non-current assets held for sale and discontinued operations:

- the asset must be available for immediate sale in its current condition;
- the sale must be highly likely to take place within one year;
- The Group's management must have committed to a plan to sell the asset and have begun active measures to find a buyer and finalise the plan;
- the asset must be for sale at a reasonable price compared to its current fair value.

Lagardère received no offer from Vivendi during the second half of 2010 to open talks for the takeover of Lagardère's investment. However, the shareholder agreement gives the Lagardère group a liquidity right exercisable between 15 March and 15 April every year up to and including 2014, such that it can exercise this right repeatedly. At 31 December 2010, although the plan for an IPO was continuing, the date of the operation is dependent on market conditions being sufficient to attain the minimum price level at which the IPO could take place. Since no negotiations had begun with Vivendi, and in view of the uncertainties related to financial market volatility and subsequent valuation outlooks, the Group took the view that the criteria set out by IFRS 5, requiring the sale to be highly probable within one year at the minimum price desired, are no longer fulfilled. Consequently, the investment in Canal+ France was reclassified under investments in associates.

Subsequently, Lagardère announced on 16 March 2011 that it had decided to postpone the IPO of its holding in Canal+ France in view of the scale of the catastrophe in Japan, which has caused extreme volatility on the markets, making the environment unfavourable for an IPO.

At 31 December 2010, after recognition of the share in net income of Canal+ France accounted for by the equity method, the shares would have been valued at €1,578 million. The recoverable value at the same date is estimated on the basis of future cash flows presented in January 2011 in the Canal+ France group's internal budget plan, discounted using the discount and perpetuity growth rates (from the 6th year onwards) applied by the Lagardère group for its audiovisual businesses. These rates are 7.15% and 1.50% respectively and the terminal value is 76% of the total value.

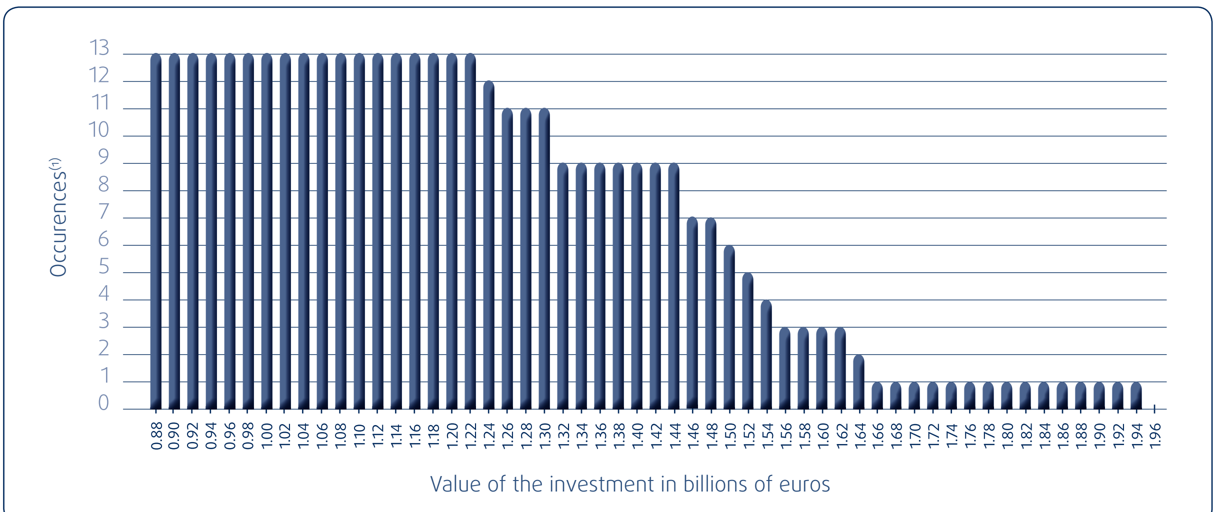
Based on these calculations, the value in use is €1,507 million after adjustment to bring the share of net cash to its estimated distributable amount. An impairment loss has therefore been recognised in the income statement against the income from associates , such that the investment is carried at its value in use of €1,507 million.

The potential effects on value of increases or decreases in the used discount rates and growth rates are shown below:

(in millions of euros)	Discount rate				
Perpetuity growth rate	6.15%	6.65%	7.15%	7.65%	8.15%
0.50%	1,553	1,429	1,323	1,233	1,154
1.00%	1,725	1,530	1,408	1,304	1,215
1.50%	1,824	1,650	**1,507**	1,387	1,285
2.00%	2,008	1,796	1,625	1,485	1,367
2.50%	2,243	1,978	1,769	1,601	1,463

For information, before the IPO process was halted, 13 financial analysts carried out assessments between 8 March and 10 March 2011, leading to the valuations shown below for Lagardère's 20% investment in Canal+ France.

These analyses are based on a range of valuation methods (discounted cash flows, multiples, comparable sales, etc) that do not take into account the possible market discount that is usually observed in an IPO, nor any premium that may be paid when the listing process is stopped for a private sale to a third party.



Source: Analysts reports.
(1) The number of occurrences for a given value represents the number of analysts whose valuation range includes that value.

NOTE 20 OTHER NON-CURRENT ASSETS

Other non-current assets break down as follows:

Carrying amounts

	31 Dec. 2010	31 Dec. 2009
Investments in non-consolidated companies	**49**	90
Loans and receivables	**63**	116
Total	**112**	206

Investments in non-consolidated companies

	31 Dec. 2010		31 Dec. 2009	
	Carrying amount	**% interest**	Carrying amount	% interest
Viel et Cie	**25**	**12%**	26	12%
Le Monde SA (*)	**-**	-	30	17%
La Dépêche du Midi (*)	**-**	-	3	15%
Other	**24**		31	
Total	**49**		90	

(*) Investments sold in 2010.

The above investments are classified as available-for-sale investments.

Fair value adjustments of available-for-sale investments recognised in equity represented a net gain of +€5 million in 2010 compared with +€7 million in 2009.

The cumulative fair value adjustments at 31 December 2010 amounted to +€7 million (-€2 million at 31 December 2009).

Loans and receivables

	31 Dec. 2010	31 Dec. 2009
Gross amount	**123**	214
Accumulated write-downs	**(60)**	(98)
Carrying amount	**63**	116

Analysis of write-downs for loans and receivables

	2010	2009
At 1 January	**(98)**	(106)
Write-downs reversed (recognised) in the year	**7**	(3)
Other movements and translation adjustments	**31**	11
At 31 December	**(60)**	(98)

Loans and receivables included in non-current assets are principally comprised of deposits, loans and receivables with an estimated maturity of over one year.

NOTE 21 INVENTORIES

Inventories break down as follows:

	31 Dec. 2010	31 Dec. 2009
Lagardère Publishing	**421**	420
Lagardère Active	**64**	88
Lagardère Services	**266**	252
Lagardère Unlimited	**1**	1
Other Activities (*)	**23**	24
Cost	**775**	785
Accumulated write-downs	**(252)**	(247)
Carrying amount	**523**	538

(*) Spare part inventories of Matra Manufacturing & Services (formerly Matra Automobile): €22 million in 2010 and €24 million in 2009.

Analysis of write-downs

	2010	2009
At 1 January	**(247)**	(248)
Write-downs reversed (recognised) in the year	**(5)**	2
Other movements and translation adjustments	**-**	(1)
At 31 December	**(252)**	(247)

NOTE 22 TRADE RECEIVABLES

Trade receivables and their realizable value break down as follows:

	31 Dec. 2010	31 Dec. 2009
Trade receivables	**1,359**	1,635
Accumulated write-downs	**(170)**	(167)
Carrying amount	**1,189**	1,468
Including:		
– not yet due	***924***	*991*
– overdue by up to 6 months	***221***	*332*
– overdue by more than 6 months	***44***	*145*
Total	**1,189**	1,468

Analysis of write-downs

	2010	2009
At 1 January	**(167)**	(153)
Write-downs recognised in the year	**(12)**	(21)
Other movements and translation adjustments	**9**	7
At 31 December	**(170)**	(167)

SECURITISATIONS OF TRADE RECEIVABLES

Certain subsidiaries of Lagardère Active have entered into securitisation contracts with debt securitisation funds. The main characteristics of the programmes are as follows:

- receivables are sold on a no-recourse basis;
- the asset-backed securities issued by the securitisation fund are overcollateralised, with the difference between the carrying amount of the sold receivables and the sale proceeds received from the securitisation fund being held in a deposit account;
- in the case of any bad debts, the loss is deducted from the deposit and is therefore incurred by the seller of the receivables;
- in certain cases, the seller has the option of buying back the sold receivables, particularly those that are classified as doubtful, and recovering the corresponding deposit.

In the consolidated financial statements, the sold receivables continue to be carried in the balance sheet, the deposits paid to the debt securitisation funds are cancelled and a debt is recognised in liabilities.

The amounts involved at 31 December 2010 and 2009 are as follows:

	31 Dec. 2010	31 Dec. 2009
Assets		
Trade receivables	**67**	117
Other receivables (*)	**(26)**	(19)
Liabilities		
Debt	**41**	98

(*) Guarantee deposits.

NOTE 23 OTHER CURRENT ASSETS

Other current assets break down as follows:

	31 Dec. 2010	31 Dec. 2009
Advances paid	**32**	29
Recoverable taxes and payroll taxes	**250**	275
Derivative financial instruments (*)	**15**	13
Receivable from writers	**326**	302
Receivable from suppliers	**102**	98
Loans	**60**	37
Prepaid expenses	**185**	146
Other	**105**	95
Total	**1,075**	995
Accumulated write-downs	**(92)**	(93)
Carrying amount	**983**	902

(*) See note 30.1.

Analysis of write-downs

	2010	2009
At 1 January	**(93)**	(104)
Write-downs recognised in the year	**(41)**	(42)
Other movements and translation adjustments	**42**	53
At 31 December	**(92)**	(93)

NOTE 24 SHORT-TERM INVESTMENTS

Short-term investments are solely comprised of available-for-sale investments measured at fair value. They break down as follows:

	31 Dec. 2010	31 Dec. 2009
Shares	**27**	29
Bonds	**79**	49
Total	**106**	78

Shares are Deutsche Telekom shares received in 2006 in exchange for T-Online shares as part of the merger between the two companies.

The cumulative fair value adjustments were nil at 31 December 2010, compared to -€5 million at 31 December 2009, following recognition of the impairment on Deutsche Telekom shares, included in financial expenses of the year.

NOTE 25 CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents reported in the cash flow statement are as follows:

	31 Dec. 2010	31 Dec. 2009
Cash and cash equivalents	**616**	764
Short-term bank loans and overdrafts	**(105)**	(245)
Cash and cash equivalents, net	**511**	519

NOTE 26 EQUITY

26.1 SHARE CAPITAL

At 31 December 2010 and 2009, the share capital of Lagardère SCA amounted to €799,913,044.60, represented by 131,133,286 shares with a par value of €6.10, all ranking pari passu and fully paid.

26.2 EMPLOYEE STOCK OPTIONS

In prior years, the Managing Partners granted stock purchase options on Lagardère SCA shares to certain members of management and employees of the Group under shareholder-approved plans. Details of the plans outstanding at 1 January 2010 are presented below.

Plan	Date of AGM	Number of options originally granted	Exercise price (in euros)	Number of beneficiaries	Options exercised in 2010	Options forfeited at end of 2010	Options outstanding at end of 2010	Period of exercise
Purchase options:								
18 Dec. 2003	23 May 2000	1,437,250	51.45 €	445	-	196,797	1,214,132	18 Dec. 2005 to 18 Dec. 2013
20 Nov. 2004	11 May 2004	1,568,750	51.92 €	481	-	229,597	1,346,262	20 Nov. 2006 to 20 Nov. 2014
21 Nov. 2005	11 May 2004	1,683,844	56.97 €	495	-	190,255	1,493,589	21 Nov. 2007 to 21 Nov. 2015
14 Dec. 2006	11 May 2004	1,844,700	55.84 €	451	-	142,100	1,702,600	14 Dec. 2008 to 14 Dec. 2016
							5,756,583	

In addition, plans to award free shares in Lagardère SCA have been introduced for certain employees and the Co-Managing Partners of the Group (see note 7).

26.3 TREASURY SHARES

Changes in the number of shares held in treasury over the last two years were as follows:

	2010	2009
Number of shares held at 1 January	**4,238,948**	4,179,948
Purchases of treasury shares	**1,051,621**	1,555,391
Sales of treasury shares	**(1,191,621)**	(1,496,391)
Number of shares held at 31 December	**4,098,948**	4,238,948

Between 2002 and 2006, stock purchase options were granted to Group employees at annual intervals. In view of the options outstanding under these plans, Lagardère SCA carried out transactions to cover its obligations in November 2005, November 2006 and March 2007, purchasing call options from Barclays Bank PLC, and selling treasury shares to Barclays Capital Securities Limited with a repurchase option.

Following these transactions, Lagardère SCA's obligation to deliver shares under existing option plans was fully covered at 31 December 2010.

In accordance with IAS 32, all amounts involved in these transactions were recognised directly in equity.

In 2010, the Group also purchased 1,051,621 treasury shares for a total cost of €30 million and sold 1,191,621 treasury shares for a total cost of €34 million, generating a gain of €0.7 million.

In 2009, the Group purchased 1,555,391 treasury shares for a total cost of €41 million and sold 1,496,391 treasury shares for a total cost of €39 million, generating a gain of €0.3 million.

26.4 RESERVES

TRANSLATION RESERVE

The translation reserve corresponds to cumulative exchange differences arising on translation of the financial statements of foreign subsidiaries whose functional currency is not the euro.

VALUATION RESERVE

The valuation reserve comprises:

- cumulative gains and losses on cash flow hedges taken to equity;
- cumulative gains and losses on available-for-sale investments taken to equity.

26.5 MINORITY INTERESTS

Minority interests in the net assets and profits of consolidated companies break down as follows:

	Balance sheet		Income statement	
	31 Dec. 2010	31 Dec. 2009	**2010**	2009
Lagardère Publishing	**23**	16	**3**	(1)
Lagardère Active	**57**	51	**22**	18
Lagardère Services	**30**	31	**9**	8
Lagardère Unlimited	**22**	26	**(3)**	2
Total	**132**	124	**31**	27

26.6 CAPITAL MANAGEMENT

LAGARDÈRE SCA SHARE CAPITAL AND SHAREHOLDERS

Lagardère is very attentive to its ownership structure and shareholder monitoring. As all Lagardère SCA shares are in registered form, information on shareholders and changes in ownership are available to the Company. The proportion of freely traded shares is high at approximately 90%, the other 9.62% being held by Lagardère Capital & Management, controlled by Mr. Arnaud Lagardère, the Group's Managing Partner. This guarantees good stock liquidity.

Lagardère has not raised capital on the market for several years (the only capital increases have resulted from Group employees exercising stock subscription options) but applies a regular dividend distribution policy. To reward shareholder stability, the Company has granted double voting rights for shares registered in the name of the same shareholder for at least four years.

CONSOLIDATED EQUITY

As described in note 29.1.1, some of Lagardère SCA's bond borrowings and bank loans contain financial ratio covenants. In particular, these require the Group to comply with a minimum level of consolidated equity, or maximum indebtedness calculated as a proportion of consolidated equity, or in relation to a performance indicator based on recurring operating profit. Failure to meet these ratio requirements entitles the lenders to request immediate reimbursement of their loans. The ratios are monitored throughout the year by the Cash Management and Financing Division and have always been respected.

As part of its long-term development strategy, the Group optimises its debt/equity ratio. Given the currently low level of debt, external growth can be financed by borrowings. The Group has also applied a share buyback policy in recent years, within limits set by the Annual General Meeting, leading to cancellation of shares with antidilutive effect for shareholders. In April 2007, 8.6 million shares were cancelled, equivalent to 6% of the share capital at that date, and in July 2008, 3 million shares were cancelled, equivalent to 2.23% of the share capital at that date.

26.7 GAINS AND LOSSES RECOGNISED IN EQUITY

Changes in gains and losses recognised in equity are shown below:

31 December 2010	Other reserves	Translation reserve	Valuation reserve	Equity attributable to owners of the parent	Minority interests	Equity
Currency translation adjustments		86		**86**	6	**92**
Change in fair value of:						
derivative financial instruments			(2)	**(2)**		**(2)**
– unrealised gains and losses arising during the year recognised in equity			*(4)*	***(4)***		***(4)***
– reclassification by transfer from equity to net profit			*2*	***2***		***2***
investments in non-consolidated companies			9	**9**		**9**
– unrealised gains and losses arising during the year recognised in equity			*(2)*	***(2)***		***(2)***
– reclassification by transfer from equity to net profit			*11*	***11***		***11***
Actuarial gains and losses on employee benefit and similar obligations				**0**		**0**
Share of gains and losses of associates (net of tax)	(5)	11	(177)	**(171)**		**(171)**
Income tax on gains and losses recognised in equity			(1)	**(1)**		**(1)**
Gains and losses recognised in equity, net of tax	**(5)**	**97**	**(171)**	**(79)**	**6**	**(73)**

31 December 2009	Other reserves	Translation reserve	Valuation reserve	Equity attributable to owners of the parent	Minority interests	Equity
Currency translation adjustments		43		**43**		**43**
Change in fair value of:						
derivative financial instruments			(420)	**(420)**		**(420)**
– unrealised gains and losses arising during the year recognised in equity			*(1)*	***(1)***		***(1)***
– reclassification by transfer from equity to net profit			*(419)*	***(419)***		***(419)***
investments in non-consolidated companies			5	**5**		**5**
– unrealised gains and losses arising during the year recognised in equity			*5*	***5***		***5***
– reclassification by transfer from equity to net profit						
Actuarial gains and losses on employee benefit and similar obligations	(15)			**(15)**		**(15)**
Share of gains and losses of associates (net of tax)	(36)	(19)	65	**10**		**10**
Income tax on gains and losses recognised in equity	4		1	**5**		**5**
Gains and losses recognised in equity, net of tax	**(47)**	**24**	**(349)**	**(372)**		**(372)**

Details of the tax effects relating to gains and losses recognised in equity are as follows:

31 December 2010	Before tax	Tax expense	After tax
Currency translation adjustments	92	-	**92**
Change in fair value of:			
– derivative financial instruments	(2)	1	**(1)**
– investments in non-consolidated companies	9	(2)	**7**
Actuarial gains and losses on employee benefit and similar obligations	-	-	**0**
Share of gains and losses of associates (net of tax)	(171)	-	**(171)**
Total gains and losses recognised in equity	**(72)**	**(1)**	**(73)**

31 December 2009	Before tax	Tax expense	After tax
Currency translation adjustments	43	-	**43**
Change in fair value of:			
– derivative financial instruments	(420)	-	**(420)**
– investments in non-consolidated companies	5	1	**6**
Actuarial gains and losses on employee benefit and similar obligations	(15)	4	**(11)**
Share of gains and losses of associates (net of tax)	10	-	**10**
Total gains and losses recognised in equity	**(377)**	**5**	**(372)**

NOTE 27 PROVISIONS

27.1 PROVISIONS FOR EMPLOYEE BENEFIT OBLIGATIONS

In application of the principles set out in note 3.18 “Provisions for employee benefit obligations”, provisions are recognised to cover the Group’s obligations under defined-benefit plans.

The tables below give details of the assumptions used in valuation, and the changes in the benefit obligations and the provisions established:

Change in benefit obligation

	2010	2009
Benefit obligation at beginning of the year	**298**	263
Service cost	**12**	10
Interest cost	**14**	15
Benefits paid	**(16)**	(16)
Settlement of obligations	**(4)**	(3)
Actuarial (gains) losses	**6**	23
Changes in scope of consolidation	**(13)**	(4)
Employee contributions	**3**	3
Translation adjustments and other	**18**	7
Benefit obligation at end of the year	**318**	298
Benefit obligation at end of year for funded plans	**248**	234
Benefit obligation at end of year for unfunded plans	**70**	64

Change in fair value of plan assets

	2010	2009
Fair value of plan assets at beginning of year	**195**	168
Actual return on plan assets	**15**	19
Employer contributions	**14**	15
Benefits paid	**(13)**	(13)
Settlement of obligations	**(5)**	(2)
Changes in scope of consolidation	**(9)**	-
Employee contributions	**3**	3
Translation adjustments and other	**16**	5
Fair value of plan assets at end of year	**216**	195

Asset allocation at 31 December

	2010	2009
Shares	**32%**	32%
Bonds	**47%**	51%
Real property	**6%**	5%
Money market instruments	**5%**	5%
Other	**10%**	7%

The expected rate of return on assets is the weighted average rate, based on the individual expected long-term return for each class of assets in the financing portfolio, and their actual allocation at valuation date.

Calculation of net amount recognised as provision

	2010	2009	2008	2007	2006
Benefit obligation	**318**	298	263	303	340
Fair value of plan assets	**(216)**	(195)	(168)	(200)	(206)
Unrecognised past service cost	**(1)**	(1)	(1)	-	-
Net amount recognised as provision (*)	**101**	102	94	103	134

(*) The amount shown for 2006 has been adjusted retrospectively to reflect the change of method introduced in 2007 (election for the option under revised IAS 19 allowing immediate recognition in equity of actuarial gains and losses).

Calculation of net expense for the year

	2010	2009
Service cost	**12**	10
Interest cost	**14**	15
Expected return on plan assets	**(9)**	(11)
Recognition of past service cost	**-**	-
Effect of limit on assets	**-**	-
Effect of settlements and plan curtailments	**-**	1
Net expense recognised in the income statement	**17**	15

Actuarial assumptions used to calculate benefit obligations

	2010	2009
Discount rate: weighted average for all countries including:	**4.59%**	4.86%
– Euro zone (*)	**4.75%**	5.25%
– United Kingdom (*)	**5.40%**	5.60%
Average expected rate of benefit increase	**2.82%**	2.94%
Average expected rate of salary increase	**2.39%**	2.43%
Expected rate of return on plan assets	**4.49%**	4.87%
Expected rate of healthcare cost inflation		
– initial	**5.00%**	5.00%
– ultimate	**2.00%**	2.00%
– year in which ultimate rate is expected to be reached	**2027**	2027

(*) Discount rates are derived from market rates on the bonds issued by first rank (AA) private companies, with maturities approximately equivalent to those of the estimated future payments under the plans. The benchmark index used in 2009 and 2010 was the Iboxx Corporate AA index.

Experience gains and losses recognised in equity

	2010	2009
1. Difference between actual and expected returns on plan assets		
Gains (losses)	**6**	8
Percentage of plan assets at year-end	**2.62%**	4.30%
2. Experience (gains) and losses on plan assets		
Losses (gains)	**(2)**	1
Percentage of present value of plan liabilities at year-end	**(0.76%)**	0.21%

Sensitivity to trend rate assumptions (+/-1%) for post retirement medical plans

	2010	2009
Present value of benefit obligation at 31 December	**5**	4
Effect of a 1% increase		
on defined benefit obligation	**14**	10
on expense for the year	**1**	1
Effect of a 1% decrease		
on defined benefit obligation	**(5)**	(4)
on expense for the year	**-**	-

Expected employer contribution

	2011	2010
Expected employer contribution	**10**	11

Actuarial gains and losses recognised directly in equity

	2010	2009
Actuarial gains (losses) at 1 January	**(16)**	(1)
Change during the year		
– in the value of benefit obligation	**(6)**	(23)
– in a fair value of plan assets	**6**	8
Actuarial gains (losses) at 31 December	**(16)**	(16)
Deferred tax impact	**4**	4
Actuarial gains (losses), net of tax at 31 December	**(12)**	(12)

27.2 PROVISIONS FOR CONTINGENCIES AND LOSSES

Non-current and current provisions cover the following main contingencies and losses:

	31 Dec. 2010	31 Dec. 2009
Losses on long-term contracts and other contracts	**9**	9
Restructuring and withdrawal costs	**84**	109
Claims and litigation	**110**	129
Other provisions	**309**	302
Total	**512**	549
Including:		
Non-current provisions	***170***	*179*
Current provisions	***342***	*370*
	512	*549*

	At 1 January 2010	Translation adjustment	Changes in scope of consolidation	Charges	Utilisations	Releases of surplus provisions	Reclassification (*)	**At 31 December 2010**
Losses on long-term contracts and other contracts	9	-	-	2	(1)	-	(1)	**9**
Restructuring and withdrawal costs	109	1	9	22	(33)	(5)	(19)	**84**
Claims and litigation	129	1	-	13	(11)	(18)	(4)	**110**
Other provisions	302	2	(4)	104	(56)	(31)	(8)	**309**
Total	**549**	**4**	**5**	**141**	**(101)**	**(54)**	**(32)**	**512**

(*) €19 million were reclassified as assets held for sale.

Provisions for claims and litigation cover risks identified at year-end and are based on the estimated amount of potential losses for the Group.

Other provisions mainly concern risks related to financial commitments and subsidiaries.

NOTE 28 DEBT

28.1 BREAKDOWN OF DEBT

Debt breaks down as follows:

	31 Dec. 2010	31 Dec. 2009
Bonds	**1,249**	1,411
Bank loans	**664**	697
Finance lease liabilities	**-**	11
Debt related to put options granted to minority shareholders	**30**	40
Other debt	**10**	15
Non-current debt	**1,953**	2,174
Bonds	**169**	-
Bank loans	**181**	35
Finance lease liabilities	**2**	14
Debt related to put options granted to minority shareholders	**-**	-
Other debt	**189**	443
Current debt	**541**	492
Total debt	**2,494**	2,666

On 26 January 2011, Lagardère SCA signed a new multi-currency syndicated loan for €1,645 million, which replaced the 2005 syndicated loan of €2,200 million (drawn to the extent of €612 million at 31 December 2010) due to mature in 2012. The new loan is for a 5-year term and bears interest at the Euribor rate (or equivalent for other currencies), plus an initial margin of 0.90%.

28.2 ANALYSIS OF DEBT BY MATURITY

Debt breaks down as follows by maturity:

	Under one year(*)	1 to 5 years	Over 5 years	Total
Bonds	169	1,249	-	1,418
Bank loans	181	664(**)	-	845
Finance lease liabilities	2	-	-	2
Debt related to put options granted to minority shareholders	-	29	1	30
Other debt	189	2	8	199
At 31 December 2010	**541**	**1,944**	**9**	**2,494**
At 31 December 2009	492	2,165	9	2,666

(*) Debt due within one year is reported in the balance sheet under "Current debt".
(**) Including €612 million for the 2005 syndicated loan maturing in 2012, which was replaced in January 2011 by a new five-year syndicated loan of €1,645 million.

28.3 CHARACTERISTICS OF BONDS AND MAIN BANK LOANS

The following tables provide details of bonds and bank loans:

31 December 2010	Carrying amount	Value of hedging instruments (*)	Total	Currency after hedging	Original interest rate	Interest rate after hedging
24 January 2001 US Private Placement Notes:						
– 10-year notes, for US$225 million	169	85	**254**	EUR	7.49%	EURIBOR +1.288%
24 July 2003 US Private Placement Notes:						
– 10-year notes, for US$38 million	30	3	**33**	EUR	5.18%	6-month EURIBOR +0.87%
– 10-year notes, for €116 million	123	(7)	**116**	EUR	4.965%	6-month EURIBOR +0.88%
10 July 2003 10-year bond issue underwritten by LCL, for €100 million	105	(5)	**100**	EUR	4.75%	3-month EURIBOR +1.035%
6 October 2009 5-year bond issue, for €1,000 million	991	-	**991**	EUR	5.08%	
Bonds	**1,418**	**76**	**1,494**			
21 December 2005 6-year structured loan, for €151 million:						
– Tranche A, for €116 million	116	-	**116**	EUR	3-month EURIBOR +0.575% limit 4.375%	3-month EURIBOR +0.40%
– Tranche B, for €35 million	35	-	**35**	EUR	3.85%	3-month EURIBOR +0.40%
22 June 2005-2012 syndicated loan for €2,200 million, amount drawn	612	-	**612**	EUR	1-month EURIBOR +0.275%	
Other debt	82	-	**82**			
Bank loans	**845**	**-**	**845**			
Total	**2,263**	**76**	**2,339**			

(*) Fair value of derivative instruments designated as hedges of debt.

31 December 2009	Carrying amount	Value of hedging instruments (*)	Total	Currency after hedging	Original interest rate	Interest rate after hedging
24 January 2001 US Private Placement Notes:						
– 10-year notes, for US$225 million	165	89	**254**	EUR	7.49%	EURIBOR +1.288%
24 July 2003 US Private Placement Notes:						
– 10-year notes, for US$38 million	28	5	**33**	EUR	5.18%	6-month EURIBOR +0.87%
– 10-year notes, for €116 million	123	(7)	**116**	EUR	4.965%	6-month EURIBOR +0.88%
10 July 2003 10-year bond issue underwritten by LCL, for €100 million	104	(4)	**100**	EUR	4.75%	3-month EURIBOR +1.035%
6 October 2009 5-year bond issue, for €1,000 million	991	-	**991**	EUR	5.08%	
Bonds	**1,411**	**83**	**1,494**			
21 December 2005 6-year structured loan, for €151 million:						
– Tranche A, for €116 million	116	-	**116**	EUR	3-month EURIBOR +0.575% limit 4.375%	3-month EURIBOR +0.40%
– Tranche B, for €35 million	35	-	**35**	EUR	3.85%	3-month EURIBOR +0.40%
22 June 2005-2012 syndicated loan for €2,200 million, amount drawn	491	-	**491**	EUR	1-month EURIBOR +0.225%	
Other debt	90	-	**90**			
Bank loans	**732**	**-**	**732**			
Total	**2,143**	**83**	**2,226**			

(*) Fair value of derivative instruments designated as hedges of debt.

28.4 ANALYSIS OF DEBT BY CURRENCY

The following table shows the breakdown of current and non-current debt by currency before and after hedging:

31 December 2010	Before hedging		After hedging	
		%		%
Euro	2,038	82%	2,114	82%
US$	329	13%	329	13%
Swedish kronor	58	2%	58	2%
Yen	29	1%	29	1%
Zloty	24	1%	24	1%
Other	16	1%	16	1%
Total	**2,494**	**100%**	**2,570**	**100%**

NOTE 29 EXPOSURE TO MARKET RISKS (LIQUIDITY, INTEREST RATE, EXCHANGE RATE AND EQUITY RISKS) AND CREDIT RISKS

29.1 MARKET RISKS

29.1.1 EXPOSURE

LIQUIDITY RISKS

Total borrowings include the value of hedging instruments (see note 28.3). The share of bond borrowings rose from 54% to 58% of total borrowings between 31 December 2009 and 31 December 2010.

The liquidity risk is not significant since debt maturing within two years amounts to €663 million, whereas cash, cash equivalents and short-term investments total €722 million and unused credit line facilities €1,092 million (these figures include the new 5-year syndicated loan of €1,645 million obtained in January 2011, which replaced the 2005 syndicated loan).

RISKS ARISING FROM EARLY REPAYMENT COVENANTS INCLUDED IN CERTAIN CONTRACTS

Bond borrowing or bank loan agreements may include financial ratio covenants. Most financial ratios establish limits in the form of:

- minimum equity;
- maximum gross indebtedness calculated as a proportion of equity;
- maximum net indebtedness calculated as a proportion of adjusted EBITDA (defined as the sum of recurring operating profit before associates, depreciation, amortization and impairment and dividends received from companies accounted for under the equity method).

Failure to meet these ratio requirements entitles the lenders to request immediate reimbursement of their loans.

Lagardère SCA is subject to such covenants in respect of:

- bonds issued in January 2001 totalling US$225 million and July 2003 totalling US$38 million and €116 million;
- the structured loan obtained in December 2005 totalling €151 million;
- the syndicated loan obtained in January 2011 totalling €1,645 million.

The ratios are calculated every six months on the basis of the consolidated financial statements.

At 31 December 2010, all of the above ratio covenants were satisfied.

INTEREST RATE RISKS

The €991 million bond maturing in 2014 bears interest at a fixed rate (effective interest rate: 5.08%). Other bond borrowings and bank loans bear interest at variable rates, either because they were originally issued at variable rates, or because they were converted at the outset from fixed rates to variable rates. The value of derivative hedging instruments corresponding to this conversion is stated in note 28.3.

Cash and cash equivalents totalled €616 million at 31 December 2010. This cash surplus earns interest at variable rates, thus providing natural hedging for the Group's €1,549 million variable rate borrowings (excluding debt related to repurchases of minority interests). The risk of a rise in the cost of borrowings due to an increase in interest rates would essentially concern the variable-rate portion of total borrowings that is not offset by surplus cash, i.e. a total of €933 million. A one point increase in interest rates would result in an annual additional expense of €9.3 million.

EXCHANGE RATE RISKS

The Group's exposure to foreign exchange rate risks on commercial transactions is limited owing to the nature of its business activities, and chiefly concerns Lagardère Unlimited. At 31 December 2010, foreign currency transactions to hedge this exposure, in the form of direct forward agreements and options, amounted to €56 million (sales) and €112 million (purchases).

In general, normal operating activities are financed through short-term and variable-rate borrowings denominated in the local currency, in order to avoid exchange rate risks.

For longer-term borrowings used to finance assets outside France, the Group may occasionally make drawings in foreign currencies on its syndicated loan. At 31 December 2010, amounts drawn were as follows:

– US dollar: €333 million

– Swedish kronor: €58 million.

Certain borrowings undertaken in foreign currencies in France (servicing of the US dollar notes issued in 2001 and 2003) are hedged by forward currency purchase agreements.

2010 consolidated net sales were distributed as follows between the principal currencies:

Euros	56%
US dollar	11%
Pound sterling	6%
Swiss franc	6%
Other	21%
Total	100%

Based on accounting data for 2010, the sensitivity of recurring operating profit before associates to a 10% decline in the respective exchange rates for the three main currencies against the euro over a full year, expressed in monetary terms before any adjustments, is as follows:

Currency	Impact on 2010 recurring operating profit before associates
US dollar	(€7 million)
Pound sterling	(€5 million)
Swiss franc	(€2 million)

EQUITY RISKS

The Group's principal direct and indirect investments in listed companies are:

Companies	Number of shares held	Percentage interest at 31 December 2010	Market price at 31 December 2010 (in euros)	Market value at 31 December 2010 (in euros)
Lagardère SCA	4,098,948	3.13%	30.83	126,370,567
EADS	61,113,852	7.50%	17.44	1,065,825,579
Deutsche Telekom (formerly T-Online)	2,836,835	0.07%	9.66	27,403,826
Viel et Cie	8,917,677	11.71%	2.81	25,058,672

Changes in the value of treasury stock directly or indirectly held by Lagardère are taken directly to equity.

As a listed company, EADS is subject to stock market fluctuations. However, in view of the consolidation method applied for the EADS group, the value of this investment in Lagardère's consolidated financial statements is not affected by these fluctuations.

The Deutsche Telekom shares were received in exchange for T-Online shares in 2006 and are included in "Short-term investments" at the amount of €27 million, i.e. their trading price on 31 December 2010.

The investment in Viel et Cie is included in "Other non-current assets" at the amount of €25 million, corresponding to their trading price on 31 December 2010.

29.1.2 MANAGEMENT

Market risks are monitored at Group level by the Cash Management and Financing Division in cooperation with the Risk and Internal Control Division, under the responsibility of the Group's Chief Financial Executive.

Periodic reports are submitted to the Managing Partners. The Group has implemented a specific policy to reduce risks, introducing authorisation procedures and internal controls and using risk management tools to identify and quantify these risks. Derivatives are used exclusively in non-speculative hedging transactions.

INTEREST RATE RISKS

The Group does not use active interest rate management techniques in relation to any of its financial assets or liabilities.

Cash investments must be in fixed income instruments issued by high-quality entities, with maturities appropriate to the planned duration of the investment. No investments are made in speculative or risky instruments.

There are no derivatives related to these investments.

29.2 CREDIT AND COUNTERPARTY RISKS

The credit and counterparty risk represents the risk of financial loss for the Group in the event of default by a customer or debtor on its contractual obligations. This risk mainly relates to trade receivables.

29.2.1 *EXPOSURE*

The Group's exposure to credit and counterparty risk arises principally from:

- customer credit or commitments received in connection with commercial contracts;
- short-term investments of surplus cash or to cover post-employment benefit obligations;
- hedging contracts in which the counterparties are financial institutions.

Customer credit and commitments received under commercial contracts amounted to €1,988 million at 31 December 2010. The counterparties for most customer credit are distributors of Group products. Both in and outside France, receivables generally concern local customers and no single customer represents a high percentage of the sales concerned. The main commitments received relate to contracts for sales of sports rights.

The shares of consolidated net sales deriving from business with the Group's largest, five largest and ten largest customers were as follows:

	2010	2009
Largest customer	**1.5%**	1.2%
Five largest customers	**5.1%**	5.2%
Ten largest customers	**8.2%**	8.7%

The Group's short-term investments and cash and cash equivalents amounted to €722 million at 31 December 2010. In addition to bank account balances, the majority of these resources are invested in instruments with first rank banking establishments or government agencies.

Assets managed in connection with post-employment benefits totalled €216 million (including €114 million in the UK and €75 million in Switzerland). 47% of these assets are invested in bonds.

Hedging contracts are primarily entered into to hedge foreign exchange and interest rate risks. Their notional amount was €808 million at 31 December 2010. The economic risk associated with these contracts depends on currency and interest rate fluctuations, and only represents a fraction of this notional amount. The counterparties in these contracts are leading banks.

Overall, the Group has never experienced a significant rate of default. However, its counterparties remain exposed to the risks of the economic environment, and as a result default can never be considered totally impossible.

29.2.2 *MANAGEMENT*

Each division is responsible for managing its own credit risks in a decentralised way as appropriate to the specificities of its market and customer base.

For new customers with the potential for large volumes of business with the Group, analyses are carried out and information (such as external credit ratings or bank references) is sought before entering into transactions, and specific guarantees or credit insurance may be arranged as a result. Counterparty-specific credit limits may also be set.

In newly-consolidated activities, action is taken for progressive introduction of monitoring procedures appropriate for credit risks.

The Group has set up periodic reporting on counterparty risks, to monitor the Group's consolidated exposure to risks on the principal counterparties, the variations in accumulated receivables, and the level of related provisions, and to oversee the measures for control of this type of risk.

The Cash Management and Financing Division is responsible for ensuring that the financial institutions with which the Group does business are of good quality.

NOTE 30 FINANCIAL INSTRUMENTS

30.1 CARRYING AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value consist of the following derivative instruments:

Fair value of derivative financial instruments

	31 Dec. 2010	31 Dec. 2009
Financial instruments with positive fair values (current assets):	**15**	13
– Financial instruments acquired as hedges of debt	**12**	11
– Currency swaps (effective portion)	**3**	2
Financial instruments with negative fair values (current liabilities):	**(92)**	(96)
– Financial instruments acquired as hedges of debt	**(88)**	(94)
– Currency swaps (effective portion)	**(4)**	(2)
Total, net	**(77)**	(83)

30.2 NOTIONAL AMOUNTS OF DEBT HEDGING CONTRACTS BY MATURITY

31 December 2010	2011	2012	2013	2014	2015	Over 5 years	**Total**
Value of debt including the effect of hedging instruments	405		249				**654**
Fair value of instruments acquired as hedges of debt	(85)		9				**(76)**
Fair value of debt covered by hedging instruments (balance sheet value)	320	0	258	0	0	0	**578**

30.3 BALANCE SHEET FINANCIAL INSTRUMENTS

	31 Dec. 2010		Breakdown by type of instrument[1]				
	Carrying amount	Fair value	Loans and receivables	Assets available for sale	Debt at amortized cost	Fair value through profit or loss	Derivative financial instruments
Investments in non-consolidated companies	49	49	-	49	-	-	-
Other non-current assets	62	62	62	-	-	-	-
Trade receivables	1,189	1,189	1,189	-	-	-	-
Derivative financial instruments	15	15	-	-	-	-	15
Other current assets	968	968	968	-	-	-	-
Short-term investments	106	106	-	106	-	-	-
Cash equivalents	135	135	-	-	-	135	-
Cash	481	481	481	-	-	-	-
Assets	**3,005**	**3,005**	**2,700**	**155**	-	**135**	**15**
Bonds and bank loans	2,263	2,263	-	-	2,339	-	(76)
Other financial debt	231	231	-	-	231	-	-
Other non-current liabilities	219	219	-	-	219	-	-
Trade payables	1,618	1,618	-	-	1,618	-	-
Derivative financial instruments	92	92	-	-	-	-	92
Other current liabilities	1,321	1,321	-	-	1,321	-	-
Liabilities	**5,744**	**5,744**	**-**	**-**	**5,728**	**-**	**16**

(1) There were no reclassifications between categories of financial instruments in 2010.

	31 Dec. 2009		Breakdown by type of instrument[1]				
	Carrying amount	Fair value	Loans and receivables	Assets available for sale	Debt at amortized cost	Fair value through profit or loss	Derivative financial instruments
Investments in non-consolidated companies	90	90	-	90	-	-	-
Other non-current assets	116	116	116	-	-	-	-
Trade receivables	1,468	1,468	1,468	-	-	-	-
Derivative financial instruments	13	13	-	-	-	-	13
Other current assets	889	889	889	-	-	-	-
Short-term investments	78	78	-	78	-	-	-
Cash equivalents	120	120	-	-	-	120	-
Cash	644	644	644	-	-	-	-
Assets	**3,418**	**3,418**	**3,117**	**168**	**-**	**120**	**13**
Bonds and bank loans	2,143	2,143	-	-	2,226	-	(83)
Other financial debt	523	523	-	-	523	-	-
Other non-current liabilities	395	395	-	-	395	-	-
Trade payables	1,754	1,754	-	-	1,754	-	-
Derivative financial instruments	96	96	-	-	-	-	96
Other current liabilities	1,258	1,258	-	-	1,258	-	-
Liabilities	**6,169**	**6,169**	**-**	**-**	**6,156**	**-**	**13**

(1) There were no reclassifications between categories of financial instruments in 2009.

30.4 FINANCIAL INSTRUMENTS – FAIR VALUE HIERARCHY

The revised version of IFRS 7, Financial Instruments - Disclosures, distinguishes the methods used for determining fair value into levels as follows:

Level 1: Instrument listed on an active market.

Level 2: Instrument valued using techniques based on observable market data.

Level 3: Instrument valued using techniques based on non-observable data.

In addition, certain investments are carried at acquisition cost if the Group does not have sufficiently reliable information for valuation, particularly when there is no active market for an instrument (see note 3.13).

Lagardère's financial instruments are classified as follows under this hierarchy:

	Type of instrument(1)			Fair value hierarchy(2)			
31 December 2010	Assets available for sale	Fair value through profit or loss	Derivative financial instruments	Level 1	Level 2	Level 3	Acquisition cost
Investments in non-consolidated companies	49			25			24
- Viel et Cie	*25*			*25*			
- Other	*24*						*24*
Derivative financial instruments – Assets			15		15		
Short-term investments	106			106			
– Deutsche Telekom shares	*27*			*27*			
– Bonds	*79*			*79*			
Cash equivalents		135		135			
– Marketable securities		*135*		*135*			
Total financial instruments – Assets	**155**	**135**	**15**	**266**	**15**		**24**
Derivative financial instruments – Liabilities			16		16		
Total financial instruments – Liabilities			**16**		**16**		

(1) There were no reclassifications between categories of financial instruments in 2010.
(2) There were no reclassifications between fair value hierarchy levels in 2010.

	Type of instrument(1)			Fair value hierarchy(2)			
31 December 2009	Assets available for sale	Fair value through profit or loss	Derivative financial instruments	Level 1	Level 2	Level 3	Acquisition cost
Investments in non-consolidated companies	90			26			64
- Viel et Cie	*26*			*26*			
- Other	*64*						*64*
Derivative financial instruments – Assets			13		13		
Short-term investments	78			78			
– Deutsche Telekom shares	*29*			*29*			
– Bonds	*49*			*49*			
Cash equivalents		120		120			
– Marketable securities		*120*		*120*			
Total financial instruments – Assets	**168**	**120**	**13**	**224**	**13**		**64**
Derivative financial instruments – Liabilities			13		13		
Total financial instruments – Liabilities			**13**		**13**		

(1) There were no reclassifications between categories of financial instruments in 2009.
(2) There were no reclassifications between fair value hierarchy levels in 2009.

NOTE 31 OTHER LIABILITIES

Other liabilities break down as follows:

	31 Dec. 2010	31 Dec. 2009
Due to suppliers of fixed assets	**211**	377
Repayable advances	**-**	-
Other advances and prepayments	**-**	-
Other liabilities	**8**	18
Other non-current liabilities	**219**	395
Derivative financial instruments	**92**	96
Accrued taxes and employee benefit expense	**438**	480
Advances and prepayments	**25**	19
Due to writers	**234**	234
Due to customers	**108**	99
Deferred income	**211**	181
Other liabilities	**306**	245
Other current liabilities	**1,414**	1,354
Total	**1,633**	1,749

NOTE 32 ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

INTERNATIONAL MAGAZINE PUBLISHING

Lagardère SCA and Hearst Corporation announced on 31 December 2010 that they had signed an agreement opening exclusive negotiations for the sale of the Lagardère group's international press and magazine business. As a result of this agreement, on 31 January 2011 Hearst Corporation made Lagardère SCA a firm offer to buy these businesses. 102 titles are to be sold, in 15 countries (US, Russia and Ukraine, Italy, Spain, UK, China, Japan, Netherlands, Czech Republic, Hong Kong, Mexico, Taiwan, Canada and Germany).

Lagardère will retain ownership of the ELLE brand, and will grant Hearst a licence in these 15 countries in return for a fee based on the sales generated by Hearst. In certain countries, Lagardère will also retain the real estate assets currently used by the international magazines activity.

This firm offer requires certain regulatory authorisations and antitrust clearances in some countries. An information and consultation procedure with the employee representative bodies must also take place.

The transaction should be completed in the third quarter of 2011.

In the balance sheet at 31 December 2010, the assets and liabilities concerned by the sale are grouped together and presented on specific lines, at amounts of €1,097 million and €399 million respectively. The amount of the assets held for sale includes goodwill attributable to the businesses to be sold. When the activities sold are part of a cash generating unit to which goodwill has been allocated, the goodwill attributable to the activities sold is calculated in proportion to the fair value of those activities compared to the fair value of the activities retained in the cash generating unit.

Assets held for sale and associated liabilities at 31 December 2010 are as follows:

Assets	
Goodwill	**219**
Intangible assets and property, plant and equipment	**506**
Other non-current assets	**23**
Current assets (excluding cash and cash equivalents)	**250**
Cash and cash equivalents	**99**
Total assets	**1,097**
Liabilities	
Non-current debt	**-**
Other non-current liabilities	**119**
Current debt	**54**
Other non-current liabilities	**226**
Total liabilities	**399**

Since the entities involved in the sale will remain fully consolidated until completion of the transaction, intra-group operations continue to be eliminated in the consolidated balance sheet. Consequently, the amounts reclassified as assets held for sale and associated liabilities are presented after elimination of intra-group receivables and liabilities, and do not reflect the assets and liabilities that will be included in calculation of the proceeds of the sale. This calculation must also include the value of minority interests in the entities concerned.

The reconciliation is shown below:

Assets held for sale less associated liabilities	698
Net intragroup debts	(28)
Minority interests	(42)
Consolidated value of the net assets to be sold	628

NOTE 33 CONTRACTUAL OBLIGATIONS

The tables below summarise Lagardère's contractual obligations. Future payments other than payments related to financial liabilities are reported at non-discounted nominal value.

	Payments expected			Total	
	Under 1 year	1 to 5 years	Over 5 years	**31 Dec. 2010**	31 Dec. 2009
Financial liabilities	3,565	2,142	37	**5,744**	6,169
including finance lease obligations	*2*	-	-	**2**	*25*
Expected bank interest on debt (*)	60	157	-	**217**	281
Operating leases (**)	181	446	231	**858**	824
Minimum payments guaranteed under marketing contracts for:					
– sports rights	142	636	422	**1,200**	1,103
– other	2	-	-	**2**	11
Commitments for future capital expenditure	4	8	21	**33**	39
Total contractual obligations	**3,961**	**3,382**	**711**	**8,054**	**8,427**
Commitments received on sports rights sales contracts signed with distributors and partners	(309)	(442)	(48)	**(799)**	(644)

(*) Variable-rate interest payable has been calculated at the rates in force at 31 December 2010.
(**) Minimum future lease payments under non-cancellable operating leases, including minimum rentals provided for in retail shop concession agreements.

Recurring operating profit includes rental expense of €245 million in 2010 (€195 million in 2009).

Financial liabilities break down as follows:

	Payments expected			Total	
	Under 1 year	1 to 5 years	Over 5 years	**31 Dec. 2010**	31 Dec. 2009
Bonds and bank loans (net of derivatives)	350	1,913	-	**2,263**	2,143
Other financial debt	191	31	9	**231**	523
Other non-current financial liabilities	-	191	28	**219**	395
Trade payables	1,617	1	-	**1,618**	1,754
Derivative financial instruments	92	-	-	**92**	96
Other current financial liabilities	1,315	6	-	**1,321**	1,258
Total financial liabilities	**3,565**	**2,142**	**37**	**5,744**	**6,169**

NOTE 34 COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

The information below relates to subsidiaries controlled and fully consolidated by Lagardère.

34.1 OFF-BALANCE SHEET COMMITMENTS

	31 Dec. 2010	31 Dec. 2009
Commitments given in the normal course of business:		
– guarantees and performance bonds	**70**	81
– guarantees given to third parties and non-consolidated companies	**77**	79
– other commitments given	**13**	12
Commitments on assets	**-**	-
Commitments to repurchase shares (estimated amount, excluding put options granted to minority shareholders of fully consolidated subsidiaries)	**14**	14
Commitments received:		
– counter-guarantees of commitments given	**32**	42
– other commitments received	**25**	25
Confirmed, unused lines of credit	**1,092**	1,755

CONDITIONAL COMMITMENTS TO SELL SHARES

The Group has granted promises to sell valid at 31 December 2010 concerning certain investments, the two largest being:

the 7.5% investment held indirectly in EADS. Lagardère has undertaken a commitment to sell this investment at market value, but solely subject to certain events, namely non-execution of obligations stipulated in the shareholder agreement, or changes in control over Lagardère or certain Lagardère business divisions;

the 20% investment held in Canal+ France following the agreement signed on 4 January 2007 between Vivendi, Canal+ Group and Lagardère: Vivendi has a drag-along right that could force Lagardère to sell its investment in Canal+ France should Vivendi accept an outside offer for acquisition of at least 95% of the capital of Canal+ France (subject to prior application of Lagardère's pre-emptive bid right).

CONDITIONAL COMMITMENTS TO REPURCHASE SHARES

Two shareholder agreements exist between Lagardère Unlimited and the minority shareholders in World Sport Group. Under the terms of these agreements, Lagardère Unlimited must acquire the minority interests at market value in certain circumstances.

Under the shareholder agreement signed with the Sumitomo group when it acquired an investment in Hachette Fujingaho, Hachette Filipacchi Presse has given a commitment to repurchase the Sumitomo group's 34% interest in Hachette Fujingaho if certain events arise. In such a case the shares would be purchased at market value as assessed by an independent expert.

34.2 LITIGATION

The main litigations involving the EADS N.V. group and Canal+ France group are described in the EADS Registration Document and in section 20.5 of the prospectus (document de base) established by Canal+ France (filed with the Financial Market Authority (AMF) on 16 February 2011 under number I.11-004).

LITIGATION WITH ABN AMRO

A shareholder who converted bonds issued in 1993 and 1994 and exercised share subscription warrants issued in April 1994 initiated legal proceedings on the merits of the case before the Paris Commercial Court on 31 May 2006, claiming damages for the prejudice allegedly caused by the lack of adjustment of the terms for exercising the warrants and converting the bonds after Lagardère SCA distributed dividends for 1992, 1993 and 1994 partly paid out of a contribution premium account. Following the appeal by Lagardère SCA against the initial decision of 19 June 2007 by the Paris Commercial Court which partly upheld the claims of ABN AMRO, on 25 November 2008 the Paris Court

(i) ordered Lagardère SCA to compensate ABN AMRO for the prejudice suffered as a result of non-adjustment of the terms for exercising share subscription warrants, and (ii) asked the parties to provide further explanations regarding the admissibility of the claim for compensation lodged in an individual capacity by ABN AMRO on the grounds of the lack of adjustment of the terms for conversion of the convertible bonds.

ABN AMRO's appeal against this ruling, and Lagardère SCA's cross-appeal arguing that the claims filed by ABN AMRO are not admissible primarily under the applicable statute of limitations, were rejected by the Cour de Cassation on 8 April 2010. It now remains for the Paris Appeal Court to rule on the only outstanding question, regarding the admissibility of ABN AMRO's claims for compensation due to non-adjustment of the terms for conversion of the convertible bonds.

The maximum amount claimed by ABN AMRO before the Paris Appeal Court's ruling of 25 November 2008 and the ensuing appeal (for the convertible bonds) was €3 million. However, in application of the calculation method used by the Paris Appeal Court in its ruling of 25 November 2008, the maximum amount that Lagardère SCA might have to pay is currently €1.55 million. Lagardère SCA is challenging the admissibility of the claims made by ABN AMRO.

ACTION FILED BY ODILE JACOB FOR CANCELLATION OF THE DECISION APPROVING WENDEL INVESTISSEMENT AS BUYER OF EDITIS ASSETS

On 13 September 2010, the European Union's General Court issued two decisions in the dispute between Odile Jacob and the European Commission and Lagardère.

The first of these decisions rejected the action filed by Odile Jacob for cancellation of the European Commission's decision of January 2004 approving Lagardère's acquisition of Vivendi Universal Publishing subject to sale of certain assets (Editis). Odile Jacob lodged an appeal against this decision before the Court of Justice of the European Union.

The second upheld the action filed by Odile Jacob for cancellation of the European Commission's approval of Wendel as buyer of Editis in July 2004. Both the European Commission and Lagardère appealed against this decision before the Court of Justice of the European Union. On the grounds of the same decision, on 27 October 2010 Odile Jacob filed a petition before the Paris Commercial Court seeking cancellation of Lagardère's sale of Editis to Wendel in 2004 and its subsequent sale by Wendel to the Spanish group Planeta in May 2008.

Lagardère considers it has strong arguments against the claims of Odile Jacob, both before the Court of Justice of the European Union and the Paris Commercial Court. In any case, Lagardère does not consider itself exposed to significant unfavourable consequences due to these disputes.

INQUIRY BY THE STOCK MARKET REGULATOR AMF, CRIMINAL INVESTIGATION AND LEGAL ACTION BY EADS SHAREHOLDERS

Following fluctuations in the EADS share price, particularly the drop observed on 14 June 2006 after EADS' announcement on 13 June 2006 that there would be delays in deliveries of A380 aircraft by its subsidiary Airbus, several lawsuits were initiated by EADS shareholders and various investigations were begun by the competent authorities.

Lagardère SCA (hereafter "Lagardère") is currently aware of the following proceedings (the EADS Registration Document also lists known proceedings and actions against EADS).

a. AMF investigation

On 8 April 2008, the French Financial Market Authority (AMF) sent Lagardère a statement of objections based on the fact that Lagardère had sold a large portion of its holding in EADS through its 11 April 2006 issue of Mandatory Exchangeable Bonds, redeemable in EADS shares, at a time when the Company could, in the opinion of AMF investigators, have been in possession of inside information.

This statement of objections marked the start of the phase of the administrative sanction procedure during which both sides may present their arguments in the case.

After a hearing held from 23 to 27 November 2009, the Enforcement Committee rejected all complaints against Lagardère in the statement of objections, putting an end to the administrative proceedings instigated by the AMF.

b. Action against person or persons unknown

Following a complaint by an association of small EADS shareholders and one individual EADS shareholder, a legal investigation for insider trading was initiated.

Searches were conducted as part of this investigation, including on the premises of Lagardère.

The magistrate heading the investigation placed a certain number of current and former EADS and Airbus managers under formal investigation during 2008.

On 29 May 2009, Lagardère, represented by one of its Managing Partners, was heard as a witness in the context of an inquiry carried out by the *Brigade Financière* (financial police) acting upon delegation of the investigating magistrate in charge of the case.

After the first interview of 27 January 2011, the company Lagardère SCA was indicted on suspicion of insider trading.

In the case prepared by the examining magistrates, Lagardère has not noted any documents concerning the company that differ from those presented in the case compiled by the AMF's investigators and submitted to its Enforcement committee, which concluded that there was no case against Lagardère.

c. Action by Crédit Mutuel group companies against Lagardère and Natixis

On 17 June 2008, some companies of the Crédit Mutuel group initiated action against Lagardère and Natixis before the Paris Commercial Court, asking the court to cancel (i) the issuance of Mandatory Exchangeable Bonds by Lagardère and their subscription by IXIS CIB (whose rights and obligations are now exercised by Natixis) in April 2006, and (ii) the forward sales concluded by the plaintiffs with Natixis.

This action concerned Lagardère's 11 April 2006 issue of Mandatory Exchangeable Bonds, redeemable in EADS shares, subscribed by IXIS CIB and Nexgen.

The companies bringing the action are seeking to have the bond issue contract declared null and void, alleging that Lagardère was in possession of inside information and should therefore have abstained from any operation involving EADS shares. They claim that Lagardère therefore breached a mandatory rule of law which renders the issue incontestably invalid, and argue that if the bond issue is declared null and void, the forward sales will also automatically be null and void.

In a ruling of 27 January 2010, the Paris Commercial Court ruled that the claims made by these Crédit Mutuel group companies were not admissible, and dismissed all the proceedings.

The Crédit Mutuel group companies filed an appeal against this ruling on 8 March 2010, and the parties have exchanged their submissions. The case was prepared for a hearing which took place on 10 March 2011. The court's decision has been adjourned to 28 April 2011.

CLAIMS ON REPRESENTATIONS AND WARRANTIES GIVEN IN THE SALE BY QUILLET OF DAILY REGIONAL PRESS BUSINESSES

When it sold its daily regional press interests to Groupe Hersant Média in December 2007, Quillet granted representations and warranties in respect of assets and liabilities. Groupe Hersant Média has made claims on these representations and warranties several times, but Quillet has in each case considered that the specific claims made were defective and without foundation, and responded to that effect to Groupe Hersant Média.

STATEMENT OF OBJECTIONS FROM THE FRENCH COMPETITION AUTHORITY CONCERNING YOUTH CHANNELS

On 12 January 2009 Lagardère SCA and Lagardère Active received a statement of objections from the French Competition Authority concerning alleged practices in the pay TV sector. This statement complained of various practices it claimed were used by several companies in this sector, and regarding Lagardère and Lagardère Active it maintained that exclusive rights awarded to Groupe Canal+ for distribution of the children's and youth channels Canal J, Fille TV (now named June) and Tiji were incompatible with anti-competition laws.

This statement of objections was the first stage in the formal procedure initiated by the Competition Authority, and entitled Lagardère SCA and Lagardère Active to assert their rights and have access to the file. The two entities submitted their answering observations in April 2009. This initial written exchange was followed by a second exchange when Lagardère SCA and Lagardère Active received a report in December 2009 from the Investigation Services of the Competition Authority and answered in February 2010.

The Investigation Services of the French Competition Authority notified the companies concerned of a further report containing two opinions respectively from the French Broadcasting Authority (*Conseil supérieur de l'audiovisuel*) and the French Electronic Communications and Postal Service Regulator (*Autorité de régulation des communications électroniques et des postes*) concerning a complaint from France Telecom, which has also been under investigation since December 2008 in connection with automatic referral of the matter to the French Competition Authority. Lagardère SCA and Lagardère Active both filed their observations on this additional report on 15 June 2010, and a hearing concerning the whole affair was held before the panel of the French Competition Authority on 7 July 2010.

On 16 November 2010, the Competition Authority issued a ruling on the statement of objections made to Lagardère SCA and Lagardère Active, in which:

- it declared vested and non-cancellable the exclusive 4-year broadband, satellite and mobile network rights granted to Canal Plus in the agreements notified to and validated by the Minister of the Economy in 2006 when TPS and CanalSatellite merged; and
- it referred the other matters (including extensions of these rights to fibre optic and catch-up TV granted by Lagardère Active after the original agreements) for investigation.

The additional investigation ordered by the Competition Authority has no specific deadline but is expected to last several months at least. France Telecom, also a plaintiff in the case, lodged an appeal against the Paris Appeal Court's decision on 17 December 2010.

BRAZILIAN ENVIRONMENTAL PROTECTION AUTHORITY

Salvat Do Brasil (SDB) received notification of a breach of regulations from the Brazilian governmental body IBAMA, which is in charge of environmental protection, setting a fine of 39,200,000 Brazilian reals (approximately €15 million) for illegally importing animal species into the country without the required authorisations. This concerned an "Insects" collection with free gifts of small blocks of transparent resin containing the insects concerned.

SDB's first appeal (contesting the fine chiefly on the grounds that the "insects" are dead and set in resin and therefore not "animals") was rejected in April 2009. In May 2009, SDB filed a second appeal before the president of IBAMA. Examination of this appeal is still ongoing, but two reports by the IBAMA's technical and legal departments have concluded that no offence had been committed.

Should the decision of the president of IBAMA be unfavourable for SDB, a third appeal would be possible to the CONAMA (Brazil's National Environmental Council).

LITIGATION WITH SCPE

SCPE, a former indirect subsidiary of Lagardère Active sold in 2008, was placed in administration (*redressement judiciaire*) on 15 September 2009. SCPE and subsequently the administrators initiated action against Lagardère Active and several of its subsidiaries, claiming damages in connection with the terms of the Company's transfer and settlement of commercial receivables, and requesting extension of SCPE's administration procedure to several Lagardère Active subsidiaries.

Under this administration procedure, Lagardère Active and several of its subsidiaries declared their receivables to the Administrator (*Mandataire judiciaire*).

Under a settlement agreement signed on 2 March 2011, all claims against Lagardère Active and its subsidiaries will be extinguished in return for a partial waiver of the receivables the subsidiaries have declared.

LITIGATION WITH PHOTOGRAPHERS

A number of litigations are in process with freelance and salaried photographers whose negatives and non-digital photographs are stored in the Lagardère Active photo archives. Most of these litigations concern matters relating to returns of archived work and lost photographs, observed when a photographer leaves a job at Lagardère or stops working with the Group. At this stage, the financial claims made in connection with these proceedings appear excessive.

WORLD SPORT GROUP/INDIAN PREMIER LEAGUE CONTRACTS

In 2007, the BCCI (Board of Control for Cricket in India) launched a call for tenders to market the rights attached to its new cricket competition, the IPL (Indian Premier League), until 2017. Lagardère Unlimited's subsidiary World Sport Group (WSG) was awarded most of these rights in early 2008, with the rest going to another unrelated operator, MSM.

A global reorganisation of the distribution of these rights took place in March 2009 at the initiative of the BCCI. In the course of the negotiations for this reorganisation, WSG entered into an assistance agreement with the other operator, which received a larger share of the rights than in 2008. Under this agreement, MSM was to pay WSG a sum of approximately USD 82 million over a period of time. Meanwhile, the BCCI engaged WSG to market IPL rights for the whole world, apart from the Indian subcontinent, for the period 2009/2017.

In June 2010 (i) the BCCI terminated the IPL rights marketing contract for the period 2009/2017 for the whole world, apart from the Indian subcontinent, and (ii) the other operator terminated the aforementioned assistance agreement, and demanded immediate reimbursement of the sums already paid (approximately USD 25 million) in an action brought before an Indian court.

In accordance with the aforementioned agreements, WSG immediately began arbitration proceedings in order to preserve its rights. These proceedings are currently partly suspended due to obstructive action taken by MSM.

The decisions issued so far, in some cases followed by appeal, essentially concern questions of competence and/or interim measures.

The main risks associated with the above disputes consist of potential loss of margins or future revenues, or the potential repayment of amounts already received from MSM under the assistance agreement.

On 13 October 2010 the BCCI filed a criminal complaint with the Chennai police authorities in India against seven individuals, including the President of the IPL and four managers of WSG, alleging breaches of the Indian criminal code in connection with the attribution to WSG in 2009 of certain IPL media rights for the seasons 2009/2017. A police investigation is currently in process.

COMPETITION INVESTIGATIONS IN THE DIGITAL BOOKS MARKET

Lagardère Publishing and other publishers are currently the subject of investigations by several competition authorities (United States, European Union, United Kingdom) concerning the digital books business, and in particular the sales methods for these books. Lagardère Publishing is cooperating with the authorities concerned. As these investigations are only in the preliminary stages, it is currently impossible to determine whether they will lead to any statements of objections. Whatever the outcome, Lagardère Publishing is confident that its sales arrangements for e-books are compatible with the applicable antitrust rules.

GOVERNMENTAL, LITIGATION OR ARBITRATION PROCEDURES

In the normal course of its business, the Group is involved in a number of other disputes principally related to contract execution. Adequate provisions are made, where considered necessary, to cover any risks that may arise from general or specific disputes.

To the best of the Group's knowledge, in the twelve months immediately preceding publication of this Reference Document, there were no other governmental, litigation or arbitration procedures in existence (including any procedure of which the Group is aware which is suspended or threatened) which may have or recently had significant effects on its financial position or profits.

TAX AUTHORITIES/LAGARDÈRE

Normal tax audits carried out as part of their regular activity by the French and other national tax authorities, concerning several companies and fiscal years, have in some cases resulted in additional tax assessments. Provision has been made to take account of the additional assessments accepted by the companies, and also for the amount estimated as the risk corresponding to disputes over challenged reassessments. The Group is not aware of any dispute in process that concerns amounts which could have a significant impact on the consolidated financial statements.

NOTE 35 RELATED PARTY TRANSACTIONS

35.1 MANAGEMENT REMUNERATION

The total gross remuneration attributed to the members of Lagardère SCA's Executive Committee for 2010 (excluding remuneration paid by EADS) amounted to €11.7 million and €19.5 million including related charges; this figure includes a provision recorded for the additional pension plan. The corresponding figures for 2009 are €10.2 million and €16.0 million respectively.

Attendance fees received by the persons concerned as members of other Group companies' Boards of Directors (excluding EADS) amounted to €20,900 (€20,425 in 2009). In 2010, they were attributed 126,000 rights to allocation of free shares of Lagardère SCA (in 2009, they were attributed 126,000 rights to allocation of free shares of Lagardère SCA).

35.2 RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH LAGARDÈRE CAPITAL & MANAGEMENT (LC&M)

Lagardère Capital & Management, controlled and chaired by Mr. Arnaud Lagardère, who is also a General and Managing Partner of Lagardère SCA, is the material embodiment of the Group. LC&M provides an array of management resources and skills to both the Group and each of its component parts.

To accomplish its mission, LC&M employs the principal senior managers forming the Group's Executive Committee. The role of the Executive Committee, in collaboration with the Managing Partners, is to develop and ensure application of Group strategy, to lead the Group's development, to take the resultant necessary management decisions and implement them globally at Parent Company level and in the Group's different business activities. LC&M bears the expense of the entire pay package and related working expenses of its managers, and the fees of any outside French or international consultants they employ.

LC&M's mission is carried out within the framework of its agreement with Lagardère Ressources, which is responsible for managing all of the Group's corporate resources. This agreement is described each year in the Statutory Auditors' Report on related party agreements and commitments, in accordance with the requirements of Articles L. 226-10 and R. 226-2 of the Commercial Code.

Since 2004, the remuneration of LC&M has been equal to the amount of expenses it incurs in carrying out its mission, plus a margin of 10%, with an absolute upper limit set at 1 million. Expenses charged are examined for each fiscal year by the Audit Committee, which issues an opinion on changes in these expenses. After examination by the Audit Committee, this procedure was approved by the Supervisory Board on 12 March 2004.

As a result, in 2010, LC&M invoiced €23.3 million to the Group, compared to €19.5 million in 2009. After deducting expenses (remuneration of Executive Committee members, support costs reimbursed to the Group and outside resource costs), operating profit after tax under the above agreement stood at €0.7 million.

TRANSACTIONS WITH PRESSTALIS

To distribute magazines and other publications in France, Lagardère uses the services of the press distribution group Presstalis, of which it owns 49%. In 2010, distribution commissions invoiced to the Lagardère group by Presstalis amounted to €89 million (€93 million in 2009). Lagardère invoiced Presstalis a total of €2 million in 2010 for services including property rental (€13 million in 2009).

OTHER TRANSACTIONS

The other transactions with related parties in 2010 undertaken in the normal course of business are not considered significant for the Group. They took place under normal market conditions.

NOTE 36 FEES PAID TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

(in thousands of euros)	**2010** Mazars	%	Ernst & Young et Autres	%
Audit				
Statutory audit, certification, examination of individual and consolidated financial statements	3,656	89.2	3,903	88.8
Lagardère SCA	*165*	*4.0*	*169*	*3.9*
Fully-consolidated subsidiaries	*3,491*	*85.2*	*3,734*	*84.9*
Other procedures and services directly related to the statutory audit	207	5.1	222	5.0
Lagardère SCA	-	-	-	-
Fully-consolidated subsidiaries	*207*	*5.1*	*222*	*5.0*
Sub-total	**3,863**	**94.3**	**4,125**	**93.8**
Non-audit services rendered by network members to fully-consolidated subsidiaries				
Legal, tax, human resources	235	5.7	262	6.0
Other	-	-	9	0.2
Sub-total	235	5.7	271	6.2
Total	**4,098**	**100.0**	**4,396**	**100**

(in thousands of euros)	2009 Mazars	%	Ernst & Young et Autres	%
Audit				
Statutory audit, certification, examination of individual and consolidated financial statements	3,553	89.7	3,810	92.2
Lagardère SCA	*165*	*4.2*	*176*	*4.3*
Fully-consolidated subsidiaries	*3,388*	*85.5*	*3,634*	*87.9*
Other procedures and services directly related to the statutory audit	167	4.2	172	4.1
Lagardère SCA	*30*	*0.7*	*22*	*0.5*
Fully-consolidated subsidiaries	*137*	*3.5*	*150*	*3.6*
Sub-total	**3,720**	**93.9**	**3,982**	**96.3**
Non-audit services rendered by network members to fully-consolidated subsidiaries				
Legal, tax, human resources	240	6.1	147	3.6
Other	-	-	6	0.1
Sub-total	240	6.1	153	3.7
Total	**3,960**	**100.0**	**4,135**	**100**

NOTE 37 LIST OF CONSOLIDATED COMPANIES

Fully consolidated companies at 31 December 2010

COMPANY	HEAD OFFICE	REGISTATION NUMBER	% HOLDING	% CONTROL
LAGARDÈRE PUBLISHING				
HACHETTE LIVRE	43 quai de Grenelle – 75015 PARIS	602 060 147	100.00	100.00
3 RIVIÈRES	5 rue de Savoie – 75006 PARIS	490 176 328	100.00	100.00
AIQUE GRUPO EDITOR SA	BUENOS AIRES (ARGENTINA)		100.00	100.00
ARMAND COLIN SAS	21 rue du Montparnasse – 75006 PARIS	451 344 162	100.00	100.00
AUDIOLIB	31 rue de Fleurus – 75006 PARIS	499 165 694	45.00	75.00
BIBLIO PARTICIPATIONS	43 quai de Grenelle – 75015 PARIS	377 627 583	100.00	100.00
BSSL	17 rue de Poulainville – 80046 AMIENS	711 720 458	100.00	100.00
CALMANN LÉVY	31 rue de Fleurus – 75006 PARIS	572 082 279	83.06	83.06
CHAMBERS HARRAP PUBLISHER	EDINBURGH (UNITED KINGDOM)		100.00	100.00
CENTRE DE TRAITEMENT DES RETOURS	137 route de Corbeil – Lieu-dit Balizy 91160 LONGJUMEAU	381 737 519	100.00	100.00
CYBERTERRE	43 quai de Grenelle – 75015 PARIS	434 661 419	50.00	50.00(1)
DIFFULIVRE	SAINT SULPICE (SWITZERLAND)		100.00	100.00
DILIBEL	ALLEUR (BELGIUM)		100.00	100.00
DUNOD ÉDITEUR SA	5 rue Laromiguière – 75005 PARIS	316 053 628	100.00	100.00
EDDL	5 rue du Pont de Lodi – 75006 PARIS	403 202 252	99.88	99.88
EDELSA	MADRID (SPAIN)		100.00	100.00
ÉDITIONS ALBERT RENÉ	26 avenue Victor Hugo – 75116 PARIS	950 026 757	60.00	100.00
ÉDITIONS DES DEUX TERRES	5 rue de Savoie – 75006 PARIS	442 678 249	100.00	100.00
ÉDITIONS GRASSET ET FASQUELLE	61 rue des Saints Pères – 75006 PARIS	562 023 705	98.68	98.68
ÉDITIONS JEAN-CLAUDE LATTÈS	17 rue Jacob – 75006 PARIS	682 028 659	100.00	100.00
ÉDITIONS LAROUSSE	21 rue du Montparnasse – 75006 PARIS	451 344 170	100.00	100.00
ÉDITIONS STOCK	31 rue de Fleurus – 75006 PARIS	612 035 659	100.00	100.00
ÉDUCATION MANAGEMENT SA	58 rue Jean Bleuzen – 92170 VANVES	582 057 816	100.00	100.00
FERNAND HAZAN ÉDITEUR	58 rue Jean Bleuzen – 92170 VANVES	562 030 221	99.94	99.94
GIE NORMA	103 avenue des Champs Élysées 75008 PARIS	389 487 562	100.00	100.00
GROUPE HATIER INTERNATIONAL	58 rue Jean Bleuzen – 92178 VANVES	572 079 093	100.00	100.00
GRUPO PATRIA CULTURAL	MEXICO CITY (MEXICO)		100.00	100.00
HL 93	43 quai de Grenelle – 75015 PARIS	390 674 133	99.99	100.00
HL FINANCES	58 rue Jean Bleuzen – 92170 VANVES	384 562 070	99.99	100.00
HACHETTE CANADA	MONTREAL (CANADA)		100.00	100.00
HACHETTE COLLECTIONS	43 quai de Grenelle – 75015 PARIS	395 291 644	100.00	100.00
HACHETTE COLLECTIONS JAPON	TOKYO (JAPAN)		100.00	100.00
HACHETTE COLLECTIONS RUSSIE	MOSCOW (RUSSIA)		99.90	100.00
HACHETTE FASCICOLI	MILAN (ITALY)		100.00	100.00
HACHETTE UK HOLDING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HACHETTE LIVRE USA	BOSTON (USA)		100.00	100.00

(1) Company in which the Lagardère group exercises control (see note 2.2).

COMPANY	HEAD OFFICE	REGISTATION NUMBER	% HOLDING	% CONTROL
HACHETTE PARTWORKS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
LAROUSSE SA	21 rue du Montparnasse – 75006 PARIS	401 457 213	100.00	100.00
LAROUSSE ÉDITORIAL	BARCELONA (SPAIN)		100.00	100.00
LE LIVRE DE PARIS	58 rue Jean Bleuzen – 92170 VANVES	542 042 114	100.00	100.00
LIBRAIRIE ARTHÈME FAYARD	75 rue des Saints Pères – 75006 PARIS	562 136 895	99.94	99.94
LIBRAIRIE GÉNÉRALE FRANÇAISE (LGF)	31 rue de Fleurus – 75006 PARIS	542 086 749	59.99	59.99
MULTIMÉDIA ÉDUCATION RÉFÉRENCE	58 rue Jean Bleuzen – 92170 VANVES	484 213 954	100.00	100.00
MY BOOX	58 rue Jean Bleuzen – 92170 VANVES	519 774 582	100.00	100.00
OCTOPUS PUBLISHING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
PIKA ÉDITION	19 bis rue Pasteur 92100 BOULOGNE-BILLANCOURT	428 902 704	100.00	100.00
SAMAS SA	58 rue Jean Bleuzen – 92170 VANVES	775 663 321	100.00	100.00
SYADAL	26 Avenue Victor Hugo – 75116 PARIS	350 805 685	50.00	50.00(1)
WATTS PUBLISHING GROUP LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HATIER GROUP				
LES ÉDITIONS DIDIER	13 rue de l'Odéon – 75006 PARIS	313 042 541	100.00	100.00
LES ÉDITIONS FOUCHER	58 rue Jean Bleuzen – 92178 VANVES	352 559 066	100.00	100.00
LES ÉDITIONS HATIER	8 rue d'Assas – 75006 PARIS	352 585 624	100.00	100.00
LIBRAIRIE PAPETERIE NATIONALE	CASABLANCA (MAROCCO)		100.00	100.00
RAGEOT ÉDITEUR	6 rue d'Assas – 75006 PARIS	572 022 978	100.00	100.00
SCI ASSAS RASPAIL	8 rue d'Assas – 75006 PARIS	315 844 431	100.00	100.00
SCI DU 63 BOULEVARD RASPAIL	63 boulevard Raspail – 75006 PARIS	315 830 034	100.00	100.00
SCI DU 8- 8 BIS RUE D'ASSAS	8 rue d'Assas – 75006 PARIS	315 844 423	100.00	100.00
HACHETTE LIVRE GROUP (SPAIN)				
HACHETTE LIVRE ESPAÑA SA	BARCELONA (SPAIN)		100.00	100.00
EDITORIAL SALVAT S.L.	BARCELONA (SPAIN)		100.00	100.00
HACHETTE LATINO AMERICA	MEXICO CITY (MEXICO)		100.00	100.00
PAGSL	BARCELONA (SPAIN)		100.00	100.00
SALVAT EDITORES PORTUGAL	LISBON (PORTUGAL)		100.00	100.00
ANAYA GROUP				
GRUPO ANAYA SA	MADRID (SPAIN)		100.00	100.00
ALGAIDA EDITORES SA	SEVILLE (SPAIN)		100.00	100.00
ALIANZA EDITORIAL SA	MADRID (SPAIN)		99.56	99.56
COMERCIAL GRUPO ANAYA SA	MADRID (SPAIN)		100.00	100.00
EDITORIAL BARCANOVA SA	BARCELONA (SPAIN)		100.00	100.00
EDICIÓNES TORMES SA	MADRID (SPAIN)		100.00	100.00
EDICIÓNES XERAIS DE GALICIA SA	VIGO (SPAIN)		100.00	100.00
GRUPO EDITORIAL BRUNO S.L.	MADRID (SPAIN)		100.00	100.00
ORION GROUP				
ORION PUBLISHING GROUP LTD	LONDON (UNITED KINGDOM)		100.00	100.00
LITTLE HAMPTON BOOK SERVICE LTD	LONDON (UNITED KINGDOM)		100.00	100.00

(1) Company in which the Lagardère group exercises control (see note 2.2).

COMPANY	HEAD OFFICE	REGISTATION NUMBER	% HOLDING	% CONTROL
HACHETTE UK GROUP				
HACHETTE UK LTD	LONDON (UNITED KINGDOM)		100.00	100.00
ALLIANCE DISTRIBUTION SERVICES PTY LTD	TUGGERA (AUSTRALIA)		100.00	100.00
BOOKPOINT LTD	ABINGDON (UNITED KINGDOM)		100.00	100.00
HEADLINE BOOK PUBLISHING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HODDER & STOUGHTON LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HACHETTE AUSTRALIA PTY LTD	SYDNEY (AUSTRALIA)		100.00	100.00
HACHETTE BOOK PUBLISHING INDIA	NEW DELHI (INDIA)		100.00	100.00
HACHETTE NEW ZEALAND	AUCKLAND (NEW ZEALAND)		100.00	100.00
JOHN MURRAY (PUBLISHER) LTD	LONDON (UNITED KINGDOM)		100.00	100.00
PHILIP ALLAN PUBLISHERS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HACHETTE BOOK GROUP				
HACHETTE BOOK GROUP USA	BOSTON (USA)		100.00	100.00
HACHETTE BOOK GROUP CANADA LTD	TORONTO (CANADA)		100.00	100.00
HACHETTE DIGITAL INC	NEW YORK (USA)		100.00	100.00
HBG HOLDINGS INC (DELAWARE)	BOSTON (USA)		100.00	100.00
PUBLISHER'S ADVERTISING LLC	BOSTON (USA)		100.00	100.00
LITTLE, BROWN BOOK GROUP				
LITTLE, BROWN BOOK GROUP	LONDON (UNITED KINGDOM)		100.00	100.00
PIATKUS BOOKS	LONDON (UNITED KINGDOM)		100.00	100.00
LAROUSSE MEXICO GROUP				
ÉDITIONS LAROUSSE MEXIQUE	MEXICO CITY (MEXICO)		100.00	100.00
DIFUSORA LAROUSSE MEXICO	MEXICO CITY (MEXICO)		100.00	100.00
LAGARDÈRE ACTIVE				
LAGARDÈRE ACTIVE	149 – 151 rue Anatole France 92300 LEVALLOIS-PERRET	433 443 124	100.00	100.00
AMAYA-TECHNISONOR	24 – 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT	542 088 604	99.18	100.00
ANGEL PRODUCTIONS	24 – 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT	384 015 491	99.18	100.00
ATLANTIQUE PRODUCTIONS	24 – 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT	324 873 421	99.18	100.00
AUBES PRODUCTIONS	20 rue Pergolèse – 75016 PARIS	429 138 019	99.18	100.00
BEIJING HACHETTE ADVERTISING	HONG KONG (CHINA)		99.97	100.00
CANAL J	28 rue François 1er – 75008 PARIS	343 509 048	99.18	100.00
CARSONS PROD	27 rue Marbeuf – 75008 PARIS	438 557 282	69.99	69.99
CERT	SAARBRUCK (GERMANY)		98.99	99.81
COMPAGNIE INTERNATIONALE DE PRESSE ET DE PUBLICITÉ (CIPP)	MONTE-CARLO (MONACO)		50.98	51.00
DECOREVISTAS	MADRID (SPAIN)		99.11	100.00
DEMD PRODUCTIONS	14 rue Pergolèse – 75016 PARIS	377 608 377	99.18	100.00

COMPANY	HEAD OFFICE	REGISTATION NUMBER	% HOLDING	% CONTROL
DIGITAL SPY	LONDON (UNITED KINGDOM)		99.97	100.00
DIVERSIFIED MEDIA COMPANY LTD	NICOSIA (CYPRUS)		50.98	100.00
DOCTISSIMO (EX-PROSPECTA)	149 rue Anatole France 92300 LEVALLOIS-PERRET	562 013 524	100.00	100.00
ECEP	149 rue Anatole France 92300 LEVALLOIS-PERRET	300 938 826	99.97	100.00
ÉDITIONS MUSICALES FRANÇOIS 1ER	14 rue Pergolèse – 75016 PARIS	381 649 771	99.18	100.00
ÉLECTRON LIBRE PRODUCTIONS	24 – 26, quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT	449 448 372	50.58	51.00
EUROPE 1 IMMOBILIER	26 bis rue François 1er – 75008 PARIS	622 009 959	99.10	100.00
EUROPE 1 INTERACTIVE	121, avenue Malakoff 75116 PARIS	415 096 502	99.08	100.00
EUROPE 1 TÉLÉCOMPAGNIE	26 bis rue François 1er – 75008 PARIS	542 168 463	99.08	100.00
EUROPE 2 COMMUNICATION	26 bis rue François 1er – 75008 PARIS	339 696 072	99.18	100.00
EUROPE 2 ENTREPRISES	28 rue François 1er – 75008 PARIS	352 819 577	99.18	100.00
EUROPE IMAGES INTERNATIONAL	24 – 26, quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT	339 412 611	99.18	100.00
EUROPE NEWS	26 bis rue François 1er – 75008 PARIS	343 508 750	99.08	100.00
FENGISTONE HOLDING LTD	NICOSIA (CYPRUS)		50.98	100.00
FEP UK LTD	LONDON (UNITED KINGDOM)		99.97	100.00
FRANCE-CANADA ÉDITIONS ET PUBLICATIONS	MONTREAL (CANADA)		99.97	100.00
FULL FEEL FACTORY	45 rue Anatole France – 92300 LEVALLOIS-PERRET	482 467 610	51.00	51.00
GMT PRODUCTIONS	64 rue du Château 92100 BOULOGNE-BILLANCOURT	342 171 667	99.18	100.00
HACHETTE FILIPACCHI 2000 SPOL	PRAGUE (CZECH REPUBLIC)		50.98	51.00
HACHETTE FILIPACCHI ASSOCIÉS	149 rue Anatole France 92300 LEVALLOIS-PERRET	324 286 319	99.97	100.00
HACHETTE FILIPACCHI DUTCH TRADEMARK HOLDING BV	AMSTERDAM (THE NETHERLANDS)		99.97	100.00
HACHETTE FILIPACCHI EXPANSION	MEXICO CITY (MEXICO)		51.00	51.00
HACHETTE FILIPACCHI FILMS	149 rue Anatole France 92300 LEVALLOIS-PERRET	572 028 959	99.97	100.00
HACHETTE FILIPACCHI HOLDINGS US	NEW YORK (USA)		99.97	100.00
HACHETTE FILIPACCHI HONG KONG LTD	HONG KONG (CHINA)		99.97	100.00
HACHETTE FILIPACCHI PRESSE	149 rue Anatole France 92300 LEVALLOIS-PERRET	582 101 424	99.97	100.00
HACHETTE FILIPACCHI PRESSE POLSKA HOLDING	WARSAW (POLAND)		99.97	100.00
HACHETTE FILIPACCHI PRESSE UKRAINE	KIEV (UKRAINE)		50.98	100.00
HACHETTE FILIPACCHI SA	MADRID (SPAIN)		99.11	99.97
HACHETTE FILIPACCHI TAÏWAN	TAIPEH (TAIWAN)		99.97	100.00
HACHETTE FILIPACCHI UK LTD	LONDON (UNITED KINGDOM)		99.97	100.00
HACHETTE FUJINGAHO	TOKYO (JAPAN)		65.98	100.00
HACHETTE MAGAZINE VDB	AMSTERDAM (THE NETHERLANDS)		99.97	100.00
HACHETTE PREMIÈRE & CIE	25 rue François 1er – 75008 PARIS	334 805 686	99.18	100.00
HACHETTE RUSCONI EDITORE	MILAN (ITALY)		100.00	100.00

COMPANY	HEAD OFFICE	REGISTATION NUMBER	% HOLDING	% CONTROL
HACHETTE RUSCONI INTERACTIF	MILAN (ITALY)		100.00	100.00
HACHETTE RUSCONI PUBBLICITA	MILAN (ITALY)		100.00	100.00
HUA DAO	SHANGHAI (CHINA)		99.97	100.00
ID GROUPE	78 rue du Docteur Bauer 93400 SAINT-OUEN	425 059 987	99.97	100.00
IMAGE & COMPAGNIE	14 rue Pergolèse – 75016 PARIS	334 027 620	99.18	100.00
INTERNATIONAL MEDIA HOLDING BV (IMH)	AMSTERDAM (THE NETHERLANDS)		99.97	100.00
INTERNATIONAL PUBLICATIONS HOLDING (IPH)	AMSTERDAM (THE NETHERLANDS)		99.97	100.00
INTERQUOT	23 rue Baudin – 92300 LEVALLOIS-PERRET	439 758 509	50.00	50.00 (1)
JADETI	149 rue Anatole France 92300 LEVALLOIS-PERRET	493 205 280	75.00	75.00
JEUNESSE INTERACTIVE	12 rue d'Oradour sur Glane – 75015 PARIS	491 848 222	99.18	100.00
JOHEMA LTD	NICOSIA (CYPRUS)		50.98	100.00
JUMPSTART AUTOMOTIVE MEDIA	SAN FRANCISCO (CALIFORNIA – USA)		99.97	100.00
LAGARDÈRE ACTIVE BROADBAND	43 – 45 avenue Victor Hugo 93534 AUBERVILLIERS	343 611 208	100.00	100.00
LAGARDÈRE ACTIVE BROADBAND MANAGEMENT	43 – 45 avenue Victor Hugo 93534 AUBERVILLIERS	420 442 428	100.00	100.00
LAGARDÈRE ACTIVE BROADCAST	57 rue Grimaldi – 98000 MONACO	775 751 779	99.18	99.32
LAGARDÈRE ACTIVE DIGITAL	149 rue Anatole France 92300 LEVALLOIS-PERRET	497 909 051	100.00	100.00
LAGARDÈRE ACTIVE FINANCES	149 rue Anatole France 92300 LEVALLOIS-PERRET	410 208 136	99.97	100.00
LAGARDÈRE ACTIVE FM	28 rue François 1er – 75008 PARIS	441 942 760	99.18	100.00
LAGARDÈRE ACTIVE TV	28 rue François 1er – 75008 PARIS	334 595 881	99.18	100.00
LAGARDÈRE DIGITAL FRANCE	149 rue Anatole France – 92300 LEVALLOIS-PERRET	433 934 312	100.00	100.00
LAGARDÈRE ENTERTAINMENT	24 – 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT	309 001 477	99.18	100.00
LAGARDÈRE GLOBAL ADVERTISING	23 rue Baudin – 92300 LEVALLOIS-PERRET	350 277 059	99.72	99.88
LAGARDÈRE HOLDING TV	121 avenue de Malakoff – 75116 PARIS	428 705 537	100.00	100.00
LAGARDÈRE MEDIA CONSULTING	25 rue François 1er – 75008 PARIS	307 718 320	99.18	100.00
LAGARDÈRE MÉTROPOLES	28 rue François 1er – 75008 PARIS	329 209 993	99.18	100.00
LAGARDÈRE PUBLICITÉ	23 rue Baudin – 92300 LEVALLOIS-PERRET	345 404 040	99.97	100.00
LAGARDÈRE TÉLÉVISION INTERNATIONAL	149 rue Anatole France – 92300 LEVALLOIS	612 039 164	99.18	100.00
LAGARDÈRE THÉMATIQUES	32 rue François 1er – 75008 PARIS	350 787 594	99.18	100.00
LEGION UK	LONDON (UNITED KINGDOM)		100.00	100.00
LÉO VISION	24 – 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT	383 160 942	99.18	100.00
LES AGENCES TV SEAP	7 – 9 rue de la Bourse – 75002 PARIS	391 817 467	99.97	100.00
LTI VOSTOK	MOSCOW (RUSSIA)		99.18	100.00
MAISON D'ÉDITION HFS	MOSCOW (RUSSIA)		50.98	100.00
MAXIMAL NEWS TÉLÉVISION	24 – 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT	384 316 907	99.18	100.00
MAXIMAL PRODUCTIONS	24 – 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT	432 608 313	99.18	100.00

(1) Company in which the Lagardère group exercises control (see note 2.2).

COMPANY	HEAD OFFICE	REGISTATION NUMBER	% HOLDING	% CONTROL
MERLIN PRODUCTIONS	32 place Saint-Georges – 75009 PARIS	451 099 402	54.85	55.30
MEZZO	28 rue François 1er – 75008 PARIS	418 141 685	59.51	60.00
MONTREUX PUBLICATIONS	MONTREUX (SWITZERLAND)		50.09	50.10
NEWSWEB	34 avenue Berbard Palissy 92210 SAINT-CLOUD	424 905 172	100.00	100.00
OPTION MEDIA	23 avenue Reille 75014 PARIS	340 121 045	99.97	100.00
PERFORMANCES	28 rue François 1er – 75008 PARIS	327 655 551	99.18	100.00
PRESSINTER	149 rue Anatole France 92300 LEVALLOIS-PERRET	407 679 026	99.96	100.00
PROMOTION ET SPECTACLES D'EUROPE 1	26 bis rue François 1er – 75008 PARIS	632 042 495	99.08	100.00
PUBLICATIONS FRANCE MONDE	149 rue Anatole France 92300 LEVALLOIS-PERRET	562 113 787	99.94	99.97
PUBLICATIONS GROUPE LOISIRS (PGL)	149 rue Anatole France 92300 LEVALLOIS-PERRET	338 195 720	99.97	100.00
QUILLET SA	149 rue Anatole France 92300 LEVALLOIS-PERRET	542 043 971	99.96	100.00
RÉGIE 1	28 rue François 1er – 75008 PARIS	383 154 663	50.38	51.00
RFM ENTREPRISES	28 rue François 1er – 75008 PARIS	405 188 871	99.18	100.00
RFM RÉSEAU NORD	28 rue François 1er – 75008 PARIS	338 532 419	99.18	100.00
RFM RÉSEAU SUD	28 rue François 1er – 75008 PARIS	382 002 509	99.18	100.00
RMI FM	POZNAN (POLAND)		99.18	100.00
SOCIÉTÉ DE PRESSE FÉMININE	149 rue Anatole France 92300 LEVALLOIS-PERRET	441 174 554	50.00	50.00(1)
SOCIÉTÉ DE TRAITEMENT DES PRODUITS DE PRESSE (STPP)	10 rue Thierry Le Luron 92300 LEVALLOIS-PERRET	732 053 491	99.97	100.00
SOGIDE	149 rue Anatole France 92300 LEVALLOIS-PERRET	311 845 226	99.97	100.00
SPORT FM	149 – 151 rue Anatole France 92534 LEVALLOIS-PERRET	450 964 937	99.18	100.00
TIMOON ANIMATION	4 place de Brazzavile – 75015 PARIS	448 829 275	99.18	100.00
VIRGIN RADIO RÉSEAU NORD	28 rue François 1er – 75008 PARIS	381 127 661	99.18	100.00
VIRGIN RADIO RÉSEAU SUD	28 rue François 1er – 75008 PARIS	339 802 118	99.18	100.00
EUROPA PLUS ZAO GROUP				
EUROPA PLUS ZAO	MOSCOW (RUSSIA)		99.18	100.00
EUROPA PLUS SAINT-PÉTERSBOURG ZAO	SAINT PETERSBURG (RUSSIA)		99.18	100.00
EUROPA PLUS VYBORG	VIBORG (RUSSIA)		99.18	100.00
INTEGRATED NETWORKS	MOSCOW (RUSSIA)		50.58	51.00
LAROCCO GROUP	MOSCOW (RUSSIA)		99.18	100.00
MEDIA PLUS REGION	MOSCOW (RUSSIA)		50.58	51.00
MEDIA PLUS ZAO	MOSCOW (RUSSIA)		99.18	100.00
MMT	MOSCOW (RUSSIA)		50.58	51.00
OMEGA	MOSCOW (RUSSIA)		99.18	100.00
RADIO FM	MOSCOW (RUSSIA)		99.18	100.00
RADIO FM SAINT-PÉTERSBOURG	SAINT PETERSBURG (RUSSIA)		97.19	100.00
RADIO RÉTRO ZAO	MOSCOW (RUSSIA)		99.18	100.00

(1) Company in which the Lagardère group exercises control (see note 2.2).

COMPANY	HEAD OFFICE	REGISTATION NUMBER	% HOLDING	% CONTROL
RADIO VOLNA	YEKATERINBURG (RUSSIA)		50.58	51.00
RÉTRO NOVOSIBIRSK	NOVOSIBIRSK (RUSSIA)		50.58	51.00
GROUPE IMG				
INTER MEDIA GROUP	MOSCOW (RUSSIA)		50.75	100.00
ANTENNA-MINSK	MINSK (RUSSIA)		26.00	51.00
ANTENNA-VORONEZH	VORONEZH (RUSSIA)		26.00	51.00
EDITORIAL OFFICE OF NEWSPAPER ANTENNA	MOSCOW (RUSSIA)		50.98	100.00
IMG-KAZAN	KAZAN (RUSSIA)		27.53	54.00
IMG-KICHINEV	KICHINEV (MOLDAVIA)		50.98	100.00
IMG PERM	PERM (RUSSIA)		37.47	73.50
IMG-SIBIR	SIBIR (RUSSIA)		38.24	75.00
IMG URAL	URAL (RUSSIA)		50.98	100.00
IMG VLADIMIR	VLADIMIR (RUSSIA)		38.54	75.60
IMG-VOLGA	VOLGA (RUSSIA)		43.34	85.00
MEDIA RESERVE-CHISINAU	CHISINAU (RUSSIA)		26.00	51.00
MEDIA RESERVE-VOLGOGRAD	VOLGOGRAD (RUSSIA)		50.98	100.00
TELESEM-ASTRAKHAN	ASTRAKHAN (RUSSIA)		26.00	51.00
TELESEM-BARNAUL	BARNAUL (RUSSIA)		38.24	75.00
TELESEM BELGOROD	BELGOROD (RUSSIA)		50.98	100.00
TELESEM-BRYANSK	BRYANSK (RUSSIA)		50.98	100.00
TELESEM-CHEBOKSARAKY	CHEBOKSARY (RUSSIA)		36.74	75.00
TELESEM-CHELIABINSK	CHELIABINSK (RUSSIA)		42.32	83.00
TELESEM-IZEVSK	IZEVSK (RUSSIA)		50.98	100.00
TELESEM-IRKUTSK	IRKUTSK (RUSSIA)		50.98	100.00
TELESEM-KALUGA	KALUGA (RUSSIA)		50.98	100.00
TELESEM-KEMEROVO	KEMEROVO (RUSSIA)		38.23	75.00
TELESEM-KIROV	KIROV (RUSSIA)		26.00	51.00
TELESEM-KRASNODAR	KRASNODAR (RUSSIA)		50.98	100.00
TELESEM-KRASNOYARSK	KRASNOYARSK (RUSSIA)		50.98	100.00
TELESEM-LIPETSK	LIPETSK (RUSSIA)		50.98	100.00
TELESEM-NOVOKUZNETSK	NOVOKUZNETSK (RUSSIA)		50.98	100.00
TELESEM-OMSK	OMSK (RUSSIA)		38.24	75.00
TELESEM-ORENBURG	ORENBURG (RUSSIA)		50.98	100.00
TELESEM-PENZA	PENZA (RUSSIA)		26.00	51.00
TELESEM-ROSTOVE	ROSTOV (RUSSIA)		50.98	100.00
TELESEM-RYAZAN	RYAZAN (RUSSIA)		26.00	51.00
TELESEM-SAINT PÉTERSBOURG	SAINT PETERSBURG (RUSSIA)		50.98	100.00
TELESEM-SAMARA	SAMARA (RUSSIA)		50.98	100.00
TELESEM-SARATOV	SARATOV (RUSSIA)		50.98	100.00
TELESEM-STAVROPOL	STAVROPOL (RUSSIA)		50.98	100.00
TELESEM-SURGUT	SURGUT (RUSSIA)		50.98	100.00

COMPANY	HEAD OFFICE	REGISTATION NUMBER	% HOLDING	% CONTROL
TELESEM-TOMSK	TOMSK (RUSSIA)		43.34	100.00
TELESEM-TOGLIATTY	TOGLIATTY (RUSSIA)		50.98	100.00
TELESEM-TULA	TULA (RUSSIA)		50.98	100.00
TELESEM-TVERI	TVERI (RUSSIA)		38.49	75.50
TELESEM-TYUMEN	TYUMEN (RUSSIA)		50.98	100.00
TELESEM-UFE	UFE (RUSSIA)		26.00	51.00
TELESEM-ULIANOVSK	ULIANOVSK (RUSSIA)		50.98	100.00
TELESEM-VLADIVOSTOK	VLADIVOSTOK (RUSSIA)		50.98	100.00
TELESEM-YAROSLAVL	YAROSLAVL (RUSSIA)		50.98	100.00
LARI INTERNATIONAL GROUP				
LAGARDÈRE ACTIVE RADIO INTERNATIONAL	28 rue François 1er – 75008 PARIS	388 404 717	99.18	100.00
AD POINT	WARSAW (POLAND)		99.18	100.00
AVA PRESS	SAINT PETERSBURG (RUSSIA)		99.18	100.00
EDI POLOGNE	28 rue François 1er – 75008 PARIS	420 304 180	99.18	100.00
EDI ROMANIA	BUCHAREST (ROMANIA)		98.31	98.31
EKBY (MÉLODIA SAINT-PÉTERSBOURG FM)	SAINT PETERSBURG (RUSSIA)		99.18	100.00
EUROPA MEDIA GROUPE	MOSCOW (RUSSIA)		99.18	100.00
EUROPA PLUS FRANCE	26 bis rue François 1er – 75008 PARIS	354 076 176	99.18	100.00
EUROPE 2 PRAGUE	PRAGUE (CZECH REPUBLIC)		99.18	100.00
EUROPE DÉVELOPPEMENT CZECH REPUBLIC	PRAGUE (CZECH REPUBLIC)		99.18	100.00
EURO-RADIO SAAR	SAARBRUCK (GERMANY)		50.72	51.00
EUROZET	WARSAW (POLAND)		99.18	100.00
EUROZET CONSULTING	WARSAW (POLAND)		99.18	100.00
FM HOLDING	MOSCOW (RUSSIA)		99.18	100.00
FM JAZZ	WARSAW (POLAND)		99.18	100.00
FORWARD MEDIA	BRATISLAVA (SLOVAKIA)		99.18	100.00
INFINITIV	PRAGUE (CZECH REPUBLIC)		99.18	100.00
LARI DEUTSCHLAND GmbH	SAARBRUCK (GERMANY)		99.18	100.00
MUZYKA JAZZ RADIO	WARSAW (POLAND)		99.18	100.00
NOVOE PODMOSKOVYE	MOSCOW (RUSSIA)		99.18	100.00
RADIO BONTON	MOSCOW (RUSSIA)		99.18	100.00
RADIO KATUSHA (ELDORADIO)	SAINT PETERSBURG (RUSSIA)		99.18	100.00
RADIO LAS VEGAS	WARSAW (POLAND)		99.18	100.00
RADIO MERCHANDISING COMPANY	PRAGUE (CZECH REPUBLIC)		99.18	100.00
RADIO PLUS POLSKA	WARSAW (POLAND)		79.34	80.00
RADIO PLUS POLSKA CENTRUM	WARSAW (POLAND)		99.18	99.00
RADIO PLUS POLSKA ZACHOD	WARSAW (POLAND)		63.49	80.00
RADIO POGODA	LODZ (POLAND)		99.18	100.00
RADIO REGION (MÉLODIA MOSCOW)	MOSCOW (RUSSIA)		99.18	100.00
RADIO STACJA	WARSAW (POLAND)		99.18	100.00

COMPANY	HEAD OFFICE	REGISTATION NUMBER	% HOLDING	% CONTROL
RADIO WARMIA MAZURY	WARSAW (POLAND)		99.18	100.00
RADIO WARTA	WARSAW (POLAND)		99.18	100.00
RG FREKVENCE 1	PRAGUE (CZECH REPUBLIC)		99.18	100.00
RRM BUCAREST	BUCHAREST (ROMANIA)		99.18	100.00
RRM PRAGUE	PRAGUE (CZECH REPUBLIC)		99.18	100.00
RRM SLOVAKIA	BRATISLAVA (SLOVAKIA)		99.18	100.00
RTS INFORM	MOSCOW (RUSSIA)		99.18	100.00
SAC (RADIO 7)	MOSCOW (RUSSIA)		99.18	100.00
SPECTRUM FM	WARSAW (POLAND)		99.18	100.00
SPOLKA PRODUCENCKA PLUS POLSKA	WARSAW (POLAND)		89.06	100.00
STUDIO ZET	WARSAW (POLAND)		99.18	100.00
NEXTIDEA GROUP				
NEXTIDEA	5 rue Jules Lefebvre – 75009 PARIS	483 962 361	100.00	100.00
MONSIEUR WHITE	5 rue Jules Lefebvre – 75009 PARIS	501 419 774	60.00	60.00
NEXTDATA	5 rue Jules Lefebvre – 75009 PARIS	505 282 764	100.00	100.00
NEXTEDIA TUNIS	TUNIS (TUNISIA)		100.00	100.00
NEXTPREMIUM	5 rue Jules Lefebvre – 75009 PARIS	508 760 543	100.00	100.00
SHANGHAI NEXT IDEA ADVERTISING	SHANGHAI (CHINA)		99.97	100.00
PSYCHOLOGIES MAGAZINE GROUP				
GROUPE PSYCHOLOGIES	149 rue Anatole France 92300 LEVALLOIS-PERRET	326 929 528	99.97	100.00
SELMA	149 rue Anatole France 92300 LEVALLOIS-PERRET	483 068 441	99.98	100.00
TELEPHONE PUBLISHING GROUP				
TELEPHONE PUBLISHING	MADRID (SPAIN)		71.75	72.40
GABINETE ASTROLOGICO	MADRID (SPAIN)		71.75	100.00
SISTEMAS TELEFONICOS AUXILIARES	MADRID (SPAIN)		71.75	100.00
LAGARDÈRE SERVICES				
LAGARDÈRE SERVICES	2 rue Lord Byron – 75008 PARIS	330 814 732	100.00	100.00
AELIA	114 avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE	380 253 518	84.49	84.49
AELIA CZ	PRAGUE (CZECH REPUBLIC)		92.24	100.00
AELIA POLSKA	WARSAW (POLAND)		92.24	100.00
AELIA RETAIL ESPAÑA	MADRID (SPAIN)		87.59	100.00
AELIA UK	LONDON (UNITED KINGDOM)		84.49	100.00
AÉROBOUTIQUE FRANCE	114 avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE	380 193 938	84.49	100.00
AÉROBOUTIQUE INFLIGHT RETAIL	ZAC du Parc 12 rue Saint-Exupéry 77290 COMPANS	408 053 809	84.49	100.00
AÉROBOUTIQUE INFLIGHT RETAIL ESPAÑA	MADRID (SPAIN)		84.49	100.00

COMPANY	HEAD OFFICE	REGISTATION NUMBER	% HOLDING	% CONTROL
AÉROBOUTIQUE INFLIGHT RETAIL ITALIA	MILAN (ITALY)		84.49	100.00
AÉROBOUTIQUE INFLIGHT RETAIL NEDERLAND	AMSTERDAM (THE NETHERLANDS)		84.49	100.00
AÉROBOUTIQUE SALES GROUPE	CASABLANCA (MAROCCO)		67.59	80.00
ALVADIS	BRUSSELS (BELGIUM)		100.00	100.00
AMADEO	PRAGUE (CZECH REPUBLIC)		100.00	100.00
AMP	BRUSSELS (BELGIUM)		99.73	100.00
CURTIS CIRCULATION COMPANY	PENNSAUKEN (USA)		100.00	100.00
DISTRIDIJLE	MALINES (BELGIUM)		100.00	100.00
DELSTAR	ONTARIO (CANADA)		100.00	100.00
DISTRISUD	LIEGE (BELGIUM)		100.00	100.00
DISTRIWEST NV	REKKEM (BELGIUM)		100.00	100.00
DUTY FREE ASSOCIATES	114 avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE	423 402 312	84.49	100.00
DYNAPRESSE	CAROUGE (SWITZERLAND)		65.00	100.00
EMPIK CAFE	JEROZOLIMSKIE (POLAND)		51.00	51.00
EURODIS	114 avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE	428 705 982	84.49	100.00
FERS	WIESBADEN (GERMANY)		100.00	100.00
HACHETTE DISTRIBUTION INC.	PENNSAUKEN (USA)		100.00	100.00
HAPPY DEUTSCHLAND GmbH	WIESBADEN (GERMANY)		60.00	100.00
HDS BELGIUM	BRUSSELS (BELGIUM)		100.00	100.00
HDS CANADA	MONTREAL (CANADA)		100.00	100.00
HDS DEUTSCHLAND	HUERTH HERMUELHEIM (GERMANY)		100.00	100.00
HDS EINZELHANDEL	DIETZENBACH (GERMANY)		100.00	100.00
HDS INMEDIO ROMANIA	BUCHAREST (ROMANIA)		100.00	100.00
HDS POLSKA	WARSAW (POLAND)		100.00	100.00
HDS RETAIL CZ	PRAGUE (CZECH REPUBLIC)		100.00	100.00
HDS RETAIL NORTH AMERICA	NEW YORK (USA)		100.00	100.00
HORESA	CAROUGE (SWITZERLAND)		65.00	100.00
IBD	OSTENDE (BELGIUM)		100.00	100.00
IN CELEBRATION OF GOLF HOUSTON LLC	NEW YORK (USA)		100.00	100.00
LAGARDÈRE SERVICES BELGIUM	BRUSSELS (BELGIUM)		100.00	100.00
LAGARDÈRE SERVICES HONG KONG	HONG KONG (CHINA)		100.00	100.00
LPA TRANSPORT	HASSELT (BELGIUM)		100.00	100.00
LS ASIA PACIFIC PTY LIMITED	SYDNEY (AUSTRALIA)		100.00	100.00
MEDICOM SANTÉ	126 rue Jules Guesde 92300 LEVALLOIS-PERRET	451 199 947	51.00	51.00
M. TRAFIK	PRAGUE (CZECH REPUBLIC)		100.00	100.00
MUSIC RAILWAY	55 rue Deguingand 92689 LEVALLOIS-PERRET	414 434 431	100.00	100.00
NAVILLE	CAROUGE (SWITZERLAND)		65.00	100.00
NEW GIFT SHOPS INTERNATIONAL LLC	ONTARIO (CANADA)		100.00	100.00
NEW GIFT SHOPS INTERNATIONAL ST.MAARTEN	TORONTO (CANADA)		100.00	100.00

COMPANY	HEAD OFFICE	REGISTATION NUMBER	% HOLDING	% CONTROL
NEW GIFT SHOPS INTERNATIONAL VAIL LLC	TORONTO (CANADA)		100.00	100.00
NEWSLINK	SYDNEY (AUSTRALIA)		100.00	100.00
OLF	FRIEBURG (SWITZERLAND)		65.00	100.00
PAYOT NAVILLE DISTRIBUTION	FREIBURG (SWITZERLAND)		65.00	65.00
PAYOT SA	LAUSANNE (SWITZERLAND)		65.00	100.00
PRESSE IMPORT SA	CORMINBOEUF (SWITZERLAND)		65.00	100.00
PRESS RELAY AT NEWARK LLC.	NEW YORK (USA)		63.00	63.00
PRESS RELAY LOGAN	NEW YORK (USA)		87.00	87.00
PRESS RELAY/RMD- DELTA	NEW YORK (USA)		83.00	83.00
PRESS RELAY WASHINGTON NATIONAL	NEW YORK (USA)		90.00	90.00
PRESS-SHOP ALG	BRUSSELS (BELGIUM)		81.74	81.75
RELAY FRANCE	126 rue Jules Guesde 92300 LEVALLOIS-PERRET	542 095 336	100.00	100.00
SCSC	126 rue Jules Guesde 92300 LEVALLOIS-PERRET	431 960 004	100.00	100.00
SOCIETE GASTRONOMIE ET CONFISERIES	55 rue Deguingand 92689 LEVALLOIS-PERRET	509 535 795	100.00	100.00
TEXAS TERRITORIES HOUSTON LLC	NEW YORK (USA)		100.00	100.00
THE PURELY GROUP PTY LTD	SYDNEY (AUSTRALIA)		51.00	51.00
TWB ACQUISITION CO INC.	TORONTO (CANADA)		100.00	100.00
SGEL GROUP				
SOCIEDAD GENERAL ESPAÑOLA DE LIBRERIA (SGEL)	MADRID (SPAIN)		100.00	100.00
FREEACTION	MADRID (SPAIN)		100.00	100.00
GRANA	MADRID (SPAIN)		51.00	100.00
MARKEDIS	MADRID (SPAIN)		100.00	100.00
SIGMA	MADRID (SPAIN)		100.00	100.00
TOPCODI	MADRID (SPAIN)		100.00	100.00
ZENDIS	MADRID (SPAIN)		100.00	100.00
LAPKER GROUP				
LAPKER	BUDAPEST (HUNGARY)		80.41	80.41
BUVIHIR	BUDAPEST (HUNGARY)		80.41	100.00
HIRKER	BUDAPEST (HUNGARY)		80.41	100.00
LAGARDÈRE UNLIMITED				
LAGARDÈRE SPORTS SAS	4 rue de Presbourg – 75116 PARIS	453 759 078	100.00	100.00
LAGARDÈRE SPORTS FINANCE SAS	136, avenue des Champs Elysées 75008 PARIS	519 085 658	100.00	100.00
LONA	136, avenue des Champs Elysées 75008 PARIS	491 036 273	100.00	100.00
SPORTFIVE GROUP				
SPORTFIVE SA	70-72 rue du Gouverneur Général Éboué 92130 ISSY-LES-MOULINEAUX	873 803 456	100.00	100.00

COMPANY	HEAD OFFICE	REGISTATION NUMBER	% HOLDING	% CONTROL
SPORTFIVE MEDIA SOLUTIONS SAS	70-72 rue du Gouverneur Général Éboué 92130 ISSY-LES-MOULINEAUX	350 857 686	100.00	100.00
FOOTBALL FRANCE PROMOTION SAS	70-72 rue du Gouverneur Général Éboué 92130 ISSY-LES-MOULINEAUX	324 592 674	100.00	100.00
INTERNATIONAL SPORTS MEDIA PTY LTD	MELBOURNE (AUSTRALIA)		100.00	100.00
ISPR GmbH	HAMBURG (GERMANY)		100.00	100.00
JOHO SERVICE BV	AMSTERDAM (THE NETHERLANDS)		100.00	100.00
MEDIA FOOT BELGIQUE SRL	BRUSSELS (BELGIUM)		100.00	100.00
MULTIMEDIA GLOBAL FINANCE SA	LUXEMBOURG (LUXEMBOURG)		100.00	100.00
S5 ASIA Sdn.BHD	KUALA LUMPUR (MALAYSIA)		100.00	100.00
SOCIÉTÉ D'EXPLOITATION DE DROITS SPORTIFS SAS (S.E.D.S.)	70-72 rue du Gouverneur Général Éboué 92130 ISSY-LES-MOULINEAUX	349 658 336	100.00	100.00
SPORTFIVE GmbH	HAMBURG (GERMANY)		100.00	100.00
SPORTFIVE GmbH & CO. KG	HAMBURG (GERMANY)		100.00	100.00
SPORTFIVE FINANCIAL SERVICES GmbH	HAMBURG (GERMANY)		100.00	100.00
SPORTFIVE IBERIA SL	BARCELONA (SPAIN)		100.00	100.00
SPORTFIVE INTERMEDIATE GmbH	HAMBURG (GERMANY)		100.00	100.00
SPORTFIVE INTERNATIONAL SA	GENEVA (SWITZERLAND)		100.00	100.00
SPORTFIVE ITALY	TURIN (ITALY)		100.00	100.00
SPORTFIVE LTD	HERZELIYA PITUACH (ISRAEL)		100.00	100.00
SPORTFIVE MARKETING ESPORTIVO LTDA	RIO DE JANEIRO (BRAZIL)		100.00	100.00
SPORTFIVE POLAND Sp ZOO	WARSAW (POLAND)		100.00	100.00
SPORTFIVE SINGAPORE PTE LTD	SINGAPORE (SINGAPORE)		100.00	100.00
LAGARDÈRE UNLIMITED STADIUM SOLUTIONS SAS (ex-SPORTFIVE TENNIS)	70-72 rue du Gouverneur Général Éboué 92130 ISSY-LES-MOULINEAUX	321 500 803	100.00	100.00
SPORTFIVE UK LTD	LONDON (UNITED KINGDOM)		100.00	100.00
SPORTFIVE VERWALTUNGS GmbH	HAMBURG (GERMANY)		100.00	100.00
THE SPORTS PROMOTERS GmbH	HAMBURG (GERMANY)		100.00	100.00
PR EVENT GROUP				
PR EVENT I SVERIGE AB	GOTEBORG (SWEDEN)		100.00	100.00
PR EVENT I GOTEBORG AB	GOTEBORG (SWEDEN)		100.00	100.00
PR EVENT I BASTAD AB	GOTEBORG (SWEDEN)		100.00	100.00
IEC IN SPORTS GROUP				
IEC INVESTMENTS AB	STOCKHOLM (SWEDEN)		100.00	100.00
IEC HOLDING AB	STOCKHOLM (SWEDEN)		100.00	100.00
IEC IN SPORTS AB	STOCKHOLM (SWEDEN)		100.00	100.00
IEC LAUSANNE	LAUSANNE (SWITZERLAND)		100.00	100.00
SPORTS INVESTMENT COMPANY GROUP				
SPORTS INVESTMENT COMPANY LLC	WILMINGTON (USA)		100.00	100.00
BLACKWAVE SPORTS GROUP LLC	NEW YORK (USA)		100.00	100.00
BLACWAVE SPORTS INVESTMENT COMPANY	NEW YORK (USA)		100.00	100.00

COMPANY	HEAD OFFICE	REGISTATION NUMBER	% HOLDING	% CONTROL
BLUE ENTERTAINMENT SPORTS & TELEVISION (BEST)	NEW YORK (USA)		100.00	100.00
DYNASTY SPORTS GROUP LLC (CA)	BEVERLY HILLS (USA)		100.00	100.00
DYNASTY SPORTS GROUP LLC (FL)	BEVERLY HILLS (USA)		100.00	100.00
GAME SEVEN SPORTS MEDIA LLC	LEXINGTON (USA)		100.00	100.00
SPORTS MEDIA ADVISORS LLC	WASHINGTON (USA)		100.00	100.00
TEAM CHAMPIONSHIPS INTERNATIONAL LLC	DENVER (USA)		100.00	100.00
TENNIS ADVISORS LLC	WASHINGTON (USA)		100.00	100.00
WORLWIDE FOOTBALL LLC	JERICHO (USA)		100.00	100.00
UPSOLUT GROUP				
EVENTERPRISE GmbH	HAMBURG (GERMANY)		51.00	51.00
UPSOLUT EVENT GmbH	HAMBURG (GERMANY)		100.00	100.00
UPSOLUT MERCHANDISING GmbH & CO.KG	HAMBURG (GERMANY)		51.00	51.00
UPSOLUT SPORT AG	HAMBURG (GERMANY)		100.00	100.00
UPSOLUT SPORTS UK	LONDON (UNITED KINGDOM)		100.00	100.00
UPSOLUT VERWALTUNGS	HAMBURG (GERMANY)		51.00	100.00
GROUPE WORLD SPORT GROUP				
WORLD SPORT GROUP INVESTMENTS LTD	TORTOLA (BRITISH VIRGIN ISLANDS)		78.60	78.60
WORLD SPORT GROUP HOLDINGS LTD	TORTOLA (BRITISH VIGIN ISLANDS)		70.74	90.00
WORLD SPORT FOOTBALL LTD	HONG KONG (CHINA)		70.74	100.00
WORLD SPORT GROUP BEIJING LTD	BEIJING (CHINA)		70.74	100.00
WORLD SPORT GROUP INDIA LTD	MUMBAI (INDIA)		70.74	100.00
WORLD SPORT GROUP LTD	HONG KONG (CHINA)		70.74	100.00
WORLD SPORT GROUP MAURITIUS LTD	PORT LOUIS (MAURITIUS)		70.74	100.00
WORLD SPORT GROUP PTE LTD	SINGAPORE (SINGAPORE)		70.74	100.00
WORLD SPORT GROUP PTY LTD	BROOKVALE (AUSTRALIA)		70.74	100.00
OTHER ACTIVITIES				
LAGARDÈRE SCA	4 rue de Presbourg – 75116 PARIS	320 366 446	100.00	100.00
AXELIS	11 rue Pierre Rigaud – 94200 IVRY-SUR-SEINE	451 344 238	100.00	100.00
COMPAGNIE IMMOBILIÈRE EUROPA	149 rue Anatole France 92300 LEVALLOIS-PERRET	407 662 329	99.98	100.00
DARIADE	121 avenue de Malakoff – 75116 PARIS	400 231 072	100.00	100.00
DÉSIRADE	121 avenue de Malakoff – 75116 PARIS	402 345 268	100.00	100.00
ÉCRINVEST 4	121 avenue de Malakoff – 75116 PARIS	434 211 793	100.00	100.00
ÉDIFINANCE PARTICIPATIONS	121 avenue de Malakoff – 75116 PARIS	440 143 741	100.00	100.00
FINANCIÈRE DE PICHAT	6 rue Laurent Pichat – 75116 PARIS	315 782 490	100.00	100.00
FINANCIÈRE DE PICHAT ET CIE	6 rue Laurent Pichat – 75116 PARIS	320 366 453	100.00	100.00
HACHETTE SA	4 rue de Presbourg – 75116 PARIS	402 345 128	100.00	100.00
HÉLIOS	121 avenue de Malakoff – 75116 PARIS	433 436 870	100.00	100.00

COMPANY	HEAD OFFICE	REGISTATION NUMBER	% HOLDING	% CONTROL
HOLPA	121 avenue de Malakoff – 75116 PARIS	572 011 526	100.00	100.00
LAGARDÈRE FINANCE	121 avenue de Malakoff – 75116 PARIS	409 882 883	100.00	100.00
LAGARDÈRE NORTH AMERICA, INC	NEW YORK (USA)		100.00	100.00
LAGARDÈRE PARIS RACING RESSOURCES	121 avenue de Malakoff – 75116 PARIS	433 565 819	100.00	100.00
LAGARDÈRE PARTICIPATIONS	4 rue de Presbourg – 75116 PARIS	303 600 902	100.00	100.00
LAGARDÈRE RESSOURCES	121 avenue de Malakoff – 75116 PARIS	348 991 167	100.00	100.00
LAGARDÈRE UK	LONDON (UNITED KINGDOM)		100.00	100.00
LAGARDÈRE UNLIMITED INC.	WILMINGTON (USA)		100.00	100.00
LAGARDÈRE UNLIMITED LLC.	WILMINGTON (USA)		100.00	100.00
LAGARDÈRE UNLIMITED SAS.	4 rue de Presbourg – 75116 PARIS	402 345 425	100.00	100.00
MNC	121 avenue de Malakoff – 75116 PARIS	345 078 927	100.00	100.00
MP 65	121 avenue de Malakoff – 75116 PARIS	348 971 854	99.42	100.00
MATRA MANUFACTURING & SERVICES- DEP	4 rue de Presbourg – 75116 PARIS	318 353 661	100.00	100.00
PROMOTEC 5000 SL	MADRID (SPAIN)		100.00	100.00
SOFRIMO	121 avenue de Malakoff – 75116 PARIS	569 803 687	100.00	100.00
SOPREDIS	5 place des Marseillais 94220 CHARENTON-LE-PONT	602 020 455	100.00	100.00
TEAM LAGARDÈRE	121 avenue de Malakoff – 75116 PARIS	482 741 725	100.00	100.00
TRANSPORT GROUP				
MATRA TRANSPORT	4 rue de Presbourg – 75116 PARIS	662 000 447	100.00	100.00
SOFIMATRANS	4 rue de Presbourg – 75116 PARIS	325 646 388	100.00	100.00

Companies consolidated using the equity method at 31 December 2010

COMPANY	HEAD OFFICE	REGISTATION NUMBER	% HOLDING	% CONTROL
LAGARDÈRE PUBLISHING				
BOOKISH	WILMINGTON (USA)		33.33	33.33
ÉDITIONS J'AI LU	87 quai Panhard et Levassor – 75013 PARIS	582 039 673	35.33	35.33
HARLEQUIN SA	83 - 85 boulevard Vincent Auriol 75013 PARIS	318 671 591	50.00	50.00(2)
LIGHTNING SOURCE	1 avenue Gutenberg – 78910 MAUREPAS	515 014 785	50.00	50.00(2)
LAGARDÈRE ACTIVE				
107.8 ANTENNE AC GmbH	WÜRSELEN (GERMANY)		22.32	22.00
107.8 ANTENNE AC GmbH & CO. KG	WÜRSELEN (GERMANY)		22.32	22.00
BAYARD HACHETTE ROUTAGE (BHR)	Parc de Pontillat 77340 PONTAULT-COMBAULT	326 966 660	49.97	50.00(2)
CANAL+ FRANCE	1 place du Spectacle 92130 ISSY-LES-MOULINEAUX	421 345 695	20.00	20.00
CELLFISH MEDIA LLC	NEW YORK (USA)		56.18	25.00
DE AGOSTINI PERIODICI	NOVARA (ITALY)		51.00	50.00(2)
DISNEY HACHETTE PRESSE	10 rue Thierry Le Luron 92300 LEVALLOIS-PERRET	380 254 763	49.99	50.00(2)
ÉDITIONS PHILIPPE AMAURY	25 avenue Michelet – 93400 SAINT-OUEN	552 102 121	24.99	25.00
ELLE VERLAG	MUNICH (GERMANY)		49.99	50.00(2)
EUROPE RÉGIES OUEST	16 avenue Henry Fréville – 35200 RENNES	410 666 150	48.60	49.00
GRIMOCO	NICOSIA (CYPRUS)		24.99	49.00
GULLI	12 rue d'Oradour sur Glane – 75015 PARIS	480 937 184	65.46	50.00(2)
GUTS	99-103 rue de Sèvres – 75008 PARIS	399 391 879	50.00	50.00(2)
HACHETTE FILIPACCHI MAGAZINE SP	WARSAW (POLAND)		49.00	49.00
HACHETTE MARIE CLAIRE CHINE	PEKIN (CHINA)		49.00	49.00
HACHETTE RIZZOLI INTERNATIONAL	AMSTERDAM (THE NETHERLANDS)		49.99	50.00(2)
HMC ITALIA	MILAN (ITALY)		49.00	49.00
HOLDING E PROUVOST	149 rue Anatole France 92300 LEVALLOIS-PERRET	383 953 601	41.99	42.00
LE MONDE INTERACTIF	16-18 quai de la Loire – 75019 PARIS	419 388 673	34.00	34.00
LES PUBLICATIONS TRANSCONTINENTALES HACHETTE	MONTREAL (CANADA)		49.00	25.00
NOUVELLES TÉLÉVISONS NUMÉRIQUES	28 rue François 1er – 75008 PARIS	449 779 487	19.84	20.00
OEE Ltd (BECAUSE)	LONDON (UNITED KINGDOM)		25.37	25.37
PUBLIFA	12 rue Ampère – 75017 PARIS	429 556 640	49.99	50.00(2)
S.E.T.C.	48 – 50 boulevard Senard 92210 SAINT-CLOUD	378 558 779	49.29	49.31
SUMITOMO	TOKYO (JAPAN)		65.98	34.00
VIRGIN MÉGA	52 avenue des Champs-Élysées – 75008 PARIS	432 573 806	48.60	49.01
VOETBALL MEDIA BV	AMSTERDAM (THE NETHERLANDS)		49.99	50.00(2)
ZAO HMCR	MOSCOW (RUSSIA)		24.99	49.00

(2) Jointly controlled company (see note 2.2).

COMPANY	HEAD OFFICE	REGISTATION NUMBER	% HOLDING	% CONTROL
LARI INTERNATIONAL GROUP				
ACCELERATION MEDIA	CAPE TOWN (SOUTH AFRICA)		49.59	50.00 (2)
EUROPA 2 (EX OKEY RADIO)	BRATISLAVA (SLOVAKIA)		50.58	50.00 (2)
MAX LOYD	PRAGUE (CZECH REPUBLIC)		33.72	34.00
RADIO XXI	BUCHAREST (ROMANIA)		19.84	20.00
RADMARK	RIVOGNA (SOUTH AFRICA)		29.75	50.00 (2)

COMPANY	HEAD OFFICE	REGISTATION NUMBER	% HOLDING	% CONTROL
LAGARDÈRE SERVICES				
C-STORE	55 rue Deguingand 92689 LEVALLOIS-PERRET	505 387 795	50.00	50.00 (2)
HUNGARO PRESSE	BUDAPEST (HUNGARY)		50.00	50.00 (2)
LOGAIR	4 place de Londres – 95726 ROISSY	443 014 527	27.78	50.00 (2)
SOCIÉTÉ DE DISTRIBUTION AÉROPORTUAIRE	114 avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE	552 016 628	42.20	50.00 (2)

COMPANY	HEAD OFFICE	REGISTATION NUMBER	% HOLDING	% CONTROL
LAGARDÈRE UNLIMITED				
SADDLEBROOK INTERNATIONAL	WESLEY CHAPEL (USA)		30.00	30.00
SPORTFIVE GROUP				
HSV-UFA STADIONMANAGEMENT & VERWALTUNGS	HAMBURG (GERMANY)		25.50	25.50
JUNIPER GROUP GmbH	BERLIN (GERMANY)		25.50	25.50
STADION FRANKFURT MANAGEMENT GmbH	FRANKFURT (GERMANY)		50.00	50.00 (2)
STADION FRANKFURT MANAGEMENT PAYMENT GmbH	FRANKFURT (GERMANY)		50.00	50.00 (2)
ZACHEL AG	BERLIN (GERMANY)		30.00	30.00
OTHER ACTIVITIES				
GROUPE EADS (EADS and its subsidiaries)	AMSTERDAM (THE NETHERLANDS)		7.50	(3)
GLOBAL CAR SERVICES	121 avenue de Malakoff – 75016 PARIS	304 233 406	50.00	50.00 (2)
SOGEADE	121 avenue de Malakoff – 75216 PARIS	401 959 994	33.33	33.33

(2) Jointly controlled company (see note 2.2).
(3) Control as defined in the shareholders' agreement between Lagardère, Daimler and the French State.

NOTE 38 CONSOLIDATED FINANCIAL STATEMENTS FOR 2009 AND 2008

In application of European Commission regulation n° 809/2004, the documents listed below are to be considered as an integral part of this Reference Document:

- the consolidated financial statements and the related audit report appearing on pages 119 to 254 of the French Reference Document for 2009, filed with the Autorité des Marchés Financiers (AMF) on 24 March 2010 under registration number D.10-0153;
- the consolidated financial statements and the related audit report appearing on pages 143 to 275 of the French Reference Document for 2008, filed with the Autorité des Marchés Financiers (AMF) on 24 March 2009 under registration number D.09-0148.

The information included in the documents listed above but not reproduced here is either irrelevant for investors or covered in another part of this Reference Document.

6.4 ANALYSIS OF LAGARDÈRE SCA PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2010

6.4.1 INCOME STATEMENT

The simplified income statements are as follows:

(in millions of euros)	**2010**	2009
Operating revenues	**8**	10
Operating loss	**(16)**	(19)
Financial income	**299**	208
Earnings before tax and exceptional items	**283**	189
Exceptional profit	**3**	22
Income tax gain	**88**	88
Net profit	**374**	299

The operating loss for 2010 amounted to -€16 million, a €3 million improvement compared to 2009. This includes income in the form of fees charged to Group companies operating in the Media for the right to use Lagardère-owned brands, and expenses in the form of operating costs incurred by the holding company and fees invoiced for services provided to that Company.

Details of net financial income are as follows:

(in millions of euros)	**2010**	2009
Interest income on marketable securities and other	**-**	13
Interest income on receivables and loans to subsidiaries	**3**	11
Interest on borrowings and other financing	**(66)**	(62)
Interest expenses	**(63)**	(38)
Dividends received or to be received	**364**	206
Changes in provisions	**(1)**	10
Foreign exchange gains and other	**(1)**	30
Financial income	**299**	208

Financial income for 2010 amounted to +€299 million compared to +€208 million in 2009. Dividends received increased significantly to +€364 million, including €362 million from Désirade (the holding company for Lagardère's investment in EADS). In 2009, Désirade paid a dividend of €201 million. Net interest paid on borrowings and other financing rose from -€62 million to -€66 million in 2010, as the cost of credit increased following the fixed-rate bond issue of October 2009, mitigated by the general downturn in interest rates on other borrowings. A non-recurring net gain of +€30 million was also recorded in 2009, comprising a +€38 million foreign exchange gain on liquidation of the subsidiary Matravision (which had no remaining activities) in the United States, and -€6 million of expenses on the new bond issue.

Exceptional items generated a profit of +€3 million in 2010, mainly consisting of adjustments to provisions for risks. In 2009 exceptional items totalled +€22 million, including +€18 million corresponding to the surplus generated by liquidation of the American subsidiary Matravision

The +€88 million income tax gain for 2010 and 2009 was generated by tax consolidation, corresponding to taxes paid by tax consolidated subsidiaries in excess of the tax due by the whole tax consolidated group. At 31 December 2010, the Lagardère tax group still had a tax loss carryforward.

6.4.2 BALANCE SHEET AND CASH FLOWS

Assets

(in millions of euros)	**31 Dec. 2010**	31 Dec. 2009
Fixed assets	**6,791**	6,837
Trade receivables and other	**50**	102
Cash and cash equivalents	**13**	30
Total assets	**6,854**	6,969

Liabilities and shareholders' equity

(in millions of euros)	**31 Dec. 2010**	31 Dec. 2009
Shareholders' equity	**3,557**	3,350
Provisions for risks and liabilities	**59**	63
Borrowings	**3,205**	3,451
Short-term bank loans	**1**	47
Other liabilities	**32**	58
Total liabilities and shareholders' equity	**6,854**	6,969

Cash provided by operating activities amounted to +€393 million for 2010, including €364 million of dividends received during the year.

Net cash of €87 million was provided by investing activities in 2010, essentially due to reimbursements of loans by Group subsidiaries.

Cash used in financing activities amounted to -€451 million in 2010, resulting from the following:

- dividends paid (-€167 million);
- the funds generated by the new bond issued in October 2009 (+€1,000 million);
- higher drawings on the 2005 syndicated loan (+€84 million);
- a -€368 million decrease in cash investments by subsidiaries (including -€362 million by Désirade following payment of 2010 dividends through a waiver of the current account balance.

Cash and cash equivalents amounted to +€12 million at 31 December 2010, an increase of €29 million from the previous year.

Changes in total net indebtedness, which is calculated as cash and cash equivalents less financial liabilities, were as follows:

(in millions of euros)	**31 Dec. 2010**	31 Dec. 2009
Net indebtedness	**(3,193)**	(3,468)

Net indebtedness decreased by €275 million in 2010, mostly due to the difference between cash provided by operating and investing activities (+€480 million) and dividends paid out (-€167 million), with the balance resulting from changes in interest rates on liabilities in foreign currencies.

TERM OF PAYMENT FOR TRADE PAYABLES

In application of the French Code of Commerce, all Lagardère SCA's trade payables at 31 December 2010 were due within less than 30 days.

6.5 PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2010

Parent Company Balance Sheet at 31 December 2010

Assets *(in millions of euros)*	31 Dec. 2010 Gross	31 Dec. 2010 Depreciation, amortization and provisions	**31 Dec. 2010 Net**	31 Dec. 2009 Net
Tangible assets	-	-	**-**	-
Financial assets:				
– Investments in subsidiaries and affiliates	6,368	113	**6,255**	6,259
– Loans and advances to subsidiaries and affiliates	410	-	**410**	454
– Other long-term investments	157	31	**126**	124
– Loans	-	-	**-**	-
– Other financial items	-	-	**-**	-
Fixed assets	6,935	144	**6,791**	6,837
Trade receivables	-	-	-	-
Other receivables	144	112	**32**	68
Marketable securities	11	-	**11**	8
Cash and cash equivalents	2	-	**2**	22
Prepaid expenses	-	-	**-**	-
Current assets	157	112	**45**	98
Deferred charges	-	-	-	-
Translation adjustment	18	-	**18**	34
Total assets	**7,110**	**256**	**6,854**	**6,969**

Liabilities and shareholders' equity *(in millions of euros)*	**31 Dec. 2010**	31 Dec. 2009
Share capital	**800**	800
Share and other premiums	**1,063**	1,063
Reserves:		
– Legal reserve	**87**	87
– Tax regulated reserves	**-**	-
– Other reserves	**31**	31
Retained earnings	**1,202**	1,070
Net profit for the year	**374**	299
Shareholders' equity	**3,557**	3,350
Provisions for risks and liabilities	**59**	63
Special borrowings	**-**	-
Borrowings:		
– Bonds	**1,520**	1,520
– Bank loans	**764**	689
– Loans from subsidiaries and affiliates	**922**	1,289
Trade payables	**3**	3
Other payables	**10**	20
Deferred income	**-**	-
Translation adjustment	**19**	35
Total liabilities and shareholders' equity	**6,854**	6,969

Parent Company Income Statement for the year ended 31 December 2010

(in millions of euros)	**2010**	2009
Operating revenues	**8**	10
Operating expenses	**(24)**	(29)
Operating loss	**(16)**	(19)
Financial income	**378**	291
Financial expenses	**(89)**	(134)
Changes in provisions	**10**	51
Net financial income	**299**	208
Earnings before tax and exceptional items	**283**	189
Exceptional profit	**3**	22
Income tax gain	**88**	88
Net profit	**374**	299

Parent Company Statement of Cash Flows for the year ended 31 December 2010

(in millions of euros)	**2010**	2009
Net profit	**374**	299
Depreciation, amortization and provision expense (reversal)	**(3)**	(55)
Liquidation surplus	**-**	(18)
Gain on sale of fixed assets	**1**	-
Changes in working capital	**21**	(76)
Cash provided by operating activities	**393**	150
Acquisitions of long-term investments	**(41)**	(156)
Proceeds from disposals of long-term investments	**34**	40
Decrease in loans and receivables	**94**	317
Cash provided by investing activities	**87**	201
Cash provided by operating and investing activities	**480**	351
Dividends paid	**(167)**	(171)
Decrease in borrowings and financial liabilities	**-**	(1,852)
Increase in borrowings	**84**	1,000
Change in Group financing	**(368)**	521
Cash used in financing activities	**(451)**	(502)
Change in net cash and cash equivalents	**29**	(151)
Cash and cash equivalents at beginning of the year	**(17)**	134
Cash and cash equivalents at end of the year	**12**	(17)

PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2010

(All figures are expressed in millions of euros)

GENERAL COMMENT

Since Lagardère SCA, the parent company of the Lagardère group, is a holding company, balance sheet items principally comprise investments in and loans to subsidiaries and affiliates, and the Group's financing resources.

ACCOUNTING POLICIES

1 GENERAL

Lagardère SCA's annual financial statements are prepared in accordance with the accounting methods and principles established by the laws and regulations applicable in France. In particular, they comply with Regulation 99-03 issued by the French Accounting Standards Committee (*Comité de la Réglementation Comptable*).

All figures in the tables below are expressed in millions of euros.

2 LONG-TERM INVESTMENTS

Investments in subsidiaries and affiliates are stated at acquisition cost or subscription price. Provisions for write-downs are booked to cover any unrealised losses, which are generally estimated on the basis of a review of the past year and expected future prospects, together with any other relevant information that may contribute to a meaningful valuation.

3 MARKETABLE SECURITIES

Marketable securities are stated at purchase cost using the FIFO method. Provisions for write-downs are booked when the market price or realisable value of the securities at year-end is lower than their initial acquisition cost.

Gains and losses on disposals of marketable securities are reported net of revenues generated by the same securities on a single line of the income statement, such that the economic benefit of transactions on these securities is directly visible.

4 TRANSACTIONS IN FOREIGN CURRENCIES

Amounts receivable and payable in foreign currencies are translated into euros at year-end rates.

Unrealised exchange gains are deferred and are not credited to profit and loss.

All unrealised exchange losses are provided for in full, unless:

- the foreign currency transaction is associated with a parallel transaction intended to hedge the results of any exchange rate fluctuations (forward hedge): in such cases, the provision covers only the unhedged portion of the risk;
- the unrealised gains and losses concern transactions with similar settlement dates: in such cases, a provision is only established to the extent of the unrealised net loss.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1 FIXED ASSETS

Changes in the gross value of fixed assets were as follows:

	1 January 2010	Increase	Decrease	31 December 2010
Tangible assets	**-**	**-**	**-**	**-**
Financial assets	**-**	**-**	**-**	**-**
Investments in subsidiaries and affiliates and other long-term investments	6,529	30	34	6,525
Loans and advances to subsidiaries and affiliates	454	64	108	410
Other financial assets	-	-	-	-
Total fixed assets	**6,983**	**94**	**142**	**6,935**

Changes in depreciation, amortization and provisions for write-downs can be analysed as follows:

	1 January 2010	Increase	Decrease	31 December 2010
Financial assets	**-**	**-**	**-**	**-**
Investments in subsidiaries and affiliates and other long-term investments	146	9	11	144
Loans and advances to subsidiaries and affiliates	-	-	-	-
Total	**146**	**9**	**11**	**144**

2 RECEIVABLES

At 31 December 2010, the maturity of receivables was as follows:

	Gross	Due within one year	Due after one year
Long-term receivables	410	2	408
Short-term receivables	144	31	113
Total	**554**	**33**	**521**

3 MARKETABLE SECURITIES

	31 Dec. 2010	31 Dec. 2009
At cost	**11**	8
Provision for write-down	**-**	-
Net book value	**11**	8
Market value	**11**	8
Unrealised gains	**-**	-

4 CHANGES IN SHAREHOLDER'S EQUITY

Changes in shareholders' equity are analysed below:

	Share capital	Share premium and other reserves	Retained earnings	Profit for the year	Total
Shareholders' equity at 31 December 2009	800	1 181	1 070	299	3 350
Dividends paid [1]	-	-	(167)	-	(167)
Allocation of net profit for 2009	-	-	299	(299)	-
Net profit for the year	-	-	-	374	374
Shareholders' equity at 31/12/2010	**800**	**1 181**	**1 202**	**374**	**3 557**

(*) Including the portion of net profit paid to the General Partners.

At 31 December 2010, the share capital of Lagardère SCA amounted to €799,913,044.60, represented by 131,133,286 shares with a par value of €6.10, all ranking pari passu and fully paid.

5 TREASURY SHARES

Changes in the number of treasury shares held by Lagardère SCA are analysed below:

	2010
Number of shares held at 1 January	**4,238,948**
Purchases of treasury shares	**1,051,621**
Sales of treasury shares	**-**
Treasury shares allocated on exercise of stock options	**-**
Sales of treasury shares under hedging contracts	**(1,191,621)**
Capital reduction by cancellation of treasury shares	**-**
Number of shares held at 31 December	**4,098,948**

6 BONDS

A ON 24 JANUARY 2001, THE COMPANY ISSUED US$500 MILLION OF US PRIVATE PLACEMENT NOTES, IN THREE TRANCHES:

- a 5-year tranche for US$125 million with a 7.06% coupon, redeemed in 2006;
- a 7-year tranche for US$150 million with a 7.25% coupon, redeemed in 2008;
- a 10-year tranche for US$225 million with a 7.49% coupon, not yet redeemed at 31 December 2010.

Each tranche was comprised of notes specific to the amounts subscribed by investors.

This fixed-rate US$ issue was simultaneously hedged through swap agreements concluded with various banks, resulting in a total borrowing of €254 million at 31 December 2010, with annual average coupon of EURIBOR +1.288%.

The interest expense for 2010 amounted to €6 million.

B ON 10 JULY 2003, THE COMPANY ISSUED €100 MILLION WORTH OF BONDS (100,000 BONDS OF €1,000 EACH) WITH THE FOLLOWING CHARACTERISTICS:

- Term: 10 years.
- Maturity: 10 July 2013.

Following a swap agreement concluded with a bank at the time of issue, Lagardère SCA pays effective interest at 3-month EURIBOR +1.035%, on a quarterly basis.

The interest expense for 2010 amounted to €2 million.

C ON 24 JULY 2003, THE COMPANY ISSUED US PRIVATE PLACEMENT NOTES FOR US$38 MILLION AND €116 MILLION, IN TWO TRANCHES:

- a US$38 million tranche of "Senior Notes, Series D" with a 5.18% coupon, maturing 24 July 2013;
- a €116 million tranche of "Senior Notes, Series E" with a 4.965% coupon, maturing 24 July 2013.

The US$38 million issue was hedged through a currency and interest rate swap agreement, resulting in a borrowing of €33 million, with half-yearly interest payments at 6-month EURIBOR +0.87%.

Following an interest rate swap agreement concluded with a bank, Lagardère SCA pays interest half-yearly on the €116 million tranche at 6-month EURIBOR +0.88%.

The interest expense for 2010 amounted to €2.9 million.

D ON 24 SEPTEMBER 2009, LAGARDÈRE SCA UNDERTOOK A €1 MILLION BOND ISSUE SETTLED ON 6 OCTOBER 2009. THE BOND IS REDEEMABLE UPON MATURITY ON 5 OCTOBER 2014, AND BEARS INTEREST AT THE FIXED RATE OF 4.875%.

All of these bonds were subscribed by institutional investors.

The interest expense for 2010 amounted to €48.8 million.

7 MATURITIES OF LIABILITIES

	31 Dec. 2010	Due within one year	Due between one and five years	Due after five years
Bonds	1,520	270	1,250	-
Bank loans	764	152	612	-
Other debt	922	-	-	922
Trade and other payables	14	14	-	-
Total	**3,220**	**436**	**1,862**	**922**

8 PROVISIONS

Type of provisions	1 Jan. 2010	Increases	Reversals	31 Dec. 2010
Provisions for risks and liabilities	63	9	13	59
Total 1	63	9	13 (*)	59
Provisions for write-downs	-	-	-	-
– investments	*146*	*9*	*11*	*144*
– other	*119*	*4*	*11*	*112*
Total 2	265	13	22	256
Total	**328**	**22**	**35**	**315**
Including increases and reversals:	-	-	-	-
– relating to financial items	-	*13*	*22*	-
– relating to exceptional items	-	*9*	*13*	-

(*) Analysed as follows:
– used: 0
– unused: 13

9 TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES (NET VALUES) – BALANCE SHEET

	Assets		Liabilities
Financial assets	6,661	Borrowings	922
Short-term receivables	22	Trade and other payables	10
Other	4	Other	19

10 TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES – INCOME STATEMENT

	Expenses		Revenues
Interest on loans	6	Income from subsidiaries and affiliates	372
Losses related to subsidiaries	12	Profits related to subsidiaries	4

11 ACCRUED INCOME AND EXPENSES

	Amount		Amount
Amount of accrued income included in the following balance sheet items:		**Amount of accrued expenses included in the following balance sheet items:**	
Financial assets	1	Borrowings	16
Short-term receivables	1	Trade and other payables	1
Cash and cash equivalents	0		-
Total	**2**		**17**

12 NET FINANCIAL INCOME

	2010	2009
Financial income		
Financial income on long-term investments	**372**	224
Income on other investments and long-term receivables	**-**	-
Other interest and similar income	**-**	13
Net income on marketable securities	**-**	1
Reversals of provisions	**22**	63
Foreign exchange gains	**5**	53
Financial expenses		
Interest and similar expenses	**(83)**	(76)
Increases in provisions	**(13)**	(12)
Foreign exchange losses	**(4)**	(58)
Net financial income	**299**	208

13 EXCEPTIONAL PROFIT

	2010	2009
Net gain on disposals of assets and liquidation surplus	**-**	18
Increases and reversals of provisions	**3**	4
Other exceptional income and expenses	**-**	-
Exceptional profit	**3**	22

14 INCOME TAX

The €88 million tax gain for 2010 corresponds primarily to taxes paid by subsidiaries included in the tax consolidation group. At 31 December 2010, the tax group comprising Lagardère SCA and its subsidiaries had a tax loss carryforward of some €433 million.

15 OFF-BALANCE SHEET COMMITMENTS

Commitments given	Amount	Commitments received	Amount
Guarantees given on behalf of subsidiaries to cover contract-related financial commitments	-	Waivers of debt to be reinstated if the beneficiary becomes profitable	1
Rent guarantees given to subsidiaries	3	Unused lines of credit	1,033
Guarantees given in favour of unrelated parties	26	Counter-guarantees received from third parties	26
Commitments to deliver shares under employee stock option plans	313		-
Bank interest on long-term loans	203		-

TRANSACTIONS ON DERIVATIVES

Lagardère uses purchases of call options to cover all the stock purchase option plans introduced for Group employees in the years 2003 to 2006 that were outstanding at 31 December 2010.

At 31 December 2010, call option positions were as follows:

- 1,214,132 options at €51.45 for Lagardère Plan 2003 stocks €62 million
- 1,360,420 options at €51.92 for Lagardère Plan 2004 stocks €71 million
- 1,501,989 options at €56.97 for Lagardère Plan 2005 stocks €86 million
- 1,714,600 options at €55.84 for Lagardère Plan 2006 stocks €96 million

Call options are carried at their market value of €2.8 million in the balance sheet at 31 December 2010, leading to recognition of a €4.1 million write-down in 2010 (write-down of €6.4 million in 2009).

FREE SHARE ALLOCATION PLAN

On 28 December 2007, a plan to award free shares in Lagardère SCA was introduced for certain members of management and employees of the Group, covering a total of 594,350 shares. These shares were to be remitted to the beneficiaries on 29 December 2009, provided the average quoted price for the Lagardère SCA share in December 2009 was at least equal to the quoted price at the grant date, which was €51.14. As this condition was not fulfilled, no free shares were allocated.

On 1 October and 31 December 2009, a plan to award free shares in Lagardère SCA was introduced for Co-Managing Partners and certain employees of the Group, covering a total of 571,525 shares.

On 17 December 2010, another plan to award free shares in Lagardère SCA was introduced also for Co-Managing Partners and certain employees of the Group, covering a total of 634,950 shares.

For Group employees these two plans include no performance conditions and final allocation of the shares will take place only after a two-year period providing that the beneficiaries have remained in the Group's employment during that period. For beneficiaries who are not residents in France for tax purposes, the shares will be remitted at the end of a four-year period providing that they are remained in the Group's employment for two years.

For the Co-Managing Partners, final allocation of the shares is conditional on:

- presence in the Group for periods to run until 1 April 2013 and 1 April 2012 respectively under the 2010 and 2009 plans;
- achievement of objectives based on criteria internal to the Group (consolidated recurring operating profit and net cash flows from operating activities); non-fulfilment of these objectives reduces the number of shares allocated.

Subsidiaries and affiliates at 31 December 2010

(in thousands of euros)	Capital	Reserves	Share of capital held (%)
Information on investments with book value in excess of 1% of Lagardère SCA's share capital or with significant influence			
A. Subsidiaries (Lagardère SCA's holding: at least 50%)			
DÉSIRADE (121 avenue de Malakoff – 75116 Paris) (FRANCE)	466,933	193,493	100.00
FINANCIÈRE DE PICHAT & CIE SCA (6 rue Laurent Pichat – 75116 Paris) (FRANCE)	99,169	33,482	99.25
HACHETTE SA (4 rue de Presbourg – 75116 Paris) (FRANCE)	832,570	686,843	100.00
HOLPA (121 avenue de Malakoff – 75116 Paris) (FRANCE)	536	3,091	100.00
LAGARDÈRE FINANCE (121 avenue de Malakoff – 75116 Paris) (FRANCE)	2,800,000	305,079	100.00
LAGARDÈRE PARTICIPATIONS (4 rue de Presbourg – 75116 Paris) (FRANCE)	15,250	12,916	100.00
LAGARDÈRE RESSOURCES (121 avenue de Malakoff – 75116 Paris) (FRANCE)	10,000	(13,081)	100.00
MATRA MANUFACTURING & SERVICES (4 rue de Presbourg – 75116 Paris) (FRANCE)	13,528	46,364	100.00
MNC (121 avenue de Malakoff – 75116 Paris) (FRANCE)	89,865	19,962	100.00
SOFIMATRANS (4 rue de Presbourg – 75116 Paris) (FRANCE)	29,884	16,620	100.00
B. Affiliates (Lagardère SCA's holding: 10 to 50%)			
C. Other significant investments (Lagardère SCA's holding: less than 10%)			
Information concerning other subsidiaries and affiliates			
A. Subsidiaries not included in paragraph A above			
– Other subsidiaries			
B. Affiliates not included in paragraph B above			
– Other affiliates			
C. Other investments not included in paragraph C above			
– Other investments			

Book value of shares held		Outstanding loans and advances granted by the Company	Guarantees given by the Company	Net sales for the last fiscal year	Net profit (loss) for the last fiscal year	Dividends received by the Company during the year
Gross	Net					
612,312	612,312				1,831	361,812
165,450	134,498				2,699	
2,163,272	2,163,272			1,467	24,048	
16,938	3,610				(17)	
3,080,000	3,080,000				40,136	
25,444	25,444				(4,908)	
60,332				75,941	(1,021)	
94,035	85,600			29,993	(8,631)	1,902
112,732	112,732				8,193	
36,789	36,789				238	
502	302					

Investment portfolio at 31 December 2010

(in thousands of euros)		
I. Investments in subsidiaries and affiliates		
A. Investments in French companies		
Book value over €15,000		6,254,307
Number of shares held:		
122,233,852	Désirade	612,312
6,453,952	Financière de Pichat & Cie	134,498
54,592,187	Hachette	2,163,272
107,284	Holpa	3,610
280,000,000	Lagardère Finance	3,080,000
845,474	Matra Manufacturing & Services	85,600
999,989	Lagardère Participations	25,444
7,848,480	MNC	112,732
1,953,210	Sofimatrans	36,789
5,000	Sogeade Gérance	50
Book value below €15,000		
Total investments in French companies		**6,254,307**
B. Investments in non-French companies		
Number of shares held:		
325,100	Lagardère UK	252
Book value below €15,000		0
Total investments in non-French companies		**252**
Total investments in subsidiaries and affiliates		**6,254,559**
II. Other long-term investments		
C. Investment funds		0
Total investment funds		**0**
D. Treasury shares		126,148
Total treasury shares		**126,148**
Total other long-term investments		**126,148**
III. Short-term investments		
A. French securities		
1. Equities and mutual funds		**10,787**
Number of shares or units held:		
492	CAAM Tréso institution	10,787
2. Collective investment funds		**0**
Number of shares or units held:		
Total short-term investments (book value)		**10,787**

Five-year financial summary

		2006	2007	2008	2009	2010
I	**Financial position (in euros)**					
a)	Share capital	870,416,509	818,213,044	799,913,045	799,913,045	799,913,045
b)	Number of ordinary shares outstanding	142,691,231	134,133,286	131,133,286	131,133,286	131,133,286
c)	Maximum number of shares to be issued upon exercise of stock options	-	-	-	-	-
d)	Maximum number of shares to be issued upon conversion of bonds	-	-	-	-	-
e)	Maximum number of shares to be issued upon exercise of subscription warrants	-	-	-	-	-
II	**Results of operations (in thousands of euros)**					
a)	Net sales	13,245	12,711	1,551	9,846	8,457
b)	Earnings before tax, depreciation, amortization and provisions	91,035	767,000	499,149	156,294	272,386
c)	Income tax	79,708 (1)	89,271 (1)	76,004 (1)	87,203 (1)	88,017 (1)
d)	Earnings after tax, depreciation, amortization and provisions	218,565	832,655	491,335	298,529	373,527
e)	Total dividends	160,423	169,167	164,856	165,142	- (2)
III	**Earnings per share (in euros)**					
a)	Earnings per share after tax but before depreciation, amortization and provisions	1.20	6.38	4.00	1.86	2.75
b)	Earnings per share after tax, depreciation, amortization and provisions	1.53	6.21	3.75	2.28	2.85
c)	Dividend per share	1.20	1.30	1.30	1.30	- (2)
IV	**Staff**					
a)	Average number of employees	-	-	-	-	-
b)	Total wages and salaries	-	-	-	-	-
c)	Total employee benefit expense	-	-	-	-	-

(1) Mainly the tax gain resulting from the tax consolidation.
(2) The Annual General Meeting will be asked to approve the distribution of a dividend of €1.30 per share.

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

6.6 STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY ANNUAL FINANCIAL STATEMENTS

To the partners,

In compliance with the assignment entrusted to us by your General Meetings, we hereby report to you, for the financial year ended 31 December 2010, on:

- the audit of the accompanying financial statements of Lagardère SCA;
- the justification of our assessments;
- the specific verifications required by law.

These financial statements have been approved by the Managing Partners. Our role is to express an opinion on these financial statements based on our audit.

I OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit involves performing procedures, by audit sampling and other selective testing methods, to obtain audit evidence about the amounts and disclosures in the annual financial statements. An audit also includes evaluating the appropriateness of accounting principles used, the reasonableness of accounting estimates made by management, and the presentation of the financial statements overall. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the financial position and assets and liabilities as of 31 December 2010 and of the results of operations for the year then ended in accordance with the accounting rules and principles applicable in France.

II JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

Accounting principles and valuation methods

The Note "Accounting principles and methods" presented in the appendix explains the criteria used for the valuation of long-term investments.

As part of our assessments of the accounting principles and methods used by your Company, we verified the appropriateness of the accounting methods used and the reasonableness of estimates made.

These assessments were made in the context of our audit of the annual financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

III SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with the professional standards applicable in France, the specific verifications required by law.

We have no matters to report regarding the fair presentation and the conformity with the financial statements of the information given in the management report by the Managing Partners and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the Commercial Code relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified their consistency with the annual financial statements, or with the data used to prepare these annual financial statements and, where applicable, with the information obtained by the Company from companies controlling your Company or controlled by it. On the basis of this research, we certify the accuracy and fair presentation of this information.

In accordance with the law, we have verified that the management report contains the appropriate disclosures regarding acquisition of investments and controlling interests and the identity of shareholders.

Neuilly-sur-Seine and Courbevoie, 8 April 2011

The Statutory Auditors

Ernst & Young et Autres	Mazars
Jeanne Boillet	Bruno Balaire

6.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the partners,

In compliance with the assignment entrusted to us by your General Meetings, we hereby report to you, for the financial year ended 31 December 2010, on:

- the audit of the accompanying consolidated financial statements of Lagardère SCA;
- the justification of our assessments;
- the specific verifications required by French law.

These consolidated financial statements have been approved by the Managing Partners. Our role is to express an opinion on these financial statements based on our audit.

I OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, by audit sampling and other selective testing methods, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting principles used, the reasonableness of accounting estimates made by management, and the presentation of the financial statements overall. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements for the financial year give a true and fair view of the assets and liabilities and of the financial position of the persons and entities that constitute the consolidated Group and of the results of its operations, in accordance with the International Financial Reporting Standards as adopted by the European Union.

Without calling into question the opinion expressed above, we draw your attention to the following matters:

- Note 1 in the appendix to the consolidated financial statements, which describes the new standards and interpretations that have been applied by your Company since 1 January 2010. In particular, the IFRS 3 and IAS 27 revisions were applied during the 2010 financial year; these revisions introduce substantial modifications to the accounting principles for business combinations, and
- Note 19 which presents the accounting treatment used at 31 December 2010 for the investment in Canal+ France.

II JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

As specified in Note 3.10 to the consolidated financial statements, at least once per year the Lagardère group performs a test on the depreciation of the intangible fixed assets and on acquisition goodwill for the Media division. We have assessed the assumptions used in determining the recoverable value of these assets for the purpose of comparison with their book value. This recoverable value is assessed primarily on the basis of the updated cash flow forecasts prepared by each branch of the Group at the end of 2010. We assessed the reasonable nature of the information included in the notes to the consolidated financial statements with respect to the updated cash flow forecasts used.

Moreover, as indicated in Note 32 to the consolidated financial statements, the assets of Presse Magazine Internationale have been reclassified as assets held for sale in the consolidated balance sheet at 31 December 2010. We appreciated the appropriate nature of this accounting treatment and assessment of the fair value of assets held for sale.

Finally, we assessed the reasonableness of the conditions that led the Managing Partners to reclassify the investment in Canal+ France as investments in associates, and the year-end valuation of this investment as presented in Note 19 to the consolidated financial statements.

These assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

III SPECIFIC VERIFICATION

We have also, in accordance with the rules of professional practice applicable in France, verified the information given in the group management report as required by French law.

We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, 8 April 2011

The Statutory Auditors

Ernst & Young et Autres	Mazars
Jeanne Boillet	Bruno Balaire

6.8 SPECIAL STATUTORY AUDITORS' REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

To the partners,

In our capacity as Statutory Auditors of your company, we hereby present our report on regulated agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of the agreements and commitments of which we were informed or which may have come to our attention during our assignment, without pronouncing on their utility and merits, or seeking the existence of other agreements and commitments. It is your responsibility, pursuant to Article R. 226-2 of the Commercial Code, to assess the merit of these agreements and commitments with a view to approving them.

We are also required to provide you with the information required under Article R. 226-2 of the Commercial Code in respect of the execution during the past year of any agreements and commitments already approved by the general meeting.

We carried out the work we deemed necessary in light of the professional standards of the Compagnie Nationale des Commissaires aux Comptes applicable to this responsibility. These standards require that we perform procedures to verify that the information given to us is coherent with the underlying documents.

AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE GENERAL MEETING

Agreements and commitments approved during the past year

We have not been informed of any agreement or commitment authorised during the past year to be submitted to the general meeting for approval in accordance with Article L. 226-10 of the Commercial Code.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

Agreements and commitments approved in previous years which were applicable during the period

In application of Article R. 226-2 of the Commercial Code, we have been informed of the following agreements and commitments, already approved by the general meeting during previous years and applicable during the period:

LAGARDÈRE CAPITAL & MANAGEMENT

SERVICE AGREEMENT

Under an agreement signed in 1988 by Lagardère Capital & Management with Matra and Hachette, Lagardère Capital & Management provides a range of resources and skills specific to general strategy, international development, company operations, and management of financial capacity, human potential and corporate image. All top management working at Lagardère Capital & Management are members of the management bodies of the Group and its principal subsidiaries.

Following the various reorganisations that have taken place since 1988, this agreement is now between Lagardère Capital & Management and Lagardère Ressources.

The remuneration of Lagardère Capital & Management was modified with effect from 1 July 1999 by an amendment approved in principle by the Supervisory Board on 22 September 1999 and in its final version on 22 March 2000. It was again modified with effect from 1 January 2004 by an amendment approved by the Supervisory Board on 12 March 2004.

At its meeting of 12 March 2004, the Supervisory Board approved an amendment modifying the calculation method for the remuneration payable to Lagardère Capital & Management as of 1 January 2004.

Starting from that date, the remuneration payable by Lagardère Ressources to Lagardère Capital & Management for any given year is equal to the total expenses incurred by Lagardère Capital & Management during that year in execution of the services rendered under the Service Agreement, plus a 10% margin, with an absolute upper limit of €1 million for that margin. For 2010, the amount of this margin is €1 million.

ADDITIONAL PENSION PLAN FOR CERTAIN LAGARDÈRE CAPITAL & MANAGEMENT EMPLOYEES WHO ARE MEMBERS OF LAGARDÈRE GROUP'S EXECUTIVE COMMITTEE

At its meeting of 14 September 2005, your Supervisory Board approved the introduction of an additional pension plan by Lagardère Capital & Management to complement the basic pension system for certain employees who are members of the Executive Committee. The maximum benefit entitlement under this plan is an additional pension, upon retirement at the age of 65, equal to 35% of the benchmark remuneration, which cannot exceed 50 times the annual limit defined by the French social security system.

The employees of Lagardère Capital & Management who are members of the Executive Committee are beneficiaries of this plan.

The plan came into effect at 1 July 2005, and benefits vest at the rate of 1.75% of the benchmark remuneration per year of seniority in the Executive Committee, up to a limit of 20 years' seniority. The pension earned under this plan is payable on condition the beneficiary is still with the company at retirement age, or when he takes early retirement. It also remains payable in the event of termination after the age of 55, or invalidity.

For 2010, the amount billed by Lagardère Capital & Management under these two agreements amounted to 23.301 million euros including an expense of 5.108 million euros for the additional pension plan, compared to 19.512 million euros (including an expense of 3.655 million euros for the additional pension plan) in 2009.

Neuilly-sur-Seine and Courbevoie, 8 April 2011

The Statutory Auditors

Ernst & Young et Autres	Mazars
Jeanne Boillet	Bruno Balaire

CHAPTER 7

Organisation of the Company and the Group – Corporate Governance

7.1 GENERAL PRESENTATION OF FRENCH LIMITED PARTNERSHIPS WITH SHARES AND OF LAGARDÈRE SCA

7.1.1 LEGAL CHARACTERISTICS OF FRENCH LIMITED PARTNERSHIPS WITH SHARES

A French limited partnership with shares (*société en commandite par actions* – SCA) has two categories of partners:

- one or more general partners (*associés commandités*) – they are indefinitely liable for the company's liabilities;
- limited partners (*associés commanditaires or shareholders*) – their situation is the same as that of shareholders in a corporation (*société anonyme*). Their holdings can be sold or otherwise transferred under the same conditions as shares in a corporation, and they are liable for the company's liabilities only to the extent of their contribution. They are represented by a supervisory board.

A limited partnership with shares is managed by one or more managing partners (*gérants*), who may be individuals or corporate entities. They are selected from amongst the limited partners or third parties, but may not be shareholders.

Because of the two categories of partners, corporate decisions are taken at two different levels: by the limited partners in general meetings, and by the general partners. Members of the supervisory board are appointed only by the limited partners. If a general partner is also a limited partner he cannot take part in the vote.

7.1.2 PRESENTATION OF LAGARDÈRE SCA

Both French law and the specificities of its by-laws (see Chapter 8, section 8.2) give Lagardère SCA, a French limited partnership with shares, a very modern structure that is perfectly suited to the demands of corporate governance, as it effectively applies the two basic principles of establishing a clear distinction between management and control while closely involving shareholders in control of the Company.

This structure is characterised as follows:

- it establishes a very clear distinction between the Managing Partners (*Gérants*), who are responsible for running the business, and the Supervisory Board which represents the shareholders and is responsible for control of the Company's accounts and management. The Managing Partners cannot be members of the Supervisory Board, and the general partners cannot take part in appointing the members of the Supervisory Board;
- the Supervisory Board is entitled to oppose the appointment of a Managing Partner or the renewal of his appointment by the general partners. The final decision is vested in the ordinary general meeting (see Chapter 8, section 8.2.6). The term of office of a Managing Partner cannot exceed six years but may be renewed;
- the two General Partners' unlimited liability to the full extent of their assets is evidence of the proper balance between financial risk, power and responsibility;
- the Supervisory Board is entitled to receive the same information and wields the same powers as the Statutory Auditors;
- the Supervisory Board must report to the meeting of shareholders on any operation entailing an increase or a decrease in the share capital that requires approval from the shareholders.

These arrangements obviate the confusion, for which French corporations are criticised, between the role of the Chairman (*Président*) when the latter is also Chief Executive Officer (*Directeur Général*) and the role of the Board of Directors of which he is a member.

7.2 GENERAL PARTNERS, MANAGING PARTNERS AND MEMBERS OF THE SUPERVISORY BOARD

7.2.1 GENERAL PARTNERS

Arnaud Lagardère

4 rue de Presbourg - 75116 Paris, France

Arjil Commanditée-Arco

A French corporation with share capital of €40,000

121 avenue de Malakoff – 75116 Paris, France

7.2.2 MANAGING PARTNERS

At 31 December 2010, the Company was managed by two Managing Partners:

- Mr. Arnaud Lagardère and
- the company Arjil Commanditée-Arco

7.2.2.1 ARNAUD LAGARDÈRE

4 rue de Presbourg – 75116 Paris, France

Born 18 March 1961

Number of Lagardère SCA shares held directly and indirectly (see Chapter 8, section 8.1.8.1): 12,610,893

Mr. Arnaud Lagardère was appointed Managing Partner in March 2003 and his appointment was renewed by the Supervisory Board on proposal of the General Partners on 11 March 2009, for a period of six years to run until 11 March 2015.

In addition, Mr. Arnaud Lagardère is the Chairman of Lagardère (SAS) and Lagardère Capital & Management (SAS). Mr. Arnaud Lagardère and these two companies held 9.62% of Lagardère SCA's share capital on 31 December 2010 (see Chapter 8, section 8.1.8.1).

Mr. Arnaud Lagardère holds a DEA higher degree in economics from the University of Paris Dauphine. He was appointed Director and Chief Executive Officer of the company MMB (which became Lagardère SCA) in 1987. He was Chairman of the US company Grolier Inc. from 1994 to 1998.

A) *PRINCIPAL POSITION*

Managing Partner, Lagardère SCA

B) *OTHER POSITIONS AND APPOINTMENTS HELD IN THE GROUP (AT 31 DECEMBER 2010)*

Chairman and Chief Executive Officer, Hachette SA (Lagardère Media)
4 rue de Presbourg – 75116 Paris

Director, Hachette Livre (SA)
43 quai de Grenelle – 75015 Paris

Chairman of the Supervisory Board, Lagardère Services (SAS)
2 rue Lord Byron – 75008 Paris

Chairman of the Supervisory Board, Lagardère Active (SAS)
149-151 rue Anatole France – 92300 Levallois-Perret

Chairman of the Supervisory Board, Lagardère Sports (SAS)
4 rue de Presbourg – 75116 Paris

Director, Lagardère Ressources (SAS)
121 avenue de Malakoff – 75116 Paris

Chairman, Lagardère Unlimited Inc.
2711, Centerville Road, Suite 400, 19808 Wilmington, USA

Permanent Representative of Lagardère Unlimited Inc., Managing Member of Lagardère Unlimited LLC
4711, Centerville Road, Suite 400, 19808 Wilmington, USA

Chairman, Sports Investment Company LLC
4711, Centerville Road, Suite 400, 19808 Wilmington, USA

Chairman and Director, Sogeade Gérance (SAS)
121 avenue de Malakoff – 75116 Paris

Member of the Board of Directors, European Aeronautic Defence and Space Company – EADS N.V.
Mendelweg 30, 2333 CS Leiden – The Netherlands

Member of the Board of Directors, EADS Participations BV
Teleportboulevard 140, 1043 EJ Amsterdam
PO BOX 2838, 1000 CV – The Netherlands

Chairman, Fondation Jean-Luc Lagardère
4 rue de Presbourg – 75116 Paris

Chairman, Lagardère Paris Racing Ressources sports association
121 avenue de Malakoff – 75116 Paris

Chairman, Lagardère Paris Racing sports association
121 avenue de Malakoff – 75116 Paris

Chairman, Lagardère (SAS)
121 avenue de Malakoff – 75116 Paris

Chairman, Lagardère Capital & Management (SAS)
121 avenue de Malakoff – 75116 Paris

Chairman and Chief Executive Officer, Arjil Commanditée-Arco (SA)
121 avenue de Malakoff – 75116 Paris

C) OTHER POSITIONS AND APPOINTMENTS HELD OUTSIDE THE GROUP

None.

D) OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Chairman, Club des Entreprises Paris 2012 *(until January 2006)*

Director, Fimalac (SA)
97 rue de Lille – 75007 Paris *(until January 2006)*

Chairman, Lagardère Active (SAS)
121 avenue de Malakoff – 75116 Paris *(until October 2006)*

Director, Hachette Filipacchi Médias (SA)
149-151 avenue Anatole France – 92300 Levallois-Perret *(until October 2006)*

Permanent representative of Hachette SA to the Managing Board, SEDI TV-TEVA (SNC)
89 avenue Charles de Gaulle – 92200 Neuilly-sur-Seine *(until December 2006)*

Chairman, Lagardère Active Broadcast (a Monaco SA)
57 rue Grimaldi – 98000 Monaco *(until March 2007)*

Member of the Supervisory Board, Lagardère Sports (SAS)
28 rue François-1er – 75008 Paris *(until April 2007)*

Director, Lagardère Management, Inc.
1633 Broadway, 45th Floor – New York, NY 10019 – USA *(until October 2007)*

Chairman of the Board of Directors, Lagardère Active North America, Inc.
1633 Broadway, 20th Floor – New York, NY 10019 – USA *(until October 2007)*

Chairman of the Supervisory Board, Hachette Holding (SAS)
149-151 avenue Anatole France – 92300 Levallois-Perret *(until December 2007)*

Director, France Telecom (SA)
6 place d'Alleray – 75015 Paris *(until January 2008)*

Member of the Supervisory Board, Virgin Stores (SA)
16 boulevard du Général Leclerc – 92115 Clichy *(until February 2008)*

Member of the Supervisory Board, Le Monde SA *(until February 2008)*

Chairman, Lagardère Active Broadband (SAS)
121 avenue de Malakoff – 75116 Paris *(until June 2008)*

Director, LVMH - Moët Henessy Louis Vuitton (SA)
22 avenue Montaigne – 75008 Paris *(until May 2009)*

Permanent representative of Lagardère Active Publicité
to the Board of Directors, Lagardère Active Radio International (SA)
28 rue François-1er – 75008 Paris *(until May 2009)*

Member of the Supervisory Board, Daimler AG
Epplestrasse 225 – D 70546 Stuttgart – Möhringen, Germany *(until April 2010)*

Chairman, Association des Amis de Paris Jean-Bouin C.A.S.G. *(until September 2010)*

7.2.2.2 ARJIL COMMANDITÉE-ARCO

A French corporation with share capital of €40,000
121 avenue de Malakoff – 75116 Paris, France

Represented by Mr. Arnaud Lagardère, Mr. Philippe Camus and Mr. Pierre Leroy
and Mr. Dominique D'Hinnin and Mr. Thierry Funck-Brentano since 10 March 2010

Arjil Commanditée-Arco was appointed Managing Partner on 17 March 1998.

When this appointment was renewed for a further six-year period on 10 March 2010, the Supervisory Board, in application of the provisions of article 14-2 of the by-laws, approved the following persons as the company's legal representatives upon proposal of the general partners:

- Mr. Arnaud Lagardère, Chairman and Chief Executive Officer;
- Mr. Philippe Camus, Deputy Chairman and Chief Operating Officer;
- Mr. Pierre Leroy, Deputy Chairman and Chief Operating Officer;
- Mr. Dominique D'Hinnin, Chief Operating Officer;
- Mr. Thierry Funck-Brentano, Chief Operating Officer.

In their capacity as legal representatives of Arjil Commanditée-Arco, Managing Partner of Lagardère SCA, Messrs Philippe Camus and Pierre Leroy, and since 10 March 2010 Messrs Dominique D'Hinnin and Thierry Funck-Brentano, are Co-Managing Partners of Lagardère SCA.

Positions held by Arjil Commanditée-Arco in other companies:

None

Positions held by legal representatives of Arjil Commanditée-Arco in other companies (at 31 December 2010)

ARNAUD LAGARDÈRE *(see above)*

PHILIPPE CAMUS

4 rue de Presbourg – 75116 Paris, France

Born 28 June 1948

Number of Lagardère SCA shares held: 10,000

Mr. Philippe Camus is a former student of the École Normale Supérieure de Paris (Ulm Paris), and holds a degree from the Institut d'Études Politiques de Paris (Economics and Finance) and the highest-level teaching qualification *agrégation* in Physics and Actuarial Science.

He was appointed Chairman of Aerospatiale Matra's Management Board in 1999, and was Chief Executive Officer of EADS between 2000 and 2005.

A) PRINCIPAL POSITION

Co-Managing Partner, Lagardère SCA

B) OTHER POSITIONS AND APPOINTMENTS HELD IN THE GROUP (AT 31 DECEMBER 2010)

Permanent representative of Lagardère SCA to the Board of Directors, Hachette SA

Member of the Supervisory Board, Lagardère Active (SAS)

Director, Éditions P. Amaury (SA)

Member of the Supervisory Board, Lagardère Services (SAS)

Chairman, President and CEO, Lagardère North America, Inc.

Director, Cellfish Media (LLC)

Director, Lagardère Unlimited, Inc.

Director, Deputy Chairman and Chief Operating Officer, Arjil Commanditée-Arco (SA)

C) OTHER POSITIONS AND APPOINTMENTS HELD OUTSIDE THE GROUP

Chairman of the Board of Directors, Alcatel-Lucent

Director, member of the Audit Committee, Chairman of the Finance Committee, Schlumberger

Senior Managing Director, Evercore Partners, Inc.

Honorary chairman, GIFAS

D) OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Director, La Provence (SA) *(until 16 October 2006)*

Director, Nice Matin (SA) *(until 23 October 2006)*

Director, Hachette Filipacchi Médias *(until 25 October 2006)*

Member of the Supervisory Board, Hachette Holding (SAS) *(until December 2007)*

Permanent representative of Lagardère Active to the Board of Directors, Lagardère Active Broadcast (Monaco) *(until December 2007)*

Director, Accor *(until September 2008)*

Director, Crédit Agricole SA *(until May 2009)*

PIERRE LEROY

4 rue de Presbourg – 75116 Paris, France

Born 8 October 1948

Number of Lagardère SCA shares held: 2,027

Mr. Pierre Leroy, a graduate of business school École Supérieure de Commerce de Reims with a university degree in law, has spent his entire career with the Lagardère group.

He was appointed Director and Chief Executive Officer of the company MMB (which became Lagardère SCA) in 1987, Chairman and Chief Executive Officer of Lagardère Sociétés in 1988 and Group Secretary General in 1993.

A) PRINCIPAL POSITIONS

Co-Managing Partner, Lagardère SCA

Secretary General, Groupe Lagardère

B) OTHER POSITIONS AND APPOINTMENTS HELD IN THE GROUP (AT 31 DECEMBER 2010)

Chairman, Lagardère Ressources (SAS)

Director, Hachette SA (Lagardère Media)

Director, Hachette Livre (SA)

Member of the Supervisory Board, Lagardère Services (SAS)

Member of the Supervisory Board, Lagardère Active (SAS)

Member of the Supervisory Board, Lagardère Sports (SAS)

Manager, Presstalis (formerly NMPP)

Director, Lagardère Active Broadcast (a Monaco company)
Director, Lagardère Entertainment (SAS)
Member of the Supervisory Board, Le Monde SA
Chairman, Désirade (SAS)
Director, Sogeade Gérance (SAS)
Manager, Financière de Pichat & Compagnie (SCA)
Chairman, Lagardère Participations (SAS)
Chairman, Lagardère Expression (SAS)
Chairman, Dariade (SAS)
Chairman, Sofrimo (SAS)
Chairman, Holpa (SAS)
Permanent representative of Lagardère Participations to the Board of Directors, Galice (SA)
Director, Ecrinvest 4 (SA)
Director, Fondation Jean-Luc Lagardère
Chairman and Chief Executive Officer, Lagardère Paris Racing Ressources (SASP)
Manager, Team Lagardère (SNC)
Director of Lagardère UK Ltd.

Director, Lagardère Capital & Management (SAS)
Deputy Chairman, Chief Operating Officer, Arjl Commmanditée-Arco (SA)

C) *OTHER POSITIONS AND APPOINTMENTS HELD OUTSIDE THE GROUP*

Director, IMEC (Institut Mémoires de l'Édition Contemporaine)
Chairman, Fondation pour la Mémoire de la Création Contemporaine
Member of the Consultative Committee, Sotheby's
Member of the Board of Directors, Association Doucet-Littérature
Member of the judges for the Médicis, Casanova, Hemmingway and Sade Prizes

D) *OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS*

Permanent representative of Lagardère Participations to the Board of Directors, CVT (SA) *(until May 2006)*
Permanent representative of Lagardère Participations to the Board of Directors, Hagena (SA) *(until July 2006)*
Director, Hachette Filippacchi Médias *(until 25 October 2006)*
Director, Lagardère Télévision Holdings (SA) *(until January 2007)*
Chairman of the Supervisory Board, Matra Manufacturing & Services (SAS) *(until December 2007)*
Member of the Supervisory Board, Hachette Holding (SAS) *(until December 2007)*
Chairman of the Supervisory Board, Financière de Pichat (SAS) *(until April 2008)*
Director, Hachette Filipacchi Presse (SA) *(until June 2008)*
Director, Lagardère (SAS) *(until June 2008)*
Member of the Supervisory Board, Matra Manufacturing & Services (SAS) *(until October 2009)*
Member of the Supervisory Board, Le Monde (SA) *(until November 2010)*
Member of the Supervisory Board, Arlis (SAS) *(until January 2010)*

DOMINIQUE D'HINNIN

4 rue de Presbourg – 75116 Paris, France

Born 4 August 1959

Number of Lagardère SCA shares held: 20,234

Dominique D'Hinnin is an alumnus of the École Normale Supérieure and the École Nationale d'Administration, and also an Inspecteur des Finances. He joined the Lagardère group in 1990 as a special assistant to Philippe Camus.

He subsequently served as the Group's Internal Audit Manager and then as Chief Financial Officer of Hachette Livre in 1993 before becoming Executive Vice President of Grolier Inc. (Connecticut, USA) in 1994. On his return to France in 1998 Mr. D'Hinnin was appointed as Lagardère SCA's Chief Financial Officer.

A) *PRINCIPAL POSITION*

Co-Managing Partner, Lagardère SCA

B) *OTHER POSITIONS AND APPOINTMENTS HELD IN THE GROUP*

Director, Chief Operating Officer, Arjil Commanditée-Arco (SA)

Chairman and Chief Executive Officer, Ecrinvest 4 (SA)

Director, Hachette SA (Lagardère Media)

Member of the Supervisory Board, Lagardère Active (SAS)

Permanent representative of Hachette SA to the Board of Directors, Lagardère Active Broadcast (a Monaco SA)

Director, Lagardère Entertainment (SAS)

Member of the Supervisory Board, Lagardère Services (SAS)

Director, Hachette Livre (SA)

Member of the Supervisory Board, Lagardère Sports (SAS)

Director, Lagardère Ressources (SAS)

Director, Sogeade Gérance (SAS)

Member of the Supervisory Board, Financière de Pichat & Cie (SCA)

Member of the Supervisory Board, Matra Manufacturing & Services (SAS) (formerly Matra Automobile)

Director, Lagardère North America, Inc. (USA)

C) *OTHER POSITIONS AND APPOINTMENTS HELD OUTSIDE THE GROUP*

Deputy Chairman of the Board of Directors and Chairman of the Audit Committee, Atari (SA)

Director, Le Monde Interactif (SA)

Member of the Supervisory Board and member of the Audit Committee, Canal+ France (SA)

Member of the Board of Directors, European Aeronautic Defence and Space Company – EADS N.V.
Mendelweg 30, 2333 CS Leiden – The Netherlands

Member of the Board of Directors, EADS Participations BV
Teleportboulevard 140, 1043 EJ Amsterdam
PO BOX 2838, 1000 CV – The Netherlands

Member of the Strategic Board, Price Waterhouse Coopers France

Chairman, Club des Normaliens dans l'Entreprise

Treasurer, Fondation de l'École Normale Supérieure

Chairman, Institut de l'École Normale Supérieure

Chairman, Club des Trente (an association for the finance directors of France's largest listed companies)

D) *OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS*

Representative of Lagardère SCA to the Board of Directors, Hachette Filipacchi Médias
(until 25 October 2006)

Chairman and Chief Executive Officer, Lagardère Télévision Holdings SA *(until January 2007)*

Director, Legion Group (SA) *(until May 2007)*

Director, Lagardère Management, Inc. (USA) *(until October 2007)*

Member of the Supervisory Board, Hachette Holding (SAS) (formerly Hachette Filipacchi Médias)
(until December 2007)

Member of the Supervisory Board, Financière de Pichat (SAS) *(until April 2008)*

Chairman and member of the Supervisory Board, Newsweb (SA) *(until June 2008)*
Chairman, Eole (SAS) *(until February 2009)*
Member of the Supervisory Board and Chairman of the Audit Committee, Le Monde (SA) *(until November 2010)*

THIERRY FUNCK-BRENTANO

4 rue de Presbourg – 75116 Paris, France
Born 2 May 1947
Number of Lagardère SCA shares held: 27,908

Thierry Funck-Brentano is a graduate of the University of Paris Dauphine (where he gained a master's degree in management) and holds an MBA from Northwestern University (Kellogg) in the United States. He has spent his entire career with the Lagardère group.

A) *PRINCIPAL POSITIONS*

Co-Managing Partner, Lagardère SCA
Chief Human Relations and Communications Officer, Groupe Lagardère

B) *OTHER POSITIONS AND APPOINTMENTS HELD IN THE GROUP*

Director, Chief Operating Officer, Arjil Commanditée-Arco
Director, Hachette SA
Permanent representative of Hachette SA to the Board of Directors, Hachette Livre
Member of the Supervisory Board, Lagardère Active (SAS)
Member of the Supervisory Board, Lagardère Services (SAS)
Member of the Supervisory Board, Lagardère Sports (SAS)
Director, Lagardère Active Broadcast (a Monaco SA)
Director, Hachette Filipacchi Presse (SA)
Director, Lagardère Ressources (SAS)
Manager, Presstalis (formerly NMPP)
Chairman and Chief Executive Officer, Sopredis (SA)
Director, Lagardère Capital & Management (SAS)
Chairman of the Supervisory Board, Matra Manufacturing & Services (SAS)
Director, Ecrinvest 4 (SA)
Director, Mediakiosk (SAS) (formerly A.A.P)
Director, SGEL (Sociedad General Española de Libreria) (Spain)
Director, Fondation Jean-Luc Lagardère
Director, Secretary, Treasurer, Association Lagardère Paris Racing Ressources
Secretary, Association Lagardère Paris Racing

C) *OTHER POSITIONS AND APPOINTMENTS HELD OUTSIDE THE GROUP*

Administrator, Université Paris IX Dauphine
Administrator, Fondation de l'Université Paris IX Dauphine

D) *OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS*

Director, Hachette Filipacchi Médias *(transformed into a simplified corporation (SAS) on 25 October 2006)*
Director, Sogeade Gérance (SAS) *(until October 2007)*
Member of the Supervisory Board, Hachette Holding (SAS) (formerly Hachette Filipacchi Médias) *(until December 2007)*
Chairman, MP 55 (SAS) *(until April 2008)*
Director, Matra Participations (SA) *(until June 2008)*
Chairman, Edifinance Participations (SAS) *(until March 2009)*

7.2.3 MEMBERS OF THE SUPERVISORY BOARD

List of members of the Supervisory Board during 2010 (1) (2) (3)

		Date of first appointment or renewal	End of current period of office
Chairman of the Board Chairman of the Audit Committee	**Xavier de Sarrau** Independent member of the Board (1)	10 March 2010	AGM 2014 (*)
Honorary Chairman of the Board Member of the Audit Committee	**Raymond H. Lévy** Non-independent member of the Board (1)	27 April 2010	AGM 2012 (*)
Member of the Board	**Bernard Arnault** Independent member of the Board (1)	27 April 2010	AGM 2012 (*)
Member of the Board	**Martine Chêne** Independent member of the Board (1)	29 April 2008	AGM 2014 (*)
Member of the Board Member of the Appointments and Remuneration Committee	**Georges Chodron de Courcel** Non-independent member of the Board (1)	2 May 2006	AGM 2012 (*)
Member of the Board Member of the Audit Committee Chairman of the Appointments and Remuneration Committee	**François David** Independent member of the Board (1)	29 April 2008	AGM 2014 (*)
Member of the Board Member of the Appointments and Remuneration Committee	**Pierre Lescure** Independent member of the Board (1)	29 April 2008	AGM 2014 (*)
Member of the Board	**Jean-Claude Magendie** Independent member of the Board (1)	27 April 2010 (**)	AGM 2014 (*)
Member of the Board Member of the Audit Committee	**Christian Marbach** Independent member of the Board (1)	2 May 2006	AGM 2012 (*)
Member of the Board Member of the Audit Committee	**Bernard Mirat** Independent member of the Board (1)	2 May 2006	AGM 2012 (*)
Member of the Board	**Javier Monzón** Independent member of the Board (1)	29 April 2008	AGM 2014 (*)
Member of the Board Member of the Audit Committee	**Amélie Oudéa-Castéra** Non-independent member of the Board (1)	27 April 2010	AGM 2012 (*)
Member of the Board Member of the Audit Committee	**Didier Pineau-Valencienne** Independent member of the Board (1)	29 April 2008	AGM 2014 (*)
Member of the Board	**François Roussely** Independent member of the Board (1)	27 April 2010	AGM 2012 (*)
Member of the Board	**Patrick Valroff** Independent member of the Board (1)	27 April 2010	AGM 2014 (*)
Board Secretary	**Laure Rivière-Doumenc**		

Mr. René Carron's term of office as member of the Board ended at the Annual General Meeting of 27 April 2010.

(1) Under the AFEP/MEDEF corporate governance criteria applied by the Supervisory Board (see section 7.4.2 below).
(*) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.
(**) Mr. Jean-Claude Magendie's appointment took effect on 1 May 2010.

XAVIER DE SARRAU

16 West Halkin Street – SW1 X8JL London, United Kingdom

Born 11 December 1950

Date of appointment: 10 March 2010 (1)

End of current period of office: AGM 2014 (2)

Number of Lagardère SCA shares held: 150

Chairman of the Supervisory Board of Lagardère SCA and of its Audit Committee

Xavier de Sarrau is a graduate of the Paris Business School HEC and holds a doctorate in tax law. He is a lawyer registered with the Bars of Paris and Geneva, specialising in advice to family and private groups on matters of governance and organisation.

He spent part of his career in the Arthur Andersen Group (1978 to 2002), serving as Managing Partner for France, Managing Partner for EMEIA, and finally Managing Partner Worldwide Global Management Services, and a member of the firm's World Executive Committee.

After founding his own law firm outside France, Mr. de Sarrau was one of the founders of Paris firm Sarrau Thomas Couderc in 2005.

In 2008, Mr. de Sarrau's work at Sarrau Thomas Couderc was legally ended through an agreement recorded by the Paris Bar, and he has had no interest in the firm since then. In 2010 he requested that his name should be officially withdrawn from all of the firm's distinctive identification marks. As this request remains unheeded, litigation is now pending before the courts.

Mr. de Sarrau was an elected member of France's National Bar Council.

He currently is Managing Partner of the Gordon S. Blair law firm.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

In France

Member of the Supervisory Board, JC Decaux

Chairman of the Audit Committee and the Ethics Committee, JC Decaux

Member of the Supervisory Board, Bernardaud SA

Outside France

Member of the Board, Continental Motors Inns SA (Luxembourg)

Member of the Board, Thala SA (Switzerland)

Member of the Board, Dombes SA (Switzerland)

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Member of the Supervisory Board, Financière Atlas

RAYMOND H. LÉVY

40 rue de Garches - 92420 Vaucresson, France

Born 28 June 1927

Date of appointment: 27 April 2010

End of current period of office: AGM 2012 (2)

Number of Lagardère SCA shares held: 15,230

Member and Honorary Chairman of the Supervisory Board of Lagardère SCA and member of its Audit Committee.

Mr. Raymond H. Lévy is a graduate engineer belonging to the Corps des Mines, and has been Deputy Chairman and Chief Executive Officer of Elf Aquitaine, Chairman of Usinor, Chairman of the Board and director of Cockerill-Sambre, Chairman of Régie Nationale des Usines Renault and Consortium de Réalisation.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

Member of the Supervisory Board, Sogeade

Director, Sogeade Gérance

Honorary Chairman, Renault SA

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Chairman of the Supervisory Board, Sogeade

Director, Renault Finance (Switzerland)

Director, Louis Dreyfus Citrus

(1) Cooptation by the Supervisory Board on 10 March 2010, ratified by the Annual General Meeting of 27 April 2010.
(2) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

BERNARD ARNAULT

22 avenue Montaigne – 75008 Paris, France

Born 5 March 1949

Date of appointment: 27 April 2010

End of current period of office: AGM 2012 (1)

Number of Lagardère SCA shares held: 150

Mr. Bernard Arnault is a former student of the École Polytechnique. He has been Chairman and Chief Executive Officer of Ferret-Savinel, Financière Agache and Christian Dior, and is currently Chairman and Chief Executive Officer of LVMH.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

In France

Chairman of the Board of Directors, Christian Dior

Chairman, Groupe Arnault SAS

Director, Christian Dior Couture SA

Chairman, Société Civile du Cheval Blanc

Chairman of the Board of Directors, The Louis Vuitton Foundation for Creation

Director, Carrefour SA

Member of the Supervisory Board, Financière Jean Goujon SAS

Outside France

Director, LVMH - Moët Hennessy Louis Vuitton Japan KK, Japan

Director, LVMH - Moët Hennessy Louis Vuitton Inc., USA

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Member of the Supervisory Board, Métropole Télévision "M6" SA

Director, Raspail Investissements SA

RENÉ CARRON

91-93 boulevard Pasteur – 75015 Paris, France

Born 13 June 1942

Date of appointment: 11 May 2004

End of current period of office: ended at the AGM of 27 April 2010

Number of Lagardère SCA shares held: 0

Mr. René Carron is a former member of France's third-ranking constitutional assembly, the Conseil Économique et Social and Chairman of the Board of Directors of Crédit Agricole SA.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

In France

Chairman, GDF Suez

Chairman, Fondation pour l'Agriculture et la Ruralité dans le Monde (FARM)

Chairman, Grameen-Crédit Agricole Microfinance Foundation

Deputy Chairman, IPEMED

Outside France

Director, Fiat SpA

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Chairman of the Board of Directors, Crédit Agricole SA

Permanent representative of Crédit Agricole SA, Director, Fondation de France

Chairman, Caisse Régionale de Crédit Agricole des Savoie

(1) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

Deputy Chairman, Fédération Nationale du Crédit Agricole
Deputy Chairman, Confédération Nationale de la Mutualité, de la Coopération et du Crédit Agricole (CNMCCA)
Chairman, Confédération Internationale du Crédit Agricole (CICA)
Member of the Management Committee, Gecam
Director, Scicam
Director, Crédit Agricole Solidarité et Développement
Director, Fondation du Crédit Agricole Pays de France
Director, Sacam Participations
Director, Sacam
Director and Deputy Chairman, Banca Intesa Spa (Italy)
Chairman, Caisse Locale de Crédit Agricole de Yenne
Chairman, Gecam
Member of the Supervisory Board, Eurazeo
Director, Rue Impériale
Director, Sapacam
Director, Sofinco

MARTINE CHÊNE

64 rue du Parc – 34980 Saint Gély du Fesc, France
Born 12 May 1950
Date of appointment: 29 April 2008
End of current period of office: AGM 2014 (1)
Number of Lagardère SCA shares held: 150

Mrs Martine Chêne joined the Lagardère group in 1984, and was employed as an archivist at Hachette Filipacchi Associés (HFA) until March 2009. She was the secretary of HFA's Works Committee, a CFDT union representative and an employee representative. She represented the CFDT union on the Group Employees' Committee.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

Mrs Martine Chêne exercises no positions in any other companies.

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Mrs Martine Chêne has not held any positions or appointments in the last five years.

GEORGES CHODRON DE COURCEL

23 avenue Mac Mahon – 75017 Paris, France
Born 20 May 1950
Date of appointment: 2 May 2006
End of current period of office: AGM 2012 (1)
Number of Lagardère SCA shares held: 150
Member of the Appointments and Remuneration Committee, Lagardère SCA

Mr. Georges Chodron de Courcel is a graduate engineer of the École Centrale des Arts et Manufactures de Paris. He is currently Chief Operating Officer of BNP Paribas.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

In France

Director, Bouygues SA
Censor, Scor SE

(1) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

Director, Nexans SA

Director, Alstom SA

Director, FFP SA (Société Foncière, Financière et de Participations)

Censor, Safran SA

Chairman, Compagnie d'Investissement de Paris SAS

Chairman, Financière BNP Paribas SAS

Director, Verner Investissements SAS

Censor, Exane SA

Outside France

Chairman BNP Paribas (Suisse) SA (Switzerland)

Deputy Chairman, Fortis Bank SA/NV (Belgium)

Director, Erbé SA (Belgium)

Director, GBL - Groupe Bruxelles Lambert (Belgium)

Director, Scor Holding (Switzerland) AG (Switzerland)

Director, Scor Global Life Rückversichering Schweiz AG (Switzerland)

Director, Scor Switzerland AG (Switzerland)

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Director, Banca Nazionale del Lavoro (Italy)

Chairman, BNP Paribas Emergis SAS

Chairman and Director, BNP Paribas UK Holdings Ltd (United Kingdom)

Director, BNP Paribas ZAO (Russia)

Censor, Scor Global Life (formerly Scor Vie)

FRANÇOIS DAVID

12 cours Michelet – 92800 Puteaux, France

Born 5 December 1941

Date of appointment: 29 April 2008

End of current period of office: AGM 2014 (1)

Number of Lagardère SCA shares held: 150

Member of the Audit Committee of Lagardère SCA

Chaiman of the Appointments and Remuneration Committee, Lagardère SCA

Mr. François David is a graduate of the Institut d'Études Politiques de Paris and has a degree in sociology. He began his career at the French Finance Ministry in 1969, as an administrative officer with a range of duties in the Foreign Trade Mission. In 1986 he was appointed Chief of Staff at the Foreign Trade Ministry. He became Head of Foreign Trade relations at the French Ministry of Finance and Economics in 1987, and was the General Director of International Affairs at Aerospatiale from 1990 to 1994. Mr. François David has been Chairman of the Board of Directors of Coface since 1994.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

In France

Chairman of the Board of Directors, Coface Services

Director, Vinci

Director, Rexel

Member of the Conseil de l'Ordre de la Légion d'Honneur

Outside France

Chairman of the Supervisory Board, Coface Kerditversicherung AG (Germany)

Chairman of the Board of Directors, Coface Assicurazioni (Italy)

(1) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Director, EADS

Chairman, International Credit Insurance & Surety Association (ICISA)

European Adviser, CityGroup

PIERRE LESCURE

38 rue Guynemer – 75006 Paris, France

Born 2 July 1945

Date of appointment: 29 April 2008

End of current period of office: AGM 2014 (1)

Number of Lagardère SCA shares held: 150

Member of the Appointments and Remuneration Committee, Lagardère SCA

Mr. Pierre Lescure is a journalist who has been Editor in Chief of the television channel France 2, Chairman and Chief Executive Officer of the pay TV channel Canal+, and Chief Executive Officer of Vivendi Universal. He is currently manager of the Théâtre Marigny, in Paris.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

In France

Chairman, AnnaRose Productions (SAS)

Director, Havas Advertising

Member of the Supervisory Board, Le Monde SA

Member of the Board of Directors, Thomson SA

Outside France

Member of the Board of Directors, Kudelski (Switzerland)

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Chairman, Lescure Farrugia Associés

JEAN-CLAUDE MAGENDIE

19 rue Raynouard – 75016 Paris, France

Born 24 May 1945

Date of appointment: 27 April 2010

End of current period of office: AGM 2014 (1)

Number of Lagardère SCA shares held: 150

Jean-Claude Magendie is a former magistrate. He started out as an examining judge (1970-1975) before becoming deputy general secretary to the First President of the Paris Court of Cassation, referendary at the same Court, President of the Chamber at Rouen Court of Appeal, then Versailles Court of Appeal, President of the Créteil magistrates' court then the Paris magistrates' court (tribunal de grande instance), and finally First President of the Paris Court of Appeal.

He has also written reports on civil law procedure and mediation, and was Secretary General for the study commission on Europe and the legal professions.

He is also a Member of the Commission for analysis on prevention of conflicts of interest in public life.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

Member of the Scientific Committee of the National Institute of High Studies for Security and Justice

Contributor to the Gazette du Palais

Member of the Board of Directors, Lextenso

(1) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

First President of the Paris Court of Appeal

President of the Paris magistrates' court (Tribunal de Grande Instance de Paris)

Member of the Ministerial Remuneration Committee

Chairman, Acojuris (the Agency for International Legal Co-operation)

Chairman, Orientation Committee of the Paris Courts (Établissement Public du Palais de Justice de Paris)

CHRISTIAN MARBACH

17 avenue Mirabeau – 78600 Maisons-Laffitte, France

Born 9 October 1937

Date of appointment: 2 May 2006

End of current period of office: AGM 2012 (1)

Number of Lagardère SCA shares held: 406

Member of the Audit Committee of Lagardère SCA

Mr. Christian Marbach is a graduate engineer belonging to the Corps des Mines, and a former Chairman of the French innovation agency ANVAR.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

Director, Compagnie Générale de Géophysique-Veritas (CGG)

Censor, Sofinnova

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Director, Compagnie Générale de Géophysique-Veritas (CGG)

Director, Erap

Chairman, Oseo-Services (formerly the "Agence des PME")

BERNARD MIRAT

91 avenue de La Bourdonnais – 75007 Paris, France

Born 3 July 1927

Date of appointment: 2 May 2006

End of current period of office: AGM 2012 (1)

Number of Lagardère SCA shares held (with Mrs Mirat): 2,310

Member of the Audit Committee of Lagardère SCA

Mr. Bernard Mirat is a graduate of the Institut d'Études Politiques de Paris. He holds degrees in both literature and law and is a former student of the École Nationale d'Administration. He was formerly Deputy General Secretary of the Compagnie des Agents de Change, and Deputy Chairman and Chief Executive Officer of its successor the Société des Bourses Françaises.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

Mr. Mirat exercises no positions in any other companies.

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Deputy Chairman of the Supervisory Board, GT Finance

Director, Fimalac

Censor, Holding Cholet-Dupont

(1) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

JAVIER MONZÓN

Avenida De Bruselas, 33-35, 28108 Arroyo de la Vega – Alcobendas, Madrid, Spain

Born March 1956

Date of appointment: 29 April 2008

End of current period of office: AGM 2014 (1)

Number of Lagardère SCA shares held: 150

Mr. Javier Monzón has a degree in economics and has held the following main positions during his career: Corporate Banking Director at Caja Madrid where he began his career; after occupying the posts of Finance Director, then General Manager for development of international business, he became Chairman of Telefonica International; Worldwide Partner in Arthur Andersen and Managing Partner of Corporate Finance Consulting Services in Spain. He is presently Chairman of the Spanish technology firm Indra Sistemas.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

Outside France

Member of the Board of Directors, ACS Actividades de Construcción y Servicios SA (Spain)

Member of the Board of Directors, ACS Servicios y Concesiones SL (Spain)

Permanent representative of Indra Sistemas SA to the Board of Directors, Banco Inversis, SA (Spain)

Member of the Board of Directors, YPF SA (Argentina)

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Mr. Javier Monzón has not held any positions or appointments in the last five years.

AMÉLIE OUDÉA-CASTÉRA

25 avenue Matignon – 75008 Paris, France

Born 9 April 1978

Date of appointment: 27 April 2010

End of current period of office: AGM 2012 (1)

Number of Lagardère SCA shares held: 150

Member of the Audit Committee of Lagardère SCA

A former professional tennis player, Mrs Amélie Oudéa-Castéra is a graduate of the Institut d'Études Politiques de Paris and ESSEC Business School, holds a master's degree in law and attended the École Nationale d'Administration. She joined the Axa group in 2008 and has been its Director of the Strategic Plan since 1 April 2010.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

Referendary, National Audit Office (Cour des Comptes)

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Mrs Amélie Oudéa-Castéra has not held any other positions or appointments in the last five years.

DIDIER PINEAU-VALENCIENNE

24-32 rue Jean Goujon – 75008 Paris, France

Born 21 March 1931

Date of appointment: 29 April 2008

End of current period of office: AGM 2014 (1)

Number of Lagardère SCA shares held: 2,850

Member of the Audit Committee of Lagardère SCA

Mr. Didier Pineau-Valencienne is a graduate of the Paris Business School HEC, Tuck School of Business Administration (Dartmouth College) and Harvard Business School. He is a former Chairman and Chief Executive Officer of Schneider SA, and is now Honorary Chairman of the company.

(1) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

In France

Chairman of the Investment Committee, Sagard

Director, Fleury Michon

Chairman, Fondation HEC Paris Business School

Honorary Chairman, Association HEC Paris Business School

Director, BIPE Association

Advisor, Centre d'Enseignement Supérieur de la Marine

Outside France

Director, Swiss Helvetia Fund (USA)

Member of the Board of Overseers, Tuck School of Business Administration, Dartmouth College (USA)

Member of the Trustees, American University of Paris

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Chairman of the International Consultative Committee, Audencia (formerly ESC Nantes Atlantique)

Executive lecturer, HEC Paris Business School

Member of the Advisory Board, Booz Allen & Hamilton (USA)

Director, Pernod Ricard

Director, Wendel Investissement

Chairman, AFEP

Senior Advisor, Crédit Suisse

FRANÇOIS ROUSSELY

22-30 avenue de Wagram – 75008 Paris, France

Born 9 January 1945

Date of appointment: 27 April 2010

End of current period of office: AGM 2012 [1]

Number of Lagardère SCA shares held: 150

Mr. François Roussely is a graduate of the Institut d'Études Politiques de Paris and the Paris Law and Economics University, and a former student of the École Nationale d'Administration. He is a former Chairman and Chief Executive Officer of EDF, a senior-level magistrate at the National Audit Office Cour des Comptes and Deputy Chairman of Crédit Suisse for Europe.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

Honorary Conseiller Maître, National Audit Office (Cour des Comptes)

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Chairman and Chief Executive Officer, Crédit Suisse - France

Chairman, Crédit Suisse Banque d'Investissement France

Chairman of the Board of Directors, EDF

Director, AFII

Member, Comité de l'Énergie Atomique (CEA)

Member of the Supervisory Board, Dalkia Holding

Chairman, Fondation EDF

Chairman of the Board of Directors, École Nationale des Ponts et Chaussées - ENPC

Member of the Consultative Council, Banque de France

Honorary Chairman, EDF

(1) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

PATRICK VALROFF

12 rue de Clichy – 75009 Paris, France

Born 3 January 1949

Date of appointment: 27 April 2010

End of current period of office: AGM 2014 (1)

Number of Lagardère SCA shares held: 150

Patrick Valroff holds a degree in law and is a graduate of the Institut d'Études Politiques de Paris and École Nationale d'Administration (ENA). He began his career in the French civil service sector. In 1991 he joined the specialist consumer credit company Sofinco as Deputy Chief Executive Officer. In 2003 he was appointed Head of Specialised Financial Services at Credit Agricole SA Group, which comprises Sofinco, Finaref, Crédit Agricole Leasing and Eurofactor, and was also Chairman and CEO of Sofinco. From May 2008 to December 2010, Patrick Valroff was Chief Executive Officer of Crédit Agricole Corporate and Investment Bank.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

Patrick Valroff exercises no positions in any other companies.

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Member of the Executive Committee, Crédit Agricole SA

Chairman and Chief Executive Officer, Sofinco

Director, Crédit Agricole Leasing SA

Chairman, Crédit Lift SAS

Permanent representative of Sofinco to the Board of Directors, Creserfi SA

Chairman of the Supervisory Board, Eurofactor SA

Chairman of the Supervisory Board, Finaref

Chairman, Fiat Group Auto Financial Services – FGAFS (SpA)

Legal representative of Sofinco, Manager, SCI du Bois Sauvage

Legal representative of Sofinco, Manager, SCI de la Grande Verrière

Legal representative of Sofinco, Manager, SCI de l'Ecoute s'il pleut

Legal representative of Sofinco, Manager, SCI du Petit Bois

Legal representative of Sofinco, Manager, SCI du Rond Point

(1) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

7.2.4 ADDITIONAL INFORMATION ON MEMBERS OF THE SUPERVISORY BOARD AND THE MANAGING PARTNERS

7.2.4.1 DECLARATION OF NON-CONVICTION AND COMPETENCE

To the best of Lagardère SCA's knowledge:

- no member of the Supervisory Board or Managing Partner has been convicted of fraud in the last five years;
- no member of the Supervisory Board or Managing Partner has been associated with bankruptcy, receivership or liquidation proceedings in the last five years;
- no member of the Supervisory Board or Managing Partner has been subject to charges or official public sanction by statutory or regulatory authorities (including designated professional bodies);
- no member of the Supervisory Board or Managing Partner has been barred by a court from acting as a member of a governing, management or supervisory body or participating in a company's business management or governance in the last five years.

7.2.4.2 CONTRACTS BETWEEN A MEMBER OF THE SUPERVISORY BOARD OR MANAGING PARTNER AND LAGARDÈRE SCA OR ANY OF ITS SUBSIDIARIES

To the best of Lagardère SCA's knowledge, no member of the Supervisory Board or Managing Partner is bound to Lagardère SCA or any of its subsidiaries through a service contract, with the exceptions, in the case of the Supervisory Board, of Mr. Raymond Lévy who has had an employment agreement until 30 April 2010, and in the case of the Managing Partners, of the service agreement between LC&M (almost entirely owned by Mr. Arnaud Lagardère) and Lagardère Ressources. For more information on this agreement, see section 7.5.1 below and the Statutory Auditors' report on related party agreements and commitments in Chapter 6, section 6.8.

7.2.4.3 CONFLICTS OF INTERESTS

To the best of Lagardère SCA's knowledge, no arrangement or agreement exists with the main shareholders, customers, suppliers or other parties for the selection of members of the Supervisory Board or Managing Partners.

To the best of Lagardère SCA's knowledge, no potential conflict of interests exists between the duties of the members of the Supervisory Board or the Managing Partners to Lagardère SCA and their personal interests, or between those duties and any other responsibilities they may hold.

7.2.4.4 RESTRICTIONS ON THE SALE BY MEMBERS OF THE SUPERVISORY BOARD OR MANAGING PARTNERS OF THEIR INVESTMENT IN LAGARDÈRE SCA

To the best of Lagardère SCA's knowledge:

- no restriction has been accepted by members of the Supervisory Board concerning the sale of their investment in the Company's share capital within a certain period, except for the rules for trading in Lagardère SCA shares set forth in the internal rules of the Supervisory Board (see section 7.4.2);
- no restriction has been accepted by the Managing Partners concerning the sale of their investment in the Company's share capital within a certain period, except for:
  - the rules for trading in Lagardère SCA shares defined in the laws in force or the "Charter for trade in Lagardère SCA shares by Lagardère group employees";
  - the holding period set by the Supervisory Board in 2008, 2009 and 2010 for free share allocations (see the Special report of the Managing Partners on allocations of free shares, in section 7.3.5).

7.3 REMUNERATION AND BENEFITS

7.3.1 MANAGING PARTNERS AND MEMBERS OF THE EXECUTIVE COMMITTEE

As at 31 December 2010, the Executive Committee included:

Messrs	Arnaud Lagardère,	General and Managing Partner	**Managing Partners**
	Philippe Camus,	Co-Managing Partner	
	Pierre Leroy,	Co-Managing Partner, Secretary General	
	Dominique D'Hinnin,	Co-Managing Partner, Chief Financial Officer	
	Thierry Funck-Brentano,	Co-Managing Partner, Chief Human Relations and Communications Officer	
	Ramzi Khiroun,	Spokesman for the Managing Partners Head of External Relations	

Members of the Executive Committee

- receive immediate and deferred remuneration (retirement benefits);
- may be granted share subscription or purchase options and rights to the allocation of free shares.

Remuneration paid to the members of the Executive Committee for their positions in the Lagardère group excluding EADS is entirely borne by their employer, Lagardère Capital & Management (LC&M) and accounts for most of the management fees charged by LC&M to Lagardère Ressources (see section 7.5.1). Messrs Arnaud Lagardère and Dominique D'Hinnin also receive remuneration from EADS for the functions they occupy on the EADS Board of Directors. This remuneration is reported in the following tables, but is not concerned by the comments in section 7.3.1.1.

7.3.1.1 COMPONENTS OF REMUNERATION

A) *SALARIES*

Salaries consist of a fixed portion and a variable portion, plus special bonuses where relevant.

The fixed portion is paid in twelve equal monthly instalments over the year.

The variable portion is determined on the basis of rules defined in 2003 and unchanged to date. Each year, it comprises the following, assessed in the light of individual targets:

- a qualitative component determined by Mr. Arnaud Lagardère, taking into account each person's contribution to the development of the Group, changes in value added, the quality of management, relevance of its organisation and motivation of its teams;
- a Group performance-related component based on two parameters of equal importance in relation to the individual targets:
  - the percentage differential between the midpoint of the forecast range for progression in recurring operating profit before associates of companies in the Media segment as announced to the market at the start of the year, and the actual progression in that recurring operating profit for the year concerned;
  - the percentage differential between net cash from operating activities as forecast in the budget for the year, and net cash from operating activities stated in the consolidated cash flow statement for the year concerned.

A further criterion related to the intrinsic change in recurring operating profit before associates as defined above has been added in 2011: this factor will be applied directly to the result of the two above-mentioned criteria if and only if that result is negative.

For 2008, application of the formula resulted in a coefficient of 0.65 times the target amounts. Due to the economic situation, for 2009 only an estimated forecast for recurring operating profit before associates was announced, excluding the Lagardère Active division. This resulted in a coefficient of 1.66 times the target amounts and was disregarded because it was incomplete. Only the net cash from operating activities parameter was used in the calculation, leading to a coefficient of 1.28 times the targets. The coefficient for 2010 again calculated by full application of the formula amounted to 1.675.

Since the variable portion of salaries can only be calculated after the year-end, it is paid during the following year.

B) PENSIONS

The members of the Executive Committee who are also managers or salaried employees of LC&M benefit from anadditional pension plan set up by LC&M from 1 July 2005 to complement the basic pension.

Under this plan, they acquire additional pension entitlements equivalent to 1.75% of the benchmark remuneration per year of seniority, up to a limit of 20 years' seniority. The income replacement rate of the additional pension is limited to 35% of the benchmark remuneration.

The benchmark remuneration is the average gross annual remuneration over the last five years (fixed + variable up to a maximum of 100% of the fixed portion), and cannot exceed 50 times the annual limits defined by the French social security system.

The plan is a conditional benefit plan, and the pension will only be payable if the beneficiary is still with the company at retirement age, except in the event of termination after the age of 55, early retirement or invalidity.

After the beneficiary's death, 60% of the pension is transferable to the surviving spouse.

At 31 December 2010, the Group's Defined Benefit Obligation as defined by IAS 19 under this plan amounted to €45.2 million.

C) INDEMNITÉS DE SÉPARATION

Neither LC&M nor any other Group company has undertaken any commitment or given any promise to grant termination indemnities to the Managing Partners or other members of the Executive Committee.

D) OTHER COMPONENTS

- Travel and entertainment expenses incurred by the Managing Partners or members of the Executive Committee in the course of their duties are borne by the Group.
- Benefits in kind generally take the form of use of a company car for personal purposes.
- Attendance fees may be paid for Board of Directors' meetings at companies in which the Lagardère group has interests.

7.3.1.2 REMUNERATION AND BENEFITS OF THE MEMBERS OF THE EXECUTIVE COMMITTEE

A) GROSS REMUNERATION PAID

(in euros)	2008	2009	**2010**
"LAGARDÈRE"	(1)	(2)	**(3)**
Fixed salary and benefits in kind	6,296,183	6,576,920	**6,147,246**
Special bonuses	-	-	**1,204,000**
Variable portion of salary (in respect of the previous year)	3,455,060	2,565,983	**3,626,623**
Attendance fees	49,846	20,425	**20,900**
Total	9,801,089	9,163,328	**10,998,769**
"EADS"	(4)	(4)	**(4)**
Fixed salary	60,000	220,000	**220,000**
Variable portion of salary (in respect of the previous year)	125,500	-	**-**
Attendance fees	50,000	60,000	**110,000**
Total	235,500	280,000	**330,000**

(1) Messrs Lagardère, Camus, Leroy, D'Hinnin, Gut, Funck-Brentano, Molinié (full-time).
(2) Messrs Lagardère, Camus, Leroy, D'Hinnin, Gut, Funck-Brentano (full-time), Mr. Molinié (until 30 June) and Mr. Khiroun (from 1 October).
(3) Messrs Lagardère, Camus, Leroy, D'Hinnin, Funck-Brentano, Khiroun (full-time) and Mr. Gut (until 30 June).
(4) Messrs Lagardère and D'Hinnin for their positions on the Board of Directors..

The "Lagardère" variable portion of salary to be paid in 2011 in respect of 2010 amounts to €4,250,475. Members of EADS' Board of Directors are no longer paid a variable portion of salary.

B) SHARE SUBSCRIPTION AND PURCHASE OPTIONS

Date of Plan	Date of AGM	Number of options originally granted	Exercise price	Number of beneficiaries	Options exercised in 2010	Options forfeited at end 2010	Options outstanding at end 2010[1]	Exercise period
Subscription options								
None								
Purchase options								
Plans expired								
19 Dec. 2001	23 May 2000	185,000	€46.48	7	0	0	0	19 Dec. 2003 to 19 Dec. 2008
19 Dec. 2002	23 May 2000	185,000	€51.45	7	0	0	0	19 Dec. 2004 to 19 Dec. 2009
Plans in force								
18 Dec. 2003	23 May 2000	178,000	€51.45	6	0	0	179,976	18 Dec. 2005 to 18 Dec. 2013
20 Nov. 2004	11 May 2004	178,000	€51.92	6	0	0	179,991	20 Nov. 2006 to 20 Nov. 2014
20 Nov. 2005	11 May 2004	240,000	€56.97	6	0	0	240,000	21 Nov. 2007 to 21 Nov. 2015
14 Dec. 2006	11 May 2004	242,000	€55.84	6	0	0	242,000	14 Dec. 2008 to 14 Dec. 2016

(1) After adjustment in 2005.

C) FREE SHARE ALLOCATION RIGHTS

Date of Plan	Date of AGM	Number of rights granted	Number of beneficiaries	Number of shares vested in 2010	Number of rights cancelled in 2010	Number of rights outstanding at end 2010	Vesting date
Plan expired in 2009 (This plan's conditions were not fulfilled and the rights have lapsed)							
28 Dec. 2007	27 April 2007	107,000	7	0	0	0[1]	29 Dec. 2009
Plan in force							
1 Oct. 2009	31 Dec. 2009	126,000	6	0	0	126,000	2 Oct. 2011[2] 1 April 2012[2]
17 Dec. 2010		126,000	5	0	0	126,000	17 Dec. 2012 1 April 2013[3]

(1) As the stock market performance condition for final allocation of shares was not fulfilled at 29 December 2009, no free shares were allocated.
(2) 2 October 2013 for beneficiaries who are not resident in France for tax purposes and 1 April 2014 for Managing Partners who are not resident in France for tax purposes.
(3) 17 December 2014 for beneficiaries who are not resident in France for tax purposes and 1 April 2015 for Managing Partners who are not resident in France for tax purposes.

7.3.1.3 REMUNERATION AND BENEFITS OF THE MANAGING PARTNERS

Mr. Arnaud Lagardère

Summary of remuneration and benefits

(in euros)	2008		2009		**2010**	
	Amounts receivable	Amounts received	Amounts receivable	Amounts received	**Amounts receivable**	**Amounts received**
"LAGARDÈRE"						
Fixed salary	978,729	978,729	1,140,729	1,140,729	**1,140,729**	**1,140,729**
Variable portion of salary	534,072	976,506 (1)	1,044,480	534,072 (1)	**1,366,800**	**1,044,480 (1)**
Exceptional remuneration	-	-	-	-	**-**	**-**
Attendance fees	6,650	6,334	7,125	6,650	**7,000**	**7,125**
Benefits in kind	3,600	3,600	12,764	12,764	**12,764**	**12,764**
Total	1,523,051	1,965,169	2,205,098	1,694,215	**2,527,293**	**2,205,098**
"EADS"						
Fixed salary	54,375	54,375	100,000	100,000	**100,000**	**100,000**
Variable portion of salary	-	113,734 (1)	-	-	**-**	**-**
Exceptional remuneration	-	-	-	-	**-**	**-**
Attendance fees	10,000	10,000	10,000	10,000	**20,000**	**20,000**
Benefits in kind	-	-	-	-	**-**	**-**
Total	64,375	178,109	110,000	110,000	**120,000**	**120,000**
Total	1,587,426	2,143,278	2,315,098	1,804,215	**2,647,283**	**2,325,098**

(1) Amounts paid in respect of the previous year. Since the variable portion of salaries can only be calculated after the year-end, it is paid during the following year.

The variable portion of salary paid to Mr. Lagardère includes no individually-assessed component, and depends totally on Group performance as described in section 7.3.1.1-A.

Since his appointment as Managing Partner in 2003, Mr. Arnaud Lagardère has not received any options on Lagardère SCA shares or any rights to the allocation of free shares.

- Subscription or purchase options granted during the year: None.
- Subscription or purchase options exercised during the year: None.
- Performance shares granted during the year: None.
- Performance shares that vested during the year: None.

Total remuneration and benefits received and stock options and performance shares granted

(in euros)	2008	2009	**2010**
Remuneration and benefits receivable for the year (details in previous table)	1,587,426	2,315,098	**2,647,283**
Value of options granted during the year	None	None	**None**
Value of rights to performance shares granted during the year	None	None	**None**
Total	1,587,426	2,315,098	**2,647,283**

Mr. Philippe Camus

Summary of remuneration and benefits

Summary of remuneration and benefits						
(in euros)	2008		2009		**2010**	
	Amounts receivable	Amounts received	Amounts receivable	Amounts received	**Amounts receivable**	**Amounts received**
Fixed salary	1,088,000	1,088,000	1,088,000	1,088,000	**1,088,000**	**1,088,000**
Variable portion of salary	274,647	364,652 (1)	378,480	274,647 (1)	**444,050**	**378,480 (1)**
Exceptional remuneration	-	-	-	-	**166,000**	**166,000**
Attendance fees	-	-	-	-	**-**	**-**
Benefits in kind	-	-	-	-	**-**	**-**
Total	1,362,647	1,452,652	1,466,480	1,362,647	**1,698,050**	**1,632,480**

(1) Amounts paid in respect of the previous year. Since the variable portion of salaries can only be calculated after the year-end, it is paid during the following year.

Amounts shown above do not include the exchange rate effect caused by the fact that most of Mr. Camus' remuneration is paid in US dollars by Lagardère North America and is reinvoiced to Lagardère Capital & Management.

Rights to performance shares granted in 2010						
Date of AGM authorisation	Date of Plan	Number of shares allocated in 2010	Value under IFRS2 (in euros)	Vesting date	End of holding period	Performance condition
28 April 2009	17 Dec. 2010	29,000	656,270	1 April 2015	1 April 2015	(1)

(1) Based on changes in recurring operating profit before associates of the Media segment for 2011 and 2012 and net cash from operating activities for 2011 and 2012.

These rights are granted subject to certain conditions described in the Special Report of the Managing Partners presented in section 7.3.5.

- Subscription or purchase options granted during the year: None.
- Subscription or purchase options exercised during the year: None.
- Performance shares granted during the year: 29,000.
- Performance shares that vested during the year: None.

On 28 December 2007, Mr. Philippe Camus was granted rights to receive 20,000 free shares of Lagardère SCA, valued at €579,000. As the stock market performance condition applicable for final allocation of these shares had not been fulfilled at 29 December 2009, no shares were allocated at the end of 2009 and the rights lapsed.

Total remuneration and benefits received and stock options and performance shares granted			
(in euros)	2008	2009	**2010**
Remuneration and benefits receivable for the year (details in previous table)	1,362,647	1,466,480	**1,698,050**
Value of options granted during the year	None	None	**None**
Value of rights to performance shares granted during the year	None	572,000	**656,270**
Total	1,362,647	2,038,480	**2,354,320**

Mr. Pierre Leroy

Summary of remuneration and benefits						
(in euros)	2008		2009		**2010**	
	Amounts receivable	Amounts received	Amounts receivable	Amounts received	**Amounts receivable**	**Amounts received**
Fixed salary	924,000	924,000	1,062,000	1,062,000	**1,062,000**	**1,062,000**
Variable portion of salary	614,895	782,977 (1)	808,800	614,895 (1)	**725,250**	**808,800** (1)
Exceptional remuneration	-	-	-	-	**412,000**	**412,000**
Attendance fees	6,650	7,600	6,650	6,650	**7,000**	**6,650**
Benefits in kind	3,600	3,600	7,512	7,512	**7,514**	**7,514**
Total	1,549,145	1,718,177	1,884,962	1,691,057	**2,213,764**	**2,296,964**

(1) Amounts paid in respect of the previous year. Since the variable portion of salaries can only be calculated after the year-end, it is paid during the following year.

Rights to performance shares granted in 2010						
Date of AGM authorisation	Date of Plan	Number of shares allocated in 2010	Value under IFRS2 (in euros)	Vesting date	End of holding period	Performance condition
28 April 2009	17 Dec. 2010	29,000	733,990	1 April 2013	1 April 2015	(1)

(1) Based on changes in recurring operating profit before associates of the Media segment for 2011 and 2012 and net cash from operating activities for 2011 and 2012.

These rights are granted subject to certain conditions described in the Special Report of the Managing Partners presented in section 7.3.5.

- Subscription or purchase options granted during the year: None.
- Subscription or purchase options exercised during the year: None.
- Performance shares granted during the year: 29,000.
- Performance shares that vested during the year: None.

On 28 December 2007, Mr. Pierre Leroy was granted rights to receive 20,000 free shares of Lagardère SCA, valued at €579,000. As the stock market performance condition applicable for final allocation of these shares had not been fulfilled at 29 December 2009, no shares were allocated at the end of 2009 and the rights lapsed.

Total remuneration and benefits received and stock options and performance shares granted			
(in euros)	2008	2009	**2010**
Remuneration and benefits receivable for the year (details in previous table)	1,549,145	1,884,962	**2,213,764**
Value of options granted during the year	None	None	**None**
Value of rights to performance shares granted during the year	None	633,750	**733,990**
Total	1,549,145	2,518,712	**2,947,754**

Mr. Dominique D'Hinnin

Summary of remuneration and benefits

(in euros)	2008		2009		**2010**	
	Amounts receivable	Amounts received	Amounts receivable	Amounts received	**Amounts receivable**	**Amounts received**
"LAGARDÈRE"						
Fixed salary	770,000	775,617	885,892	885,892	**885,992**	**885,992**
Variable portion of salary	477,080	607,208 (1)	627,200	477,080 (1)	**722,000**	**627,200 (1)**
Exceptional remuneration	-	-	-	-	**320,000**	**320,000**
Attendance fees	7,125	25,912	7,125	7,125	**7,125**	**7,125**
Benefits in kind	3,600	3,600	5,677	5,677	**5,677**	**5,677**
Total	1,257,805	1,412,337	1,525,894	1,375,774	**1,940,794**	**1,845,994**
"EADS"						
Fixed salary	5,625	5,625	120,000	120,000	**120,000**	**120,000**
Variable portion of salary	-	11,766 (1)	-	-	**-**	**-**
Exceptional remuneration	-	-	-	-	**-**	**-**
Attendance fees	40,000	40,000	50,000	50,000	**60,000**	**60,000**
Benefits in kind	-	-	-	-	**-**	**-**
Total	45,625	57,391	170,000	170,000	**180,000**	**180,000**
Total	1,303,430	1,469,728	1,695,894	1,545,774	**2,120,794**	**2,025,994**

(1) Amounts paid in respect of the previous year. Since the variable portion of salaries can only be calculated after the year-end, it is paid during the following year.

Rights to performance shares granted in 2010

Date of AGM authorisation	Date of Plan	Number of shares allocated in 2010	Value under IFRS2 (in euros)	Vesting date	End of holding period	Performance condition
28 April 2009	17 Dec. 2010	29,000	733,990	1 April 2013	1 April 2015	(1)

(1) Based on changes in recurring operating profit before associates of the Media segment for 2011 and 2012 and net cash from operating activities for 2011 and 2012.

These rights are granted subject to certain conditions described in the Special Report of the Managing Partners presented in section 7.3.5.

- Subscription or purchase options granted during the year: None.
- Subscription or purchase options exercised during the year: None.
- Performance shares granted during the year: 29,000.
- Performance shares that vested during the year: None.

On 28 December 2007, Mr. Dominique D'Hinnin was granted rights to receive 20,000 free shares of Lagardère SCA, valued at €579,000. As the stock market performance condition applicable for final allocation of these shares had not been fulfilled at 29 December 2009, no shares were allocated at the end of 2009 and the rights lapsed.

Total remuneration and benefits received and stock options and performance shares granted

(in euros)	2008	2009	**2010**
Remuneration and benefits receivable for the year (details in previous table)	1,303,430	1,695,894	**2,120,794**
Value of options granted during the year	None	None	**None**
Value of rights to performance shares granted during the year	None	633,750	**733,990**
Total	1,303,430	2,329,644	**2,854,784**

Mr. Thierry Funck-Brentano

Summary of remuneration and benefits						
(in euros)	2008		2009		**2010**	
	Amounts receivable	Amounts received	Amounts receivable	Amounts received	**Amounts receivable**	**Amounts received**
Fixed salary	750,000	750,000	862,000	862,000	**900,000**	**900,000**
Variable portion of salary	456,535	581,241 (1)	600,400	456,535 (1)	**791,750**	**600,400 (1)**
Exceptional remuneration	-	-	-	-	**306,000**	**306,000**
Attendance fees	-	-	-	-	**-**	**-**
Benefits in kind	3,600	3,600	7,892	7,892	**7,892**	**7,892**
TOTAL	1,210,135	1,334,841	1,470,292	1,326,427	**2,005,642**	**1,814,292**

(1) Amounts paid in respect of the previous year. Since the variable portion of salaries can only be calculated after the year-end, it is paid during the following year.

Rights to performance shares granted in 2010						
Date of AGM authorisation	Date of Plan	Number of shares allocated in 2010	Value under IFRS2 (in euros)	Vesting date	End of holding period	Performance condition
28 April 2009	17 Dec.2010	29,000	733,990	1 April 2013	1 April 2015	(1)

(1) Based on changes in recurring operating profit before associates of the Media segment for 2011 and 2012 and net cash from operations for 2011 and 2012.

These rights are granted subject to certain conditions described in the Special Report of the Managing Partners presented in section 7.3.5.

- Subscription or purchase options granted during the year: None.
- Subscription or purchase options exercised during the year: None.
- Performance shares granted during the year: 29,000.
- Performance shares that vested during the year: None.

On 28 December 2007, Mr. Thierry Funck-Brentano was granted rights to receive 20,000 free shares of Lagardère SCA, valued at €579,000. As the stock market performance condition applicable for final allocation of these shares had not been fulfilled at 29 December 2009, no shares were allocated at the end of 2009 and the rights lapsed.

Total remuneration and benefits received and stock options and performance shares granted			
(in euros)	2008	2009	**2010**
Remuneration and benefits receivable for the year (details in previous table)	1,210,135	1,470,292	**2,005,642**
Value of options granted during the year	None	None	**None**
Value of rights to performance shares granted during the year	None	633,750	**733,990**
TOTAL	1,210,135	2,104,042	**2,739,632**

Share subscription and share purchase options (1)

	Plans expired		Plans in force			
Date of AGM	2001 Plan	2002 Plan	2003 Plan	2004 Plan	2005 Plan	2006 Plan
Date of Board of Directors' or Executive Board meeting as relevant	Not relevant to Lagardère SCA which is a limited partnership with shares Date of grant = date of decision by the Managing Partners					
Total number of shares available for subscription or purchase (1)	1,271,740 (*)	1,313,639 (*)	1,453,451 (*)	1,586,519 (*)	1,683,844	1,844,700
Of which: number that may be subscribed and purchased by Managing Partners and Members of the Supervisory Board (1):						
Mr. Arnaud Lagardère	50,560	50,554	0	0	0	0
Mr. Pierre Leroy	30,336	30,333	40,444	40,447	50,000	50,000
Mr. Philippe Camus	20,224	20,222	30,333	30,336	50,000	50,000
Mr. Dominique D'Hinnin	30,336	30,333	40,444	40,447	50,000	50,000
Mr. Thierry Funck-Brentano	30,336	30,333	40,444	40,447	50,000	50,000
Start of exercise period	19 Dec. 2003	19 Dec. 2004	18 Dec. 2005	20 Nov. 2006	21 Nov. 2007	14 Dec. 2008
Option expiry date	19 Dec. 2008	19 Dec. 2009	18 Dec. 2013	20 Nov. 2014	21 Nov. 2015	14 Dec. 2016
Subscription or purchase price	€46.48 (*)	€51.45 (*)	€51.45 (*)	€51.92 (*)	€56.97	€55.84
Number of shares acquired at 28 March 2011	30,336 (2)					
Total number of subscription and purchase options cancelled or forfeited:						
Mr. Arnaud Lagardère	50,560	50,554	-	-	-	-
Mr. Pierre Leroy		30,333	-	-	-	-
Mr. Philippe Camus	20,224	20,222	-	-	-	-
Mr. Dominique D'Hinnin	30,336	30,333	-	-	-	-
Mr. Thierry Funck-Brentano	30,336	30,333	-	-	-	-
Subscription and purchase options (1) outstanding at end 2010:						
Mr. Arnaud Lagardère	0	0	-	-	-	-
Mr. Pierre Leroy	0	0	40,444	40,447	50,000	50,000
Mr. Philippe Camus	0	0	30,333	30,336	50,000	50,000
Mr. Dominique D'Hinnin	0	0	40,444	40,447	50,000	50,000
Mr. Thierry Funck-Brentano	0	0	40,444	40,447	50,000	50,000

(1) Share purchase plans only.
(2) Exercised by Mr. Pierre Leroy on 20 December 2005.
(*) After adjustment on 6 July 2005.

No options were exercised in 2010 under the 2002, 2003, 2004, 2005 and 2006 Plans in view of Lagardère SCA share price trends.

Other information

Members of the managing bodies	Employment contract [1]		Additional pension plan		Indemnities or benefits receivable or likely to become receivable due to a termination or change of function		Indemnities payable under a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Mr. Arnaud Lagardère Position: Managing Partner Date of appointment: *Renewed on 11 March 2009 for a six-year period* End of term of office:		X	X			X		X
Mr. Pierre Leroy Position: [a] Date of appointment: End of term of office:	NA[1]		X			X		X
Mr. Philippe Camus Position: [a] Date of appointment: End of term of office:	NA[1]		X			X		X
Mr. Dominique D'Hinnin Position: [b] Date of appointment: End of term of office:	NA[1]		X			X		X
Mr. Thierry Funck-Brentano Position: [b] Date of appointment: End of term of office:	NA[1]		X			X		X

(a) Deputy Chairman and Chief Operating Officer of Arjil Commanditée-Arco whose term of office as Managing Partner of Lagardère SCA was renewed on 10 March 2010 for a further six-year period.
(b) Chief Operating Officer of Arjil Commanditée-Arco, appointed in that capacity on 10 March 2010 for a six-year period.
(1) NA: Not applicable. The AFEP/MEDEF corporate governance recommendations that company officers should not hold employment contracts with the company only apply to the following persons: chairman of the board, chairman and chief executive officer, general manager of companies with a board of directors; chairman of the management board, chief executive officer of companies with a management board and supervisory board; managing partner of French limited partnerships with shares (SCA).

7.3.2 SUPERVISORY BOARD

7.3.2.1 REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD

The Combined General Meeting of 11 May 2004 fixed a total amount of €600,000 to be paid each year to members of the Supervisory Board as attendance fees.

Each member of the Supervisory Board is paid a basic share of this amount. Members who are also members of the Audit Committee receive an additional amount equal to twice the basic share; members who are also members of the Appointments and Remuneration Committee receive an additional amount equal to one basic share; and the Chairmen of the Supervisory Board and the two Committees receive a further additional amount equal to one basic share.

The basic share of attendance fees is equal to the total attendance fees divided by the total number of shares to which Board members are entitled.

The Supervisory Board has decided to modify the distribution of attendance fees between members from 2009 in order to reflect Board members' actual attendance at Board and Committee meetings (attendance fees paid in 2010 in respect of 2009).

Attendance fees paid to members of the Supervisory Board were as follows (in euros):

	2009	2010
Raymond H. Lévy	111,111.10	**110,223.11**
Bernard Arnault	22,222.22	**14,042.27**
René Carron	22,222.22	**20,505.19**
Martine Chêne	16,666.67	**23,736.65**
Georges Chodron de Courcel	22,222.22	**20,505.19**
François David	50,000.00	**66,979.87**
Groupama SA	66,666.67	**57,285.49**
Pierre Lescure	22,222.22	**23,736.65**
Christian Marbach	66,666.67	**66,979.87**
Bernard Mirat	66,666.67	**66,979.87**
Javier Monzón	16,666.67 (1)	**23,736.65 (1)**
Didier Pineau-Valencienne	66,666.67	**63,748.41**
Henri Proglio	22,222.22	**17,802.49**
Felix G. Rohatyn (USA)	5,555.56 (1)	-
François Roussely	22,222.22	**23,736.65**
Total attendance fees paid	600,000	**600,000**

(1) Less withholding tax.

In remuneration for his advisory services, Mr. Raymond H. Lévy also received from the Group an amount of €75,576 gross in 2010 for the period from 1 January until the date of resignation when his term of office as Chairman of the Supervisory Board ended on 27 April 2010 (compared to €222,456 for the entire year 2009). After that date, he received a pension in application of his original employment contract, with annual value of €77,239 for 2010, i.e. a total of €51,492.40 gross for the period concerned.

Following the recommendation by the Appointments and Remuneration Committee, the Supervisory Board proposed that the Managing Partners should arrange for Mr. de Sarrau to receive an amount in addition to his attendance fees, in recognition of the many specific services he provides in connection with his office as Chairman of the Board. This remuneration is not a salary and was fixed at €240,000 per year with effect from 27 April 2010 when Mr. de Sarrau became Chairman of the Board.

7.3.2.2 SHARE SUBSCRIPTION AND PURCHASE OPTIONS GRANTED TO THE MEMBERS OF THE SUPERVISORY BOARD

None.

7.3.2.3 FREE SHARE ALLOCATION RIGHTS GRANTED TO THE MEMBERS OF THE SUPERVISORY BOARD

None.

7.3.3 TRANSACTIONS IN LAGARDÈRE SCA SHARES BY THE MANAGING PARTNERS AND MEMBERS OF THE SUPERVISORY BOARD AND THEIR RELATIVES DURING 2010

7.3.3.1 MANAGING PARTNERS

None.

7.3.3.2 MEMBERS OF THE SUPERVISORY BOARD

- **Patrick Valroff**

3 June 2010: purchase of 150 Lagardère SCA shares.

- **Amélie Oudéa-Castéra**

12 February 2010: purchase of 150 Lagardère SCA shares.

- **Jean-Claude Magendie**

26 July 2010: purchase of 150 Lagardère SCA shares.

- **Xavier de Sarrau**

9 April 2010: purchase of 150 Lagardère SCA shares.

- **René Carron**

14 December 2010: sale of 150 Lagardère SCA shares.

***

To the best of the Company's knowledge, no other transactions in company shares were undertaken in 2010 by Managing Partners or Supervisory Board members or their relatives.

7.3.4 STOCK OPTIONS GRANTED TO EMPLOYEES ON SHARES OF LAGARDÈRE SCA OR ITS SUBSIDIARIES

SPECIAL REPORT OF THE MANAGING PARTNERS ON SHARE SUBSCRIPTION AND PURCHASE OPTIONS

Dear Shareholders,

Pursuant to the provisions of article L.225-184 of the Commercial Code, you will find below the required information related to transactions carried out in the financial year 2010 which concerned share subscription and purchase options.

GENERAL INFORMATION

1. **LAGARDÈRE**: in the course of 2010, no new options to subscribe for or purchase Lagardère SCA shares were granted.

   The main characteristics of the share subscription and purchase plans in force as of the end of the financial year 2010 are summarised in the table below.

Date of Plan	Date of AGM	Number of options originally granted	Exercise price	Number of beneficiaries	Options exercised in 2010	Options forfeited at end 2010	Options outstanding at end 2010 (1)	Exercise period
Subscription options								
None								
Purchase options								
Plans in force:								
18 Dec. 2003	23 May 2000	1,437,250	€51.45	445	-	196,797	1,214,132	18 Dec. 2005 to 18 Dec. 2013
20 Nov. 2004	11 May 2004	1,568,750	€51.92	481	-	229,597	1,346,262	20 Nov. 2006 to 20 Nov. 2014
21 Nov. 2005	11 May 2004	1,683,844	€56.97	495	-	190,255	1,493,589	21 Nov. 2007 to 21 Nov. 2015
14 Dec. 2006	11 May 2004	1,844,700	€55.84	451	-	142,100	1,702,600	14 Dec. 2008 to 14 Dec. 2016
Total							**5,756,583**	

It should be noted that no option was exercised during the financial year of 2010 due to market price levels.

2. **SUBSIDIARIES:** in the course of 2010, no new options to subscribe or purchase shares were granted by companies under the majority control of Lagardère SCA (1).

   There are no longer any plans in force or which expired in the financial year 2010.

SPECIAL INFORMATION ON LAGARDÈRE GROUP OFFICERS AND EMPLOYEES

In the financial year 2010, Lagardère SCA's officers and their legal representatives did not exercise any purchase option and consequently did not acquire any Lagardère SCA shares under the share purchase options granted to them in the financial years 2003 to 2006.

The Managing Partners

7.3.5 FREE SHARE ALLOCATION RIGHTS GRANTED TO EMPLOYEES ON SHARES OF LAGARDÈRE SCA OR ITS SUBSIDIARIES

SPECIAL REPORT OF THE MANAGING PARTNERS ON THE ALLOCATION OF FREE SHARES

Dear Shareholders,

Pursuant to Article L.225-197-4 of the Commercial Code, you will find below the required information on transactions carried out during the financial year 2010 which concern allocations of free shares.

***

The policy on the allocation of free shares, like that which governed the allocation of purchase options, is intended primarily to give the Lagardère group's executives worldwide a stake in the Group's growth and consequent rise in value.

It also offers a means of singling out executives who have made a notable contribution to the Group's results through their positive action.

In addition, it instils loyalty among those whom the company wishes to retain for many years, specifically young executives with strong potential for professional growth, through whose efforts the Group will ensure its continued growth as part of an established long-term strategy.

(1) For information relative to EADS, see the EADS Registration Document.

1. The first free share plan, implemented on 28 December 2007 and involving 594,350 shares granted to 387 individuals, included a so-called market performance condition applicable on 29 December 2009, stipulating that the average of the 20 most recent opening prices for Lagardère SCA shares preceding 29 December 2009 must be at least €51.14.

   In view of the financial crisis that has arisen since the allocation date, this condition was not met; accordingly the plan lapsed on 29 December 2009.

   A second plan was put in place at the end of 2009 (cf. special report to the General Meeting of 27 April 2010); this did not give rise to any vesting of shares in 2010.

2. Based on the authorisation granted by the General Meeting of 28 April 2009 (14th Resolution), Mr. Arnaud Lagardère, in his capacity as Managing Partner of the Company, proceeded at the close of 2010 with the allocation of free Lagardère SCA shares to selected employees and senior managers of Lagardère SCA and its related companies as defined by law.

The main allocation of 17 December 2010 was defined as follows:

- **Number of beneficiaries:** 405 persons.
- **Number of shares granted:** 518,950 shares (0.396% of the number of shares comprising the capital stock).
- **Acquisition period:** two years; the shares allocated will not be definitively awarded until 18 December 2012, on the condition that at that date the beneficiaries have neither resigned nor been terminated or dismissed for serious or gross negligence.
- **Retention period:** two years; once definitively granted, the shares must be kept in a registered account until 18 December 2014, inclusive, at which time they become transferable and may be traded under the terms and conditions established by applicable law.

For beneficiaries who reside overseas for tax purposes, the acquisition period has been set at four years, i.e. until 18 December 2014; in exchange, pursuant to a decision by the General Meeting, these beneficiaries are not subject to any retention period.

The total number of free shares granted during the 2010 financial year to the ten largest beneficiaries who are not Lagardère SCA officers was 127,000 free Lagardère SCA shares, or an average of 12,700 shares per person.

On 17 December 2010, Mr. Arnaud Lagardère, in his capacity as Managing Partner, awarded to Messrs. Philippe Camus, Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano, employees of Lagardère Capital & Management and Co-Managing Partners, as part of the 2010 allocation, the right to receive 29,000 free shares each (representing 0.022% of the number of shares comprising the capital stock), following a decision by the Supervisory Board, meeting on 15 December, pursuant to the provisions of the AFEP-MEDEF Code governing this allocation, subject to the provision that the value of the share rights awarded shall not exceed, for each individual concerned, one third of his total annual remuneration.

The characteristics of this allocation and the conditions to which it is subject are as follows:

- **Acquisition period:** The shares granted will not be definitively acquired until 1 April 2013 with regard to Messrs. Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano, and 1 April 2015 with regard to Mr. Philippe Camus, a United States resident for tax purposes, subject to their fulfilment of the conditions governing performance and presence.
- **Performance conditions:** In view of the current economic and financial environment, the limited short-term visibility available to certain companies and the diversity of the Group's activities and development in various markets, the objectives have been defined on an annual basis rather than a multi-year basis, as would be the case during a normal period of operations. Similarly, in view of the instability of the financial markets, the objectives were defined on the basis of internal corporate criteria rather than in part on the basis of market performance conditions, since Lagardère SCA no longer has any suitably comparable competitors. Consequently, three objectives were adopted: the first based on the change in recurring EBIT before associates for the Media Division companies in 2011 and 2012 by comparison with the target 2011 and 2012 recurring EBIT before associates communicated as market guidance; the second based on the change in Net cash from operating and investing activities in 2011 and 2012 compared with the figures defined in the Consolidated Annual Budgets prepared at the start of the year. If each of these four target objectives is met, the free shares assigned to each objective (i.e. one quarter of the total quantity per target objective) will be granted in full; if between 0% and 100% of the objective is met, the free shares will be granted in proportion to the percentage of the objective that is fulfilled, in linear fashion.

  Lastly, the third objective is based on achievement in 2012 by Lagardère SCA of a recurring EBIT before associates from Media Activities at least equal to the average recurring EBIT achieved in 2010 and in 2011; if this objective is not achieved, then the number of shares resulting from application of the four target objectives described above will be reduced proportionately.

- **Presence conditions:** In order to claim definitive allocation of the shares, Messrs. Philippe Camus, Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano, must still be serving as executives of Lagardère SCA on 1 April 2013; this condition will be deemed met in the event of their removal from their executive position or the non-renewal of their appointment for reasons other than negligence.
- **Retention of shares:**
  With regard to Messrs. Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano, 100% of the shares actually granted must be retained in a registered account for a period of no less than two years, i.e. from 1 April 2013 to 1 April 2015.

With regard to the four beneficiaries:

- pursuant to a decision by the Supervisory Board on 12 March 2008, 25% of the shares actually granted must be held in a registered account until the beneficiary ceases to serve as a legal representative of Lagardère SCA;
- pursuant to a decision by the Supervisory Board on 2 December 2009, an additional 25% of the shares actually granted must be held in a registered account until the value of the Lagardère SCA shares held is at least equal to one year of fixed and variable gross compensation; this condition will be assessed at the start of each year in light of the average December share price and the fixed and variable compensation received or payable in respect of the preceding year.

At the close of the mandatory retention periods defined above, the corresponding shares will become transferable and may be traded under the terms and conditions established by law and in accordance with the fixed trading periods established by Lagardère SCA in the "Charter for Transactions carried out on Lagardère SCA shares by employees of the Lagardère group".

The value of the shares allocated in this way was €29.30 at the close of trading in the Paris Bourse on 17 December 2010. In accordance with IFRS accounting standards, this same value was €25.40 for the shares to be made available in 2014, and €22.72 for the shares to be made available in 2015 (residents overseas).

The Managing Partners

7.4 ORGANISATION, OPERATION AND CONTROL OF THE COMPANY AND THE GROUP

7.4.1 DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

7.4.1.1 INTRODUCTION: INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORK, RESPONSIBILITIES, OBJECTIVES AND SCOPE

7.4.1.1.A INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORK AND RESPONSIBILITIES

The Group applies the published Internal Control and Risk Management framework recommended by the Financial Markets Authority (AMF) to oversee its internal control and risk management.

The following description of internal control and risk management procedures in place at Lagardère SCA is based on this framework. The analysis made was guided by the attention points defined in the framework and the associated implementation guidelines.

This description has been prepared by the Risk and Internal Control Division, with the support of the Group's Audit Division and Legal Division.

7.4.1.1.B OBJECTIVES AND LIMITATIONS OF THE INTERNAL CONTROL SYSTEM

Lagardère SCA has introduced a certain number of internal control procedures designed to ensure:

- compliance with applicable laws and regulations;
- application of the instructions and orientations defined by the Managing Partners;
- proper operation of the Group's internal processes, particularly regarding safeguarding of its assets;
- reliability of financial information;

and in general to contribute to control of its business, efficiency of operations and efficient use of resources.

Naturally, the effectiveness of the internal control procedures is subject to the limitations inherent to any organised system.

7.4.1.1.C SCOPE OF THE INTERNAL CONTROL SYSTEM

The procedures described below apply to subsidiaries that are fully consolidated in the Lagardère group financial statements.

As Lagardère SCA only exercises significant influence over companies accounted for by the equity method, those companies are not covered by the Group's internal control system, although the Group may have specific control rights related to its status as a special shareholder. The internal control system in place in 2010 at EADS N.V. and Canal+ France (which is subject to Vivendi group procedures) are described in the EADS Registration Document and the Vivendi Annual Report respectively.

Companies that have recently entered the scope of the Lagardère SCA internal control system are progressively adapting their own internal control procedures for harmonisation with the Group's system.

7.4.1.2 CONTROL ENVIRONMENT

7.4.1.2.A GENERAL ORGANISATION AND OPERATION OF THE GROUP

The consolidated financial statements of the Lagardère group include 525 companies (the full list of consolidated companies can be found in the notes to the consolidated financial statements).

Lagardère SCA is the holding company that controls all the subsidiaries and other participating interests, draws up the strategy for the Group, guides and finances its development, makes the main management decisions to this end, and ensures those decisions are implemented both at its own level as the Group's Parent Company and in the operating subsidiaries.

Lagardère SCA itself has no personnel; the human and operational resources required for policy implementation and control of its Group's business activities belong to a service company called Lagardère Ressources, a wholly-owned subsidiary of Lagardère SCA as its sole shareholder.

A1 THE MANAGING PARTNERS

The general management of the Company is the responsibility of the Managing Partners, who are appointed by the general partners after aproval of the Supervisory Board. The Managing Partners represent the Company in its relations with third parties and engage its responsibility.

Drawing on the Executive Committee, described in section 7.3.1, the Managing Partners' role is to:

- draw up the strategy of the Group;
- guide development and control;
- take the major management decisions required for this and ensure those decisions are implemented both at the level of the Parent Company and in the various Operating Units.

The Executive Committee enlists the help of any of the Group's senior managers it considers to be of use to accomplish its mission.

To make sure the decisions taken are implemented and to monitor their implementation, the Managing Partners have set up a specific organisation, mainly composed of:

- the Group's Central Divisions;
- the Financial Committee.

A2 THE GROUP'S CENTRAL DIVISIONS

Three members of the Executive Committee have been given the task of organising and leading the Group's major central structures. The responsibilities necessary for implementation of the decisions taken, as well as follow-up and monitoring, are allocated between their three posts: the Group Secretary General, the Group Chief Financial Officer and the Chief Human Relations and Communications Officer.

The Group Audit Division reports directly to the Managing Partners.

In order to carry out the different missions entrusted to them, the Group's Central Divisions, their teams, and the corresponding material resources are grouped together within a single company, Lagardère Ressources, a wholly-owned subsidiary of Lagardère SCA. This company, chaired by one of the Managing Partners who is the Group Secretary General, employs almost 170 people, all reporting to the Central Directors and therefore ultimately to the Managing Partners of Lagardère SCA. As the missions entrusted to these Central Divisions are just as much for the benefit of Lagardère SCA as for all of the subsidiaries, these companies have various service agreements with Lagardère Ressources, which receives a fee for its services, currently of 0.9% of sales revenues (or gross margin for Lagardère Services).

A3 THE FINANCIAL COMMITTEE

After the Executive Committee, the Financial Committee is the second most important entity for the monitoring and control of the Group's operational activities.

The Financial Committee is chaired by the Group's Chief Financial Officer, and members include representatives of each of the Group's principal Central Divisions (in particular the central management controllers in charge of the topics discussed at the meeting), providing all the requisite skills for it to accomplish its mission.

Its principal task is to examine and monitor the following, in cooperation with the chief managers of each business division concerned:

- the budget for the coming year;
- the three-year plan;
- the annual financial statements;
- any significant investments (or disposals), particularly acquisitions of shareholdings in non-Group companies.

The Financial Committee's Chairman reports directly to the Managing Partners when they are not represented at its meetings.

A4 OTHER COMMITTEES

Among the other committees, the Reporting Committee, also chaired by the Group's Chief Financial Officer, conducts a monthly review with all Operating Units' financial managers of the results achieved against the budget and the new budgetary forecasts, to enable the Managing Partners to monitor the progress and financial position of each business division on a monthly basis, and take any necessary corrective action.

A5 OPERATIONAL ACTIVITIES

Operational activities of the Group include:

- activities in the field of the Media: Book Publishing, Distribution Services, Press, Radio/Television, Audiovisual Production, New Media and Sports. These business activities are controlled through Hachette SA (named Lagardère Media for commercial purposes), respectively via the following companies: Hachette Livre, Lagardère Services, Lagardère Active, Lagardère Sports and Lagardère Unlimited;
- other smaller business activities which constitute the "Other Activities" segment and are under the control of Lagardère SCA;
- the 7.5% interest in EADS N.V. (after the sale in March 2009 of 2.5% of the share capital in redemption of the last Mandatory Exchangeable Bonds), held through a subsidiary itself owned by the French State and the Lagardère group.

7.4.1.2.B DEFINITION OF RESPONSIBILITIES AND POWERS

In the framework described above, each actor has a duty to implement internal control for the scope under its responsibility.

Some of the Central Divisions are more specifically involved in implementation of internal control, mainly the following divisions: the Group Audit Division, the Group Legal Division, and in the Finance Division, the Management Control Division, the Accounting Division and the Risk and Internal Control Division.

The Group's organisation also involves a range of powers and delegations of authority.

The Operating Units

Operating activities are conducted by legally independent companies grouped together in the following business divisions or Operating Units (OUs): Lagardère Publishing, Lagardère Services, Lagardère Active (which now covers all the Group's activities in the press, audiovisual and digital sectors), and Lagardère Unlimited.

Each business division has its own organisation, which has been set up by the Head of the division under the Managing Partners' control; the various companies and resources in the division are grouped together under a specific holding company: Hachette Livre for the Lagardère Publishing division, Lagardère Services for the Press Distribution division, etc.

Each Division Head is responsible for the general management of the holding company concerned whose Supervisory Board members (Board of Directors in the case of Hachette Livre) are also members of Lagardère SCA's Executive Committee.

Thus, all the members of these holding companies' governing, managing and supervisory bodies are appointed by Lagardère SCA through its subsidiary Hachette SA as the sole shareholder of the said companies.

The managers of the operational units and their subsidiaries exercise their responsibilities under the control of their governance bodies. The Group takes care to ensure that the majority of members of those governance and control bodies are Lagardère representatives.

7.4.1.2.C APPLICABLE LAWS AND STANDARDS

The Group's business is governed by a certain number of laws and specific regulations, as set out in Chapter 3, section 3.3.1.

As explained in Chapter 5, section 5.3.1.2 - The CSR reference framework, the Lagardère group endeavours to respect a certain number of rules established by national and international bodies regarding business enterprises, including:

- the declaration on Fundamental Principles and Rights at Work by the ILO (International Labour Organisation);
- the Principles of Corporate Governance issued by the OECD (Organisation for Economic Cooperation and Development);
- the principles of the United Nations Global Compact: the Group became a signatory in 2003 and renews its commitment every year.

Internally, Lagardère has drawn up a Sustainable Development charter, which through its Purchasing policy involves all partners in respect of the Group's values and commitments.

The "Lagardère Group Code of Ethics" sets out a collection of guidelines at Group level, deriving directly from the values of Lagardère. Through compliance with this code, all men and women in the Group will share the same standards.

The "Charter on trading in Lagardère SCA shares by Group employees", which complements article 1 of the Lagardère Group Code of Ethics on "confidentiality" and "trading in marketable securities", describes the constraints incumbent on Group employees in such matters.

A charter on the use of information systems also applies to all Group employees.

Where necessary, these charters and principles can be adapted to the specificities of the Group's operational units. Internal and externally-issued principles specific to the Group's businesses are also applied.

The self-evaluation internal control questionnaire described in section 7.4.1.7.B provides all the Group's units with a set of key points for attention in the various components of internal control.

The production of financial and accounting information is also governed by a collection of rules and guidelines.

Reference standards and procedure guides for financial reporting

The persons concerned by the Group's financial reporting must adhere to a collection of reference standards defining the common principles for establishing the consolidated financial statements and monitoring forecasts. In particular, the "Guide du Reporting du Groupe Lagardère" (Lagardère Group Reporting system guide) provides details of a Charter for consolidation procedures, and a set of definitions of the main indicators used in the consolidated reporting package. There are also user and operator guides to the management system used by all Group companies, with details of the corresponding tasks.

Other key documents are provided to all concerned, particularly for the preparation of the consolidated financial statements. They include:

- a framework document defining the off-balance sheet items to be reported in the notes to the financial statements, and the treatment applicable;
- specific instructions issued when changes occur in accounting standards or their application or when annual impairment tests are prepared for intangible assets and goodwill arising upon acquisitions.

The operational units also prepare their own equivalent documentation for their specific systems, in keeping with the Group's principles and under the supervision of the Group's Finance Division.

7.4.1.2.D *HUMAN RESOURCES POLICY AND SKILL MANAGEMENT*

The Lagardère group's performance depends directly on the skills of its employees and the suitability of resources. The Group's operational entities manage their human resources independently, under shared principles and commitments defined and formally established at Group level jointly with the Divisions' Human Resources Directors.

This point is discussed in more detail in Chapter 5, section 5.3 - Corporate social responsibility and corporate citizenship – Ethics.

7.4.1.2.E *INFORMATION SYSTEMS*

The Group's information systems comprise:

- communication systems such as messaging and collaborative software (intranet);
- business monitoring systems, particularly accounting and financial systems;
- audiovisual production systems such as broadcasting and antenna systems in radio and TV activities; systems for editorial chains in magazine publishing; supplier management tools in distribution operations; and tools for creation and storage of digital content and dedicated tools for websites.

The operational units are responsible for managing their own group of information systems. Group applications also exist, such as the single management system presented below in section 7.4.1.3.G - Financial reporting.

The IT Division supervises these systems and ensures they are appropriate to the Group's objectives in the long term; it works in liaison with the Risk and Internal Control Division on management of IT risks in the light of objectives concerning reliability and continuity of operation, legal and regulatory compliance, and data confidentiality.

E1 SINGLE MANAGEMENT SYSTEM FOR CONSOLIDATED FINANCIAL AND ACCOUNTING INFORMATION

As explained in section 7.4.1.3.G - Financial reporting below, the overall consolidated financial reporting cycle is based on common principles and uses a single data base and management system shared by all teams in the financial departments in charge of reporting the information required, whether specific to management indicators or intended for publication.

E2 RELIABILITY OF DATA ENTRY

The single management system includes blocking controls which help prevent incidents and anomalies, and improve the reliability of data entry.

7.4.1.3 PROCEDURES, METHODS, TOOLS AND PRACTICES

7.4.1.3.A COMMITMENTS, INVESTMENT AND DIVESTMENT

The Group's investment procedure applies to:

- all financial investments or divestments and
- all acquisitions and disposals of tangible or intangible assets of over €10 million if previously planned, or €5 million if the transaction was not included in budgets, or lower amounts if the transaction has any effect related to anti-trust regulations, namely with regard to mono and plurimedia concentration thresholds.

The acquisitions and disposals under consideration are presented to the Financial Committee, which is chaired by the Group's Chief Financial Officer.

The Financial Committee issues an opinion by any appropriate means to the Managing Partners, after assessing the strategic value of the proposed transaction, verifying that the risks generated by the transaction are known and can be managed, and validating the underlying assumptions used to analyse profitability, based on the methodology and spreadsheets defined by the Group's Finance Division.

This procedure does not apply to cash management, or to capital increases by consolidated and/or controlled companies through incorporation of current account advances.

7.4.1.3.B REPORTING OF EXCEPTIONAL DIVISION TRANSACTIONS TO THE GROUP'S LEGAL DIVISION

The Group Legal Division, which reports to the Group Secretary General, is informed by the business divisions of exceptional transactions planned, including:

- acquisitions and disposals planned, which are reported under the procedure described in 7.4.1.3.A above. The Legal Division is represented at all financial committee meetings in order to keep abreast of such transactions;
- contractual commitments which individually involve financial commitments or off-balance sheet commitments that are significant at Group level; and
- legal restructuring plans involving major operational entities.

7.4.1.3.C FINANCE AND CASH MANAGEMENT

The Cash Management and Financing Division defines the circumstances in which it uses banks for external financing or cash management services.

C1 EXTERNAL FINANCING

In general, only Lagardère SCA uses medium or long-term bank or market financing, and finances the business divisions itself. Apart from the financing of normal business operations, the divisions retain responsibility for certain previously-negotiated transactions, or specific operations such as securitisation; however, these operations require advance authorisation and are reported to the Group's Finance Division on a regular basis.

The Group's Finance Division can thus monitor the use of capital by companies in the Group. As explained in section 7.4.1.3.G.3, this division permanently monitors bank covenants which are binding on the whole Group.

C2 CASH/TREASURY MANAGEMENT

Cash investments must be in fixed-income instruments issued by top quality issuers, with maturities appropriate to the expected term of the investments. Speculative or high-risk investments are not permitted.

C3 HEDGING POLICY AND MARKET RISK MONITORING

The hedging and market risk monitoring policy is described in Chapter 3, section 3.5. The Group's General Management and operational managers regularly adjust the hedging policy and the corresponding control system in the light of the resulting priorities.

7.4.1.3.D PURCHASING, SALES AND SALES ADMINISTRATION

The practices and procedures for purchasing and sales are defined by the Group's operational units under the responsibility of their managers, in compliance with the Group's shared principles, particularly regarding segregation of duties.

The Purchasing Division is part of the Group's Finance Division and leads the Group policy concerning purchases.

7.4.1.3.E COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

E1 COMPLIANCE WITH THE MAIN LAWS AND REGULATIONS APPLYING TO LAGARDÈRE SCA

The Group's Legal Division is responsible for ensuring that the main laws and regulations applicable to Lagardère SCA are complied with.

In particular, this division examines mergers and acquisitions (partnerships, acquisitions, disposals, internal restructurings, etc) that are significant for Lagardère SCA, and supervises Lagardère SCA's organisation of financing operations and off-balance sheet commitments.

The Group's Legal Division also ensures that all regulations that may concern Lagardère SCA as the ultimate holding company of the Group (anti-trust laws, competition law, etc) are properly applied.

It is involved in all legal aspects of the business of Lagardère SCA's and the companies at the head of each business division. In this capacity, it monitors application of stock exchange regulations, since Lagardère SCA is listed on the Euronext Paris *Compartiment A*, and in 2006 introduced the full procedure necessary to prepare lists of insiders, in application of EU regulations.

A database has also been set up at the instigation of the Group's Legal Division, to record corporate information on features of each of the Group's French and foreign companies.

E2 COMPLIANCE WITH THE MAIN LAWS AND REGULATIONS APPLICABLE TO THE DIVISIONS

The Group's Legal Division is informed of all procedures introduced in each business division to ensure compliance with the laws and regulations specific to their activity, and these procedures are regularly monitored by these divisions' management bodies via their Legal Department or by external advisors.

7.4.1.3.F PROTECTION OF THE GROUP'S PROPERTY AND RIGHTS

F1 PROTECTION OF BRANDS AND INTELLECTUAL PROPERTY RIGHTS

The Group's brands and intellectual property rights are an essential part of its entire portfolio of property and rights.

The Group's Operating Units own a large number of undeniably well-known brands, which are directly managed and protected by the units.

In view of the importance of brand awareness for its business, particularly in press activities, audiovisual production, distribution and book publishing, the Group dedicates significant resources to protecting its portfolio of commercial brands. They are protected by registration, which is regularly renewed, and by legal action against any counterfeiters. The Group has set up a system for regular monitoring of brands, in liaison with specialist external advisors, to counteract all significant risks that may affect the validity of the Group's rights over those brands.

As the Lagardère brand is being increasingly used through the Group's business, in view of the resulting exposure the Group set up a wide-ranging policy in 2007 to extend international protection of the Lagardère name to cover areas where the Group is currently in development or expanding. This policy was pursued in 2010, and protection for the Lagardère brand is now established in all the continents.

In 2009, Lagardère SCA completed the procedure for introducing licensing agreements for use of its brands by the four business divisions when necessary.

F2 LITIGATION MANAGEMENT

The Group's Legal Division manages all litigation involving Lagardère SCA, and any litigation involving the divisions when the potential consequences in terms of finance or image are considered significant for the Group. All other division-level litigation is handled by the Legal Department of the division concerned and/or by external advisors.

7.4.1.3.G FINANCIAL REPORTING

G1 THE REPORTING SYSTEM: FREQUENCY AND TIMING

The Lagardère group's reporting system is structured by Operating Units (OUs). It is decentralised, hence each Operating Unit is responsible for producing its own figures.

The financial and non-financial information collected and consolidated using the Lagardère group's reporting system must comply with legal requirements and satisfy the Group's own control and management needs. This information includes an income statement by activity and management indicators specific to each business type.

The overall reporting cycle is based on common principles and uses a single data base and management system shared by all the financial departments in charge of providing the information required, whether specific to management indicators or intended for publication.

This unified organisation of the cycle relies on the financial departments of each Operating Unit, and the Group's Finance Division. Under the supervision of the Group's Finance Division, the reporting system is designed to meet management control needs and also to guarantee the relevance and quality of the financial information published, thus fostering greater coherence between the various reporting systems, the business activities covered and the consolidation methods used.

G2 PREPARATION OF BUDGETS

During the final quarter of the calendar year, all business divisions of the Group establish their three-year budgets, and submit to the Financial Committee a summary comprising the following key information with notes:

- sales;
- operating income and expenses;
- profit before finance costs and tax;
- net finance costs;
- profit for the year;
- cash flows from operations;
- free cash flow;
- cash flows from operating and investing activities;
- capital increases;
- dividends;
- capital employed;
- net indebtedness.

These data are integrated into the common data base referred to above, and used in preparing the Group's annual three-year plan.

G3 MONTHLY GROUP REPORTS, INTERNAL REPORTING

Each Group company's financial departments enter data from their own monthly accounts into the Group's financial data base.

For each Operating Unit, these data include a balance sheet and an income statement with notes, and the principal key indicators from the income statement.

Careful attention is paid to regular revision of forecast figures such as year-end estimates.

These data are included in the Monthly Group Report established by the Group's Management Control Division and submitted to the Managing Partners and Group's principal managers. This document lists the evolutions in the following key indicators for each business division, with comments for each Operating Unit:

- sales;
- operating profit before associates;
- income from associates and other information;
- net finance costs;
- income tax expense;
- net income before discontinued operations and minority interests;
- cash flow from operations;
- change in working capital requirement;
- income taxes paid, interest paid and received;
- net purchases of tangible and intangible assets;
- free cash flow;
- net cash from financing activities;
- cash flows from operating and investing activities;
- change in cash surplus or net indebtedness;
- capital employed;
- cash surplus or net indebtedness.

The Monthly Group Report is presented to the Group's Chief Financial Officer before final distribution.

The Finance Division also prepares a monthly analysis of cash flows and balances for each Operating Unit, and a breakdown of bank covenants described in note 29 to the consolidated financial statements. A regular analysis of the counterparty risks described in the same note is also drawn up.

G4 HALF-YEARLY AND ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

Additional information is supplied for the establishment of the half-yearly or annual consolidated financial statements for publication.

Chapter 6 contains a description of the principles and methods used in establishing the consolidated financial statements. For certain types of information, such as breakdowns of intercompany transactions, off-balance sheet commitments and derivatives, procedures are set out in memos applicable to all Group companies.

G5 RELATIONS WITH THE STATUTORY AUDITORS

Every year the Managing Partners receive the Statutory Auditors' assurance that they have access to all information required for the purposes of their audit.

They also receive assurance from the Statutory Auditors that their work has progressed sufficiently at the year-end to allow them to make any significant remarks.

7.4.1.4 INFORMATION AND COMMUNICATION

The persons concerned are informed of decisions by the Managing Partners by any means, particularly internal memos and announcements.

All of the Group's announcements and the principal rules applicable are available in the Group's intranet system, which is accessible to all employees.

A set of applications and collaborative softwares are also available through the Group's intranet, such that information can be appropriately communicated to everyone according to their needs, both in Central Divisions and Operational Units.

7.4.1.5 RISK MANAGEMENT PROCEDURES

Like any corporation, Lagardère is exposed to a variety of risks in the course of its business. The principal exposures identified are described in Chapter 3 - Risk factors. The Group pays particular attention to risk management, both at business division and central levels, under the coordination of central management.

7.4.1.5.A ORGANISATION OF RISK MANAGEMENT

A1 BASIC PRINCIPLES

The Group accepts exposure to a controlled level of business risk in the course of its business activities.

The components of risk management are therefore designed to provide reasonable assurance that the level of risk taken by the Group is not likely to compromise the results expected by the Managing Partners.

These components help both to manage the risks inherent to the Group's business and to reduce undesirable additional risks.

However, given the limitations inherent to addressing contingencies, these components cannot guarantee that all risks the Group may encounter in the future have been correctly analysed or even identified.

A2 ORGANISATION AND DEFINITION OF RESPONSIBILITIES

In compliance with the Group's general organisation structure, the operational and functional managers remain in charge of the risks related to their respective fields of activity.

The General Management at the Head Office focuses particularly on monitoring of risks that can only be assessed at Group level or are considered significant at Group level due to their individual or cumulative scale.

As a rule, risk management is an integral part of the Group's management procedures and cannot be separated from them. However, certain procedures are specifically dedicated to risks, for example risk mapping or setting up insurance coverage.

The Central Divisions play a support, monitoring and coordination role in this respect.

Within the Finance Division, the Risk and Internal Control Division is in charge of proposing and heading the risk management policy. Working closely with the other Central Divisions and the business divisions, the Risk and Internal Control Division provides methodological support and advice, particularly for identification, analysis and quantification of risks, and also when financial or insurance coverage is set up. It is responsible for providing a synthesis on the Group's risks.

The Group also takes internal measures to strengthen the risk control culture through information-sharing and awareness-raising, and to reinforce the specific visibility of certain emerging risks and the capacity to cope with potential crises.

7.4.1.5.B RISK IDENTIFICATION AND ANALYSIS PROCESS

A certain number of the Group's procedures contribute to risk identification, particularly:

- audit reviews;
- reporting activities described in section 7.4.1.3.G - Financial reporting, particularly for impairment tests and monitoring of off-balance sheet commitments;
- risk intelligence activities by the various administrative and business divisions;
- the investment procedure, which includes a section specifically dedicated to risks, and more generally pre-acquisition or pre-sale audits;
- review and regular renegotiation of insurance programmes;
- thematic reviews conducted as and when necessary, for instance the investigation of risks in IT systems and networks.

Lagardère SCA and its business divisions continue their general risk mapping policy, in order to rank the main risks to which the Group could consider itself exposed by severity, possibility of occurrence and degree of control.

The factors taken into account for risk analysis include: potential severity, likelihood of occurrence, emergence period, possible scenarios, internal and external limiting or aggravating factors, current and proposed control measures.

7.4.1.5.C MANAGEMENT PROCEDURES FOR THE PRINCIPAL RISKS

C1 STRATEGIC AND COMMERCIAL RISKS: WORLDWIDE ADVERTISING MARKETS, ECONOMIC CLIMATE, CHANGES IN CONSUMER BEHAVIOUR

The Group's procedures for management of strategic and commercial risks form an integral part of its decision-making process.

Among other duties, the business divisions' General Managements are responsible for monitoring risks related to the economic climate and the worldwide advertising markets, technological developments such as the expansion of digital products and instruments, and changes in consumer behaviour.

The Group has a strategic plan for each division, primarily covering the risks referred to above.

C2 RISKS ASSOCIATED WITH MAJOR CONTRACTS

As part of the management of risks related to contracts with a high unit value, described in section 3.2 of Chapter 3 - Risk factors, the Group carries out a regular review of major contracts for sports events in order to monitor developments and profitability prospects for those contracts.

C3 LEGAL RISKS

The management procedures for legal risks are an integral part of the relevant internal control procedures as described in section 7.4.1.3.

C4 RISKS ASSOCIATED WITH PAPER PRICES

Lagardère is attentive to changes in paper prices: Lagardère Publishing's paper purchases are supervised by its Technical Division, and Lagardère Active's paper purchases are supervised by its Paper Procurement Department.

The risk of unfavourable developments in paper prices can be alleviated by inclusion of price smoothing clauses in purchasing contracts whenever it is possible to negotiate such clauses on acceptable economic terms.

C5 MARKET RISKS (LIQUIDITY, INTEREST RATE, EXCHANGE RATE AND EQUITY RISK)

The following description is taken from note 29 to the consolidated financial statements in Chapter 6.

"Market risks are monitored at Group level by the Cash Management and Financing Division in cooperation with the Risk and Internal Control Division, under the responsibility of the Group's Chief Financial Executive.

Periodic reports are submitted to the Managing Partners. The Group has implemented a specific policy aiming to reduce risks using authorisation procedures, internal controls procedures and using risk management tools to identify and quantify these risks. Derivatives are used exclusively in non-speculative hedging transactions.

Interest rate risks

The Group does not use active interest rate management techniques in relation to any of its financial assets or liabilities.

Cash investments must be in fixed income instruments issued by quality entities, with maturities appropriate to the planned duration of the investment. No investments are made in speculative or risky instruments.

There are no derivatives related to these investments."

C6 CREDIT AND COUNTERPARTY RISKS

The following description is taken from note 29 to the consolidated financial statements in Chapter 6.

"Each division is responsible for managing its own credit risks in a decentralised way as appropriate to the specificities of its market and customer base.

For new customers with the potential for large volumes of business with the Group, analyses are carried out and information (such as external credit ratings or bank references) is sought before entering into transactions, and specific guarantees or credit insurance may be arranged as a result. Counterparty-specific credit limits may also be set.

In newly-consolidated activities, action is taken for progressive introduction of monitoring procedures appropriate for credit risks.

The Group has set up periodic reporting on counterparty risks, to monitor the Group's consolidated exposure to risks on the principal counterparties, the variations in accumulated receivables, and the level of related provisions, and to oversee the measures for control of this type of risk.

The Cash Management and Financing Division is responsible for ensuring that the financial institutions with which the Group does business are of good quality."

C7 INDUSTRIAL AND ENVIRONMENTAL RISKS

The Group pays careful attention to industrial risk prevention and environmental protection, in line with its social and environmental policy, which is presented in Chapter 5.

C7.1 Prevention policy

Management of industrial and environmental risks is the duty of the operational managers of the sites concerned, with particular emphasis on compliance with the relevant regulations and standards.

The operational managers of sites for which certain environmental risks have been identified apply the regulations concerned and implement operational procedures, quality systems and a range of security measures specific to the business lines.

In view of the industrial past of certain Lagardère sites, the Group remains attentive to any environmental damage that may come to light.

C.7.2 Assessment of impacts

Due to the limited nature of the Group's industrial and environmental risks, costs related to evaluation, prevention and remediation of those risks are included in the relevant investment and expense items and are not separately valued.

C8 SYSTEM AND IT NETWORK SECURITY

The Group's IT Division, together with the Risk and Internal Control Division, carries out recurrent internal-evaluation surveys to assess IT system and network security. These surveys examine:

- the organisation and general security of information systems;
- physical security (against intruders or accidents);
- workstations (administration and protection);
- networks (local, remote, and via internet);
- control of access to resources;
- availability of applications and data.

All measures to preserve data confidentiality, protect the systems against intrusion, and minimise the risk of system breakdown are adjusted based on the results of these surveys.

A charter for use of the information systems applies to all Group employees.

The Group is also continuing to extend its secure communication network, both in France and internationally.

C9 INSURANCE

The financial consequences of certain risks can be covered by insurance policies when this is justified by the scale of the risk, provided insurance coverage is available at acceptable conditions.

The major insurance policies cover property, business interruption and civil liability. Depending on the type of risk, coverage consists of permanent policies and additional or temporary coverage for specific projects.

The Group generally seeks to insure all insurable assets for their estimated value, and business interruptions for their estimated cost, in keeping with the relevant best practices.

However, given the diversity of situations and the specificities of the insurance market, it cannot be considered that the Group will be covered by insurance in all circumstances, nor that existing insurance coverage will always be effective.

The Risk and Internal Control Division is in charge of overseeing use of insurance in the Group, with a coordination and advisory role in this respect.

7.4.1.6 CONTROL ACTIVITIES

Control activities are designed to ensure that the necessary risk control measures are actually implemented.

Most control activities are covered by the self-evaluation questionnaire described in section 7.4.1.7.B which lists 208 control activities common to all Group units, divided into 7 cycles and 15 processes:

Cycle	Processes
Purchasing	Purchasing
Finance	Customer accounts
	Supplier accounts
	General accounting
	Tax
	Investments
	Cash
Risk management	Risk management and insurance
Legal	Legal (other than employment law)
Human Resources	Personnel administration
	Human resource management
	Expense claims
	Payroll
Information systems	Information systems
Sales	Sales

Two operational divisions have also added questionnaires specific to their businesses.

In addition to the self-evaluation questionnaire, the Group has introduced a set of performance monitoring methods in a range of areas: not only finance but also information systems, sustainable development, and human resource management.

Many of the risk management processes described in section 7.4.1.5 above include financial or non-financial reporting, which contributes to control over the Group's operations.

7.4.1.7 PERMANENT MONITORING OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

7.4.1.7.A AUDIT

The Group's Audit Division, supervised by the Managing Partners, carries out permanent internal audits of the internal control and risk management system either as part of the annual audit plan or following specific requests from the Managing Partners and the Group's Finance Division or from the heads of the business divisions. Its scope of intervention includes all fully-consolidated companies.

The audit plan is established on a multi-annual base that takes account of risk mapping and includes:

- coverage of Group entities in rotation;
- audits of cross-functional themes relevant to the divisions and/or their subsidiaries;
- audits related to the self-evaluation of internal control;
- specific assignments involving reviews of operational and financial risks.

As part of the audit monitoring procedure, the Audit Division monitors post-audit action plans.

The Division may also conduct other types of assignment:

- audits relating to merger/acquisition projects;
- consulting or operational assistance on specific projects at the request of the Managing Partners or the business divisions.

The Audit Division's mission, powers and duties in the Lagardère group are defined in an internal audit charter.

The Group's Audit Division presents to the Audit Committee the annual audit plan, a summary of the work carried out, the resulting conclusions and details of their application. The Audit Committee is thus able to examine the main conclusions resulting from internal audit work and ask any questions considered necessary.

In addition to the work done by the Group's Audit Division, further action may be taken directly by the business divisions on their own behalf.

7.4.1.7.B SELF-EVALUATION

As explained in section 7.4.1.6 - Control activities, an internal self-evaluation procedure exists for the internal control at Lagardère SCA's main entities/subsidiaries. Since 2010, this has been carried out by the Risk and Internal Control Division.

The objectives are to further improve the control and efficiency of operations for continuous improvement, and clearly define the internal control responsibilities of operational staff.

The methodology is based on definition of a Group reference framework consisting of six financial and nine operational processes covered by 208 points of control. For each point of control, the self-evaluation aims to identify the applicability, efficient implementation and traceability. An action plan is drawn up where necessary for certain key controls in response to the areas for improvement identified.

Risk management is one of the cycles covered by the internal control's internal evaluation.

The resulting information is used by operational management in their quality assessment of the internal control procedures they oversee, and for implementation of improvement plans.

This information is included in the scope of audits carried out by the Group's Audit Division.

This self-evaluation approach leads to better formal definition of internal control procedures, and their adoption by all operational managers. Progress on the improvement plans identified by operational staff is also monitored.

7.4.1.7.C INFORMATION SYSTEMS

C1 SECURITY

As described in section 7.4.1.5.C.8 - System and IT network security, the Group's IT Division, together with the Risk and Internal Control Division, carries out frequent internal-evaluation surveys to assess the security of the systems and IT networks, contributing to improve the security of those systems and networks.

C2 CHANGES IN THE SINGLE MANAGEMENT SYSTEM

The single management system described in section 7.4.1.3.G and its settings are upgraded to the latest versions as often as necessary. Specific resources (as described in C.1) are dedicated to data integrity, availability and confidentiality.

7.4.1.7.D ACTION IN RESPONSE TO THE STATUTORY AUDITORS' WORK

The Managing Partners ensure that the Statutory Auditors have reviewed the accounting principles and options that have a material impact on presentation of the financial statements.

They ask the Statutory Auditors for details of the audit scope and methods, and are also informed of the conclusions of the audit.

The Managing Partners are informed of any significant risks and major weaknesses in the internal control, as communicated by the Statutory Auditors, that could have a significant influence on the published financial and accounting information, and ensure that these factors are taken into consideration in the corrective action taken by the Group.

7.4.1.7.E CHANGES IN INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The Group's General Management and operational managers adjust the internal control and risk management systems according to the priorities identified as a result of all the monitoring actions.

In 2010, the following steps were taken:

- a dedicated internal control function was set up in the Finance Division, with the main purpose of supervising the Group's internal control procedures and establish a report; this led to creation of the Risk and Internal Control Division;
- the self-evaluation internal control questionnaire was redesigned in the light of past experience, and in order to apply the internal control framework published under the AMF in 2010;
- the risk mapping process was reinforced: the Group's operational divisions have established their own risk mapping under a shared methodology. A report summarising the work done at Group level was presented to the Audit Committee;
- the audit plan was established on a multi-annual basis, with the accent on coverage of all significant entities in the Group, by rotation;
- the ways audit missions are implemented were redefined accordingly.

7.4.2 REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

The purpose of this report is to provide the information required under article L. 226-10-1 of the French Commercial Code principally concerning the membership and operation of the Supervisory Board, and the internal control and risk management procedures applied by the Company.

All preparatory work for this report (including interviews with the Management) was presented at an Audit Committee meeting. The Supervisory Board approved the terms of the report at its meeting of 9 March 2011.

MEMBERSHIP OF THE SUPERVISORY BOARD

In accordance with the Company's by-laws, the Supervisory Board is composed of a maximum of fifteen members, appointed for a maximum term of four years.

The Board currently comprises the following 15 members:

		Date of first appointment or renewal	End of current period of office
Chairman of the Board Chairman of the Audit Committee	**Xavier de Sarrau** Lawyer Former Managing Partner Arthur Andersen Group for Europe / Middle East / India / Africa	10 March 2010	AGM 2014 (*)
Member and Honorary Chairman of the Board Member of the Audit Committee	**Raymond H. Lévy** Honorary Chairman of Renault SA	27 April 2010	AGM 2012 (*)
Member of the Board	**Bernard Arnault** Chairman and Chief Executive Officer of LVMH	27 April 2010	AGM 2012 (*)
Member of the Board	**Martine Chêne** Former archivist at Hachette Filipacchi Associés Former CFDT union representative on the Group Employees' Committee	29 April 2008	AGM 2014 (*)
Member of the Board Member of the Appointments and Remuneration Committee	**Georges Chodron de Courcel** Chief Operating Officer of BNP Paribas	2 May 2006	AGM 2012 (*)
Member of the Board Member of the Audit Committee Chairman of the Appointments and Remuneration Committee	**François David** Chairman of the Board of Directors of Coface SA	29 April 2008	AGM 2014 (*)
Member of the Board Member of the Appointments and Remuneration Committee	**Pierre Lescure** Former Chairman and Chief Executive Officer of Canal+ SA	29 April 2008	AGM 2014 (*)
Member of the Board	**Jean-Claude Magendie** Former First President of the Paris Court of Appeal	27 April 2010	AGM 2014 (*)
Member of the Board Member of the Audit Committee	**Christian Marbach** Former Chairman of the French innovation agency ANVAR	2 May 2006	AGM 2012 (*)
Member of the Board Member of the Audit Committee	**Bernard Mirat** Former Deputy Chairman and Chief Executive Officer of Société des Bourses Françaises	2 May 2006	AGM 2012 (*)
Member of the Board	**Javier Monzón** Chairman of the Spanish company Indra Sistemas	29 April 2008	AGM 2014 (*)
Member of the Board Member of the Audit Committee	**Amélie Oudéa-Castéra** Director of the Strategic Plan at AXA	27 April 2010	AGM 2012 (*)
Member of the Board Member of the Audit Committee	**Didier Pineau-Valencienne** Former Chairman and Chief Executive Officer of Schneider SA	29 April 2008	AGM 2014 (*)
Member of the Board	**François Roussely** Chairman of Crédit Suisse-France	27 April 2010	AGM 2012 (*)
Member of the Board	**Patrick Valroff** Former Chief Executive Officer of Crédit Agricole CIB	27 April 2010	AGM 2014 (*)

(*) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

These members form a competent, independent and attentive Supervisory Board, fully able to represent shareholders' interests.

A review of each Board member's position has concluded that twelve Supervisory Board members – or four fifths of the Board – currently qualify as "independent" directors as defined by the AFEP-MEDEF report on corporate governance for listed companies, as applied by Lagardère (see below). The twelve members concerned are:

- Mr. Bernard Arnault;
- Mrs Martine Chêne;
- Mr. François David;
- Mr. Xavier de Sarrau;
- Mr. Pierre Lescure;
- Mr. Jean-Claude Magendie;
- Mr. Christian Marbach;
- Mr. Bernard Mirat;
- Mr. Javier Monzón;
- Mr. Didier Pineau-Valencienne;
- Mr. François Roussely;
- Mr. Patrick Valroff.

OPERATION OF THE SUPERVISORY BOARD

The terms and conditions of the Supervisory Board's organisation and operations are set forth in a set of internal rules (updated on 9 March 2011) which also define the duties incumbent on each member, and the code of professional ethics each individual member is bound to respect.

These rules concern the following:

1. **The independence of Board members:** the minimum quota for independent members is fixed at half of the total serving members. Independent members must have no direct or indirect relations of any kind with the Company, Group or management that could compromise their freedom of judgement or participation in the work of the Board.
2. **The annual number of meetings**: a schedule for the coming year is fixed annually, based on a proposal by the Chairman.
3. **The duties of each member**: apart from the fundamental duties of loyalty, confidentiality and diligence, members' obligations also concern knowledge of the law, regulations and by-laws, ownership of a significant number of shares, declaration to the Board of any conflict of interest, and regular attendance at meetings.
4. **Trading in shares of the Company and subsidiaries**: as Board members have access to inside information and in-depth knowledge on certain aspects of the life of the Company and Group, they are expected to refrain from trading in Company shares, except within the following constraints contained in the Board's internal rules:
   - no trading in shares may take place during certain defined periods;
   - it is recommended that acquisitions should take place once a year, at the end of the shareholders' meeting, in the form of a block purchase carried out through the Company by each Board member;
   - shares must be retained for at least six months after expiry of a Board member's term of office;
   - the Chairman, Managing Partners and Financial Markets Authority (AMF) must be informed of any transactions in shares within five days of their completion.
5. **The existence of an Audit Committee**: in addition to the tasks described below, this Committee is also responsible for preparing the Board meetings for subjects within its remit.
6. **The existence of an Appointments and Remuneration Committee**: in addition to the tasks described below, this Committee is also responsible for preparing the Board meetings for subjects within its remit.

***

The Supervisory Board meets regularly to review the financial situation and operations of the Company and its subsidiaries, the annual and interim financial statements, the outlook for each of the business activities and the Group's strategy. It also defines an annual schedule for its meetings: four meetings are planned for 2011. During 2010, the Supervisory Board met six times:

- on 10 March, with an attendance rate of 84.6%, mainly to examine the parent company and consolidated financial statements and general business position and outlook, approve renewal of Arjil Commanditée-Arco's appointment as Managing Partner, examine the Supervisory Board's membership, organisation and self-evaluation results, undertake preparatory work for the annual general shareholders' meeting, approve the report of the Chairman of the Supervisory Board and finalise his report to the shareholders;

- on 8 April, with an attendance rate of 71.4%, to issue an opinion on the draft resolutions to be proposed at the general shareholders' meeting of 27 April 2010 by a group of minority shareholders;
- on 27 April, with an attendance rate of 78.5%, to elect the Chairman of the Supervisory Board, and appoint the members and Chairmen of the Audit Committee and the Appointments and Remuneration Committee;
- on 9 June, with an attendance rate of 86.6%, mainly to examine the position of Lagardère Active (a presentation was given by Didier Quillot);
- on 8 September, with an attendance rate of 80%, mainly to examine the half-year parent company and consolidated financial statements and general business position and outlook, examine the position of Lagardère Publishing (a presentation was given by the division's teams) and approve the internal rules of the Appointments and Remuneration Committee;
- on 14 December, with an attendance rate of 80%, mainly to examine the position of Lagardère Unlimited (with a presentation by Olivier Guiguet), and examine its governance.

AUDIT COMMITTEE

In application of its internal rules, the Audit Committee meets at least four times a year and its tasks include the following:

- to review the accounts and the continuity of the accounting methods used for the Lagardère SCA parent company and consolidated financial statements, and to monitor the process for elaboration of financial information;
- to monitor the audit of the parent company and consolidated financial statements by the Statutory Auditors;
- to monitor the Statutory Auditors' independence;
- to issue a recommendation on the Statutory Auditors nominated for appointment at the shareholders' meeting;
- to ensure that the Company has internal control and risk management procedures, particularly procedures for (i) elaboration and processing of accounting and financial information used to prepare the accounts, (ii) risk assessment and management, (iii) compliance by Lagardère SCA and its subsidiaries with the main regulations applicable to them; the Audit Committee is informed of any observations and/or suggestions from the Statutory Auditors regarding these internal control procedures and examines the report of the Chairman of the Supervisory Board on internal control procedures and risk management;
- to monitor the efficiency of internal control and risk management systems;
- more specifically to review, as regards the internal auditing of the Company, its business activities, audit programme, organisation, operation and realisations;
- to review the agreements directly or indirectly binding the Group and the senior managers of Lagardère SCA: the Managing Partners' salaries are paid by Lagardère Capital & Management, which is bound to the Group by a service agreement. Application of this agreement, which has been approved by the Board and the shareholders as a regulated agreement, is monitored regularly as required by law. The Board has delegated the Audit Committee for this task, which among other points concerns the amount of expenses reinvoiced under the contract, essentially comprising the Managing Partners' remuneration;
- to prepare an annual summary of business over the past year for release to the shareholders (through the report of the Supervisory Board and the report of the Chairman of the Supervisory Board).

Audit Committee members are appointed for their financial and/or accounting skills, assessed with particular regard to their past career (posts held in general or financial management or in an audit firm), academic background or specific knowledge of the Company's business.

The members of the Audit Committee interview the Group's main senior managers when necessary, and the Statutory Auditors also present a report on their work.

The Chairman of the Audit Committee reports to the members of the Board on the work conducted by the Audit Committee.

The Audit Committee met six times in 2010, twice in March, and once in June, July, October and November.

All meetings were attended by all Committee members, except for the meetings of June and July when the attendance rate was 85.7%.

The first March meeting involved a review of intangible assets and impairment methods and analysis of recent acquisitions; the second March meeting was held to examine the consolidated financial statements for 2009, and for presentation and examination of the Chairman's draft report on internal control and risk management.

In June, the Committee focused on the internal audit activity, reviewed remuneration of the Statutory Auditors, and the results of the study of IT risks; finally, it examined the state of relations with Lagardère Capital & Management (LC&M).

The purpose of the July Audit Committee meeting was to examine the financial statements for the first half-year of 2010.

In October, the meeting examined the Audit Committee's role and missions in the light of the report published on 22 July 2010 by the working group set up by the AMF. The Committee noted that some of the recommendations contained in the report were already applied, and decided to apply all of them except for those not considered relevant to the tasks assigned to the Supervisory Board of a French limited partnership with shares.

It also heard a presentation of litigation and a report on risk mapping.

At the last meeting of the year in November, the agenda concerned the end of the risk mapping presentation, a review of internal audit activities during the second half-year and the audit plan for 2011.

These meetings took place in the presence of the Chief Financial Officer, the Director of Internal Audit and the Statutory Auditors. They were also attended by the senior executives concerned by the issues on the agenda, particularly the Head of Management Control, the Central Accountancy Director, the Group's Legal Director, the Director of Risks and Internal Control, and the Head of Group Information Systems.

When the Audit Committee reviewed the financial statements, the Chief Financial Officer gave a presentation of risk exposure and significant off-balance sheet commitments.

Audit Committee members reserve the right to interview the Statutory Auditors without the Management in attendance.

APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee was formed on 27 April 2010 by the Supervisory Board.

In application of its internal rules, the Committee meets at least twice a year, and its tasks include the following:

Regarding Board and Committee membership:

- to select and nominate Supervisory Board and Committee members for proposal to the Supervisory Board;
- to regularly review the independence of Supervisory Board members in the light of independence criteria defined by the Supervisory Board;
- to carry out advance assessments of potential risks of conflicts of interests between Supervisory Board members and the Lagardère group.

Regarding remuneration:

- to monitor, where relevant, any components of remuneration that are not paid under the agreement with Lagardère Capital & Management (which, being a regulated agreement is monitored by the Audit Committee – see above) and may be received by Lagardère's senior executives directly from Group companies. Under current laws, this concerns stock purchase or subscription options and free shares awarded;
- to propose the amount of attendance fees to be paid to members of the Supervisory Board and Committees as submitted to the general shareholders' meeting, and the rules for determining and distributing the amount of attendance fees between members of the Supervisory Board and Committees, in particular based on members' attendance record at meetings.

The members of the Appointments and Remuneration Committee interview the Chairman of the Supervisory Board, the Managing Partners or any other person they may choose when necessary.

The Chairman of the Appointments and Remuneration Committee reports to the Board on the work done by the Appointments and Remuneration Committee.

The Appointments and Remuneration Committee met twice during 2010 in July and October, with attendance rates of 100% and 66% respectively.

The first meeting, in July, was held to define the Committee's operation and internal rules, which were subsequently submitted to the Supervisory Board for approval.

At the second meeting, in October, the Committee proposed the remuneration of the Chairman of the Supervisory Board, heard a presentation on the remuneration methods for members of the Executive Committee, examined the distribution of attendance fees and the Supervisory Board's membership (particularly in the light of members' independence) and prepared the criteria that will govern selection of new members.

These meetings were attended by Mr Pierre Leroy, Co-Managing Partner.

COMPLIANCE WITH FRENCH CORPORATE GOVERNANCE REGULATIONS – AFEP-MEDEF

The Company has applied the corporate governance principles brought together in the AFEP-MEDEF *Code de Gouvernement d'Entreprise des Sociétés Cotées* (Code of Corporate Governance for Listed Companies) revised in April 2010. This Code is available from the Corporate Governance section of Lagardère's website.

As stated in the Introduction to the Code, most of the recommendations it contains have been established with reference to companies with a board of directors. Companies with a management board and supervisory board, and limited partnerships with shares, must make the necessary adjustments. By its very principle, a limited partnership with shares has strict separation of powers between the managing partners who run the company (and thereby the general partners who have unlimited liability), and the supervisory board, which only reviews management actions after completion and does not participate in management.

Given Lagardère's specificities in terms of French law and its own by-laws as a limited partnership with shares, the Board has adopted an organisation structure appropriate to the nature of its work under the law and the recommendations of the AFEP-MEDEF Code for good governance.

The following comments concern the few recommendations not applied by Lagardère, and others not applied until recently but which the Board has decided to adopt.

A) INDEPENDENCE OF BOARD MEMBERS

In view of its control duties, the Board considers it necessary to have a majority of independent members (see above).

Each member's situation has therefore been examined in the light of the "criteria" for independence contained in the AFEP-MEDEF Code, which it has taken as a benchmark framework for analysis.

It has thus been decided:

- that Mrs Chêne's former employee status does not disqualify her as an independent member, since she benefited from a protective legal status due to her functions as union representative on the Group Employees' Committee. However, this criterion has been applied for Mr. Raymond H. Lévy;
- that the fact of having been a Board member for more than twelve years, which is the case for Mr. Mirat, does not disqualify him as an independent member; on the contrary, it is considered an asset in a control role;
- that the fact of being, or having been, a member of the Board of Directors or Supervisory Board of a company consolidated by Lagardère SCA does not affect the independence of Mr. François David, who was a director of EADS from 2004 to 2007.

B) TERMS OF OFFICE

It was previously considered that for a Supervisory Board whose members should have sound experience of the Company's business, a six-year term of office, which is longer than the Code's recommendation of four years, was highly appropriate. Furthermore, given the number of members, with a six-year term one third of the Board could be renewed regularly, every two years.

The Board reviewed its position in 2010 as it prepared to renew some of its members, and decided to reduce the term of office progressively from six to four years, in line with the position adopted by most listed companies. To move towards renewal of half of the Board rather than one third every two years, the terms of office renewed by the Shareholders' Meeting of 27 April 2010 were fixed at two years, while the terms of new members will be four years, such that some Board members will have two-year terms and others four-year terms, to expire at the end of the shareholders' meetings called respectively in 2012 and 2014 to approve the financial statements for the previous year.

C) STRUCTURE OF THE BOARD

As the Supervisory Board's mission is essentially to control the Company's accounts and management operations, it has set up an Audit Committee consisting of seven members (five of whom qualify as independent under the criteria discussed above). The Audit Committee carries out preparatory work for Board meetings mainly in the fields of accounting, finance and audit.

In 2010 the Board formed an Appointments and Remuneration Committee, in charge of (i) preparatory work for the Board's decisions concerning appointments of Supervisory Board members and (ii) preparatory work for Supervisory Board decisions required by the law or the AFEP-MEDEF corporate governance code regarding indirect remuneration for senior executives in the specific case of Lagardère as limited partnership with shares (see "Audit Committee" and "Appointments and Remuneration Committee" above).

D) OPERATION OF THE BOARD

As recent regulations have significantly increased the workload for both the Board and its Audit Committee, leading to a progressive rise in the number of meetings, the Supervisory Board has decided to introduce a formal self-evaluation procedure from 2009, with the primary aim of assessing the preparation and quality of its own work and the work of its Committees.

Consequently, the Supervisory Board carried out its first self-evaluation in 2010 (concerning its operation in 2009).

SPECIFIC RULES FOR ATTENDANCE OF GENERAL MEETINGS BY SHAREHOLDERS

These rules are set out in the by-laws (articles 19 to 22), and mostly reported in Chapter 8, section 8.2.6 - General Meetings of the Reference Document. The Company's by-laws can be consulted on its website (Investor relations – Corporate governance – Articles of Association).

INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

Information on the internal control and risk management procedures used at Lagardère SCA is presented in the Reference Document.

The Group's Risk and Internal Control Division, supported by the Audit and Legal Divisions, have been given the task of defining a method for presentation of internal control and risk management procedures in the Reference Document, and monitor their application.

This includes asking the head of each business division of the Lagardère group to draw up a brief report on internal control and risk management procedures existing in the division, based on supporting documents and predefined specifications. I have examined the corresponding reports.

The analysis by the Risk and Internal Control Division, based on these reports, leads to the conclusion that the internal control and risk management procedures in existence in the Group correspond to the description provided in section 7.4.1 of the 2010 Reference Document.

The internal control and risk management procedures in existence at EADS N.V. are described in the EADS Registration Document, and Canal+ France is covered by Vivendi's internal control and risk management system, which is described in the Vivendi Annual Report. These procedures are not reported in the Lagardère Reference Document.

The Chairman of the Supervisory Board

7.4.3 STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 226-10-1 OF THE FRENCH COMMERCIAL CODE ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF LAGARDÈRE SCA

To the partners,

In our capacity as Statutory Auditors of Lagardère SCA, and in accordance with Article L. 226-10-1 of the French Commercial Code, we hereby report on the report prepared by the Chairman of your Company's Supervisory Board, pursuant to this article for the year ended 31 December 2010.

It is the responsibility of the Chairman of the Supervisory Board to prepare and submit for the Supervisory Board's approval a report on internal control and risk management procedures implemented by the Company. This report must provide the additional information required under Article L. 226-10-1 of the Commercial Code relating to corporate governance.

It is our role to:

- report on our observations regarding the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information, and
- certify that this report includes the additional information required by Article L. 226-10-1 of the Commercial Code, having specified that it is not our role to verify the fairness of this additional information.

We have conducted our work in accordance with the rules of professional practice applicable in France.

INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

The rules of professional practice require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information.

These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;

- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information that we may have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board pursuant to the provisions of Article L. 226-10-1 of the Commercial Code.

OTHER INFORMATION

We certify that the report by the Chairman of the Supervisory Board contains the other information required by Article L. 226-10-1 of the Commercial Code.

Neuilly-sur-Seine and Courbevoie, 8 April 2011

The Statutory Auditors

Ernst & Young et Autres	Mazars
Jeanne Boillet	Bruno Balaire

7.5 TRANSACTIONS CONCLUDED WITH RELATED PARTIES (MANAGING PARTNERS AND MEMBERS OF THE SUPERVISORY BOARD)

7.5.1 TRANSACTIONS CONCLUDED WITH LAGARDÈRE CAPITAL & MANAGEMENT (LC&M)

Lagardère Capital & Management, controlled and chaired by Mr. Arnaud Lagardère and with Mr. Pierre Leroy as Chief Operating Officer, provides an array of management resources and skills to both the Group and each of its component parts, with the following aims:

- over the long term, to guarantee that the Group's operating businesses have the best environment required for expansion;
- to bring them the economic and financial power of a Group with sales of €8 billion;
- to supply the Group with strategic planning and operational services, coupled with high quality management services, including principally:
  - designing and developing economic and financial strategic scenarios; providing project monitoring skills;
  - providing research and follow up concerning major markets and their evolution; assessing factors in different market environments that may create new opportunities for action;
  - keeping a watchful eye on potential investments and divestments;
  - managing business negotiations such as divestments, mergers and acquisitions;
  - orchestrating corporate operations, including state-of-the-art finance and capital management techniques;
  - establishing and maintaining relations in banking and finance, with particular attention to the characteristics of the various countries in which the Group does or plans to do business;
  - enhancing human resources by attracting high-potential management personnel;
  - providing overall management of the Group's image.

To attain these goals and accomplish its mission, Lagardère Capital & Management employs the principal senior managers forming the Group's Executive Committee. The role of the Executive Committee, in collaboration with the Managing Partners, is to develop and ensure the application of Group strategy, to lead the Group's development, to take the resultant necessary decisions and implement them globally at Parent Company level and in the Group's different business activities. Lagardère Capital & Management is responsible for paying the entire remuneration and related working expenses of these managers, and the fees of outside French or international consultants that may be required.

Lagardère Capital & Management's mission is carried out within the framework of its agreement with Lagardère Ressources (formerly Matra Hachette Général). This agreement is described each year in the Auditors' Special Report issued under article L. 226-10 of the French Commercial Code and published in the annual report.

Since 2004, the remuneration of Lagardère Capital & Management is equal to the amount of expenses it incurs in carrying out its mission, plus a margin of 10%, with an absolute upper limit set at €1 million. Expenses charged are examined for each fiscal year by the Audit Committee, which pronounces an opinion on the way they are changing.

After examination by the Audit Committee, this remuneration package was approved by the Supervisory Board on 12 March 2004.

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As a result, in 2010, Lagardère Capital & Management invoiced €23.3 million to the Group. Payroll costs recorded by Lagardère Capital & Management amounted to €19.5 million. This figure corresponds to €11.7 million for gross salaries, not including payroll taxes and the pension provision. After deducting other expenses (support costs reimbursed to the Group for €1.9 million and fees and miscellaneous expenses for €0.9 million), this left operating profit after tax from the above agreement of €0.662 million.

7.5.2 TRANSACTIONS CONCLUDED WITH MEMBERS OF THE SUPERVISORY BOARD

See sections 7.2.4 to 7.2.4.4.

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CHAPTER 8

Other information on the Company

8.1 SHARE CAPITAL

8.1.1 AMOUNT AND CHANGES IN THE SHARE CAPITAL

8.1.1.1 AMOUNT

On 31 December 2010, the share capital of the Company amounted to €799,913,044.60 and was divided into 131,133,286 shares of par value €6.10 each, all ranking pari passu and fully paid.

8.1.1.2 CHANGES IN THE SHARE CAPITAL OVER THE LAST SIX YEARS

Amounts

Years	Type of operations	Number of shares	Nominal amount (in euros)	Premium (in euros)	Total share capital (in euros)	Total number of shares
2005	Exercise of share subscription options	1,223,435	7,462,953	32,291,722	866,456,932	142,042,120
2006		649,111	3,959,577	24,764,519	870,416,509	142,691,231
2007	Reduction of share capital	(8,561,474)	(52,224,991)	(437,478,371)	818,191,517	134,129,757
	Exercise of options	3,529	21,526	198,368	818,213,044	134,133,286
2008	Reduction of share capital	3,000,000	18,300,000	(121,807,204)	799,913,044	131,133,286
2009	-	-	-	-	799,913,044	131,133,286
2010	-	-	-	-	799,913,044	131,133,286

As shown in the above table, all changes in the share capital over the last six years result from the exercise of share subscription options by employees and the share capital reduction by cancellation of treasury shares.

8.1.2 TREASURY STOCK

8.1.2.1 AMOUNTS

At 31 December 2010, the Company directly held 4,098,948 of its own shares (par value: €6.10), representing 3.13% of the total share capital at that date. The total cost of these shares was €156,688,679.89.

Based on the average weighted market price of Lagardère SCA's shares in December 2010 (€30.78 per share) a provision of €30,540,890.87 was recorded, reducing the total carrying value of treasury shares directly held by the Company to €126,147,789.02.

8.1.2.2 SHARE BUYBACK PROGRAMMES: SHARES ACQUIRED, SOLD, TRANSFERRED OR CANCELLED

A) *OPERATIONS CARRIED OUT IN 2010*

Due to the economic and financial environment, buyback operations carried out by the Company in 2010 under the authorisations granted by the General Meetings of 28 April 2009 and 27 April 2010 only related to the last of the following four major objectives: remittal of shares to beneficiaries of purchase option plans or free share allocation plans, reduction of the share capital, acquisition of shares for retention in view of future transfers or exchanges in consideration for acquisitions, and ensuring proper liquidity of the market for Lagardère SCA's shares through a liquidity contract.

1. Acquisitions and utilisations

Under the €20 million (maximum) liquidity contract signed in mid-October 2008 and renewed every year with Crédit Agricole Cheuvreux, in order to maintain liquidity of its shares in 2010, the Company:

- acquired 1,051,621 shares for a total price of €29,707,985.70 or an average per-share price of €28.25;
- sold 1,191,621 shares for a total price of €33,797,791.54 or an average per-share price of €28.36.

2. Partial reallocation for other uses

(none)

B) *POSITION AT 31 DECEMBER 2010*

At the end of 2010, the 4,098,948 shares directly held by the Company representing 3.13% of the share capital were allocated as follows:

- 1,599,250 shares for future allocation to employees, representing 1.22% of the share capital;
- 2,476,698 shares for retention in view of future transfers or exchanges in consideration for acquisitions, representing 1.89% of the share capital;
- 23,000 shares for ensuring proper liquidity of the market for Lagardère SCA's shares, representing 0.02% of the share capital.

Lagardère also held rights to purchase 5,791,141 shares from Barclays Bank Plc in the form of call options at the prices stated below, for subsequent resale at the same prices to Group employees benefiting from the stock purchase option plans awarded between 2003 and 2006.

Details of call options

Date of Plan	Number of shares to be acquired	Exercise price (in euros)	Expiry date for call options
2003	1,214,132	51.45	18 December 2013
2004	1,360,420	51.92	20 November 2014
2005	1,501,989	56.97	21 November 2011
2006	1,714,600	55.84	14 December 2012

C) *OPERATIONS CARRIED OUT UNDER THE AUTHORISATION GRANTED BY THE GENERAL MEETING OF 27 APRIL 2010*

The General Meeting of 27 April 2010 renewed the authorisation granted to the Managing Partners by the General Meeting of 28 April 2009 to acquire Lagardère SCA shares representing up to 10% of the share capital, for a maximum amount of €500 million, and at a maximum per-share purchase price of €50, mainly for the following purposes:

- allocation to employees;
- retention in view of future transfers or exchanges in consideration for acquisitions;
- ensuring proper liquidity of the market for Lagardère SCA's shares, within the framework of a liquidity contract signed with an independent investment services firm, whose terms and conditions comply with the Code of Conduct recognised by the French Financial Market Authority (AMF);
- reduction of the share capital by cancelling all or some of the shares purchased.

The corresponding share buyback programme was described in a press release issued on 18 May 2010.

This authorisation was granted for an 18-month period starting on 27 April 2010.

Under this authorisation, between 27 April 2010 and 31 March 2011, the Company acquired 667,973 shares for a total price of €19,906,649.24, and sold 601,973 shares for a total price of €17,885,142.08 on the market, under the liquidity contract referred to above.

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The Annual General Meeting of 10 May 2011 will be asked to renew this authorisation.

8.1.3 OTHER SECURITIES AND RIGHTS GRANTING ACCESS TO THE COMPANY'S SHARE CAPITAL

8.1.3.1 SECURITIES

None of the existing securities grant or potentially grant immediate or future access to the Company's share capital.

8.1.3.2 SHARE SUBSCRIPTION OPTIONS

At 31 December 2010, there were no subscription options outstanding which if exercised would result in the issue of an equivalent number of new shares, the last share subscription plan having expired in December 2007.

8.1.3.3 FREE SHARE ALLOCATIONS

The shares due to be remitted to employees in 2011, 2012, 2013 and 2014 as a result of free share allocations made in 2009 and 2010 will be new shares created through a capital increase by capitalisation of reserves; the maximum number of shares to be created for that purpose would amount to 1,206,475 shares of €6.10 par value each, representing a maximum share capital dilution of 0.92% which could be offset by cancellation of an equivalent number of treasury shares.

8.1.4 AUTHORISED, UNISSUED SHARE CAPITAL

The Combined General Meeting of 28 April 2009 authorised the Managing Partners, for a period of 26 months:

- to issue, with or without preferential subscription rights, securities granting immediate or future access to the Company's capital, within the following limits:
  - maximum nominal amount of capital increases which may result from authorised issues, representing 37.5% of the existing share capital: ≃ €300 million
  - maximum authorised for bond issues: €2,500 million
- to increase the share capital by incorporating reserves or share premiums and issue bonus shares to shareholders (or raise the par value of existing shares) within the limit of 37.5%; of the existing share capital: ≃ €300 million
- to issue new shares, allocate free shares or grant share subscription or purchase options to Group employees and senior managers, within the limit of 3% of the number of shares making up the share capital, i.e. a maximum nominal capital increase of: ≃ €24 million
  It being understood that:
  - the annual number of free shares allocated to employees and senior managers of the Group cannot exceed 0.5% of the total number of shares making up the share capital, and the number allocated to each senior manager cannot exceed 0.025%;
  - the annual number of share subscription or purchase options allocated cannot concern more than 1.5% of the total number of shares making up the existing share capital, and the number allocated to each senior manager cannot exceed 0.075%.

Only the authorisation relating to attributions of free shares was used in 2009 and 2010, as follows:

- on 1 October 2009, attribution to 335 persons of 521,525 rights to the allocation of free shares;
- on 31 December 2009, attribution to two senior managers of 50,000 rights to the allocation of free shares.
- on 17 December 2010, attribution to 409 persons of 634,950 rights to the allocation of free shares, including 116,000 attributed to four senior managers.

Concerning securities that do not grant access to the Company's capital, it should be noted that the Meeting of 28 April 2009 renewed the authorisation granted to the Managing Partners to issue, on one or more occasions, bonds and securities other than securities granting access to the Company's capital, up to a maximum amount of €2.5 billion.

8.1.5 PLEDGES OF COMPANY SHARES

8.1.5.1 PLEDGES OF REGISTERED SHARES OF THE COMPANY AT 31 DECEMBER 2010

- Number of shareholders: 116.
- Number of shares: 12,646,294, or 9.64% of the share capital.

8.1.5.2 PLEDGES OF COMPANY SHARES REGISTERED IN THE NAMES OF SHAREHOLDERS HOLDING MORE THAN 0.5% OF THE SHARE CAPITAL AT 31 DECEMBER 2010

These pledges concern 12,184,357 shares held by Lagardère Capital & Management, or 9.29% of the share capital.

8.1.6 STOCK MARKET INFORMATION

8.1.6.1 GENERAL

- Number of shares making up the share capital at 31 December 2010: 131,133,286.
- Number of shares listed on 31 December 2010: 131,133,286.
- Listed: NYSE-Euronext Paris – *Compartiment A*.

8.1.6.2 DIVIDENDS, SHARE PRICES AND TRADING VOLUMES

Dividends per share

Year of payment	Number of shares entitled to dividend	Net dividend (€ per share)	Tax credit (€ per share)	Gross dividend (€ per share)	Total dividends (€ million)
2006	139,648,467	1.10	None	1.10	153.61
2007	133,685,820	1.20	None	1.20	160.42
2008	130,128,551	1.30	None	1.30	169.17
2009	126,812,338	1.30	None	1.30	164.86
2010	127,031,812	1.30	None	1.30	165.14

Any dividend not claimed within five years from the due date lapses and is paid to the French Treasury.

Trading volumes and changes in Lagardère SCA share price

Year/Month	High for month (in €)	Date of high	Low for month (in €)	Date of low	Closing price (in €)	Average opening price (in €)	Average closing price (in €)	Number of shares traded	Total amount traded (in € million)	Number of trading days
2007										
January	63.30	18 Jan.	58.45	26 Jan.	60.40	61.02	61.06	16,074,426	979.06	22
February	61.05	1 Feb.	56.80	28 Feb.	58.09	59.99	60.00	11,302,068	676.99	20
March	61.98	1 March	55.28	14 March	57.64	57.38	57.55	21,818,528	1,258.60	22
April	59.45	23 April	57.11	2 April	57.92	58.12	58.11	12,618,669	732.32	19
May	62.20	31 May	56.81	11 May	62.06	59.63	59.87	17,864,818	1,068.92	22
June	65.29	15 June	59.50	8 June	64.45	62.74	62.88	18,718,946	1,176.37	21
July	64.38	2 July	57.70	31 July	58.32	62.24	62.01	16,175,072	993.34	22
August	60.07	31 Aug.	56.00	17 Aug.	59.91	58.04	58.17	18,223,501	1,061.01	23
September	60.90	13 Sept.	56.79	10 Sept.	59.69	59.09	58.98	12,708,022	750.61	20
October	62.90	2 Oct.	56.92	3 Oct.	58.34	58.53	58.65	17,627,123	1,035.78	23
November	58.76	1 Nov.	51.62	22 Nov.	54.85	54.90	54.85	13,338,149	730.37	22
December	56.16	7 Dec.	50.15	31 Dec.	51.29	53.72	53.56	10,335,395	559.24	19
2008										
January	54.68	8 Jan.	42.63	22 Jan.	49.03	49.26	49.01	20,061,923	984.48	22
February	54.02	27 Feb.	46.77	7 Feb.	52.20	50.30	50.29	16,425,586	828.66	21
March	52.84	5 March	44.80	17 March	47.36	48.53	48.29	14,515,191	701.01	19
April	49.92	2 April	45.10	17 April	46.19	47.14	47.02	14,668,638	689.05	22
May	47.40	16 May	44.14	28 May	46.40	45.86	45.92	21,317,292	975.94	21
June	47.93	6 June	35.80	30 June	36.17	41.95	41.46	21,055,732	881.54	21
July	36.45	30 July	30.06	15 July	35.35	33.46	33.50	27,741,101	922.62	23
August	39.30	15 Aug.	34.63	4 Aug.	38.20	37.69	37.88	14,533,230	549.20	21
September	39.48	2 Sept.	30.10	30 Sept.	31.69	36.14	35.89	22,078,965	782.05	22
October	33.16	2 Oct.	23.56	10 Oct.	31.00	28.61	28.47	31,909,460	904.49	23
November	34.30	5 Nov.	24.91	21 Nov.	28.72	29.26	29.10	15,034,433	440.46	20
December	30.17	10 Dec.	25.65	2 Dec.	29.00	28.10	28.11	12,243,854	343.79	21
2009										
January	31.90	28 Jan.	28.60	23 Jan.	29.86	30.46	30.41	12,950,452	393.50	21
February	31.27	6 Feb.	25.33	27 Feb.	25.85	29.09	28.90	10,751,894	306.96	20
March	25.64	4 March	19.11	13 March	21.13	22.15	21.99	24,688,166	533.57	22
April	24.83	24 April	20.75	1 April	23.90	23.31	23.45	14,720,495	343.92	20
May	25.24	20 May	21.95	13 May	23.57	23.54	23.55	18,567,368	437.68	20
June	24.89	2 June	22.65	18 June	23.67	23.63	23.58	13,386,235	317.72	22
July	29.12	28 July	22.02	13 July	26.20	24.21	24.26	17,488,724	438.25	23
August	30.88	31 Aug.	25.78	18 Aug.	30.04	27.20	27.37	11,395,344	314.33	21
September	33.70	22 Sept.	28.30	2 Sept.	31.83	31.26	31.30	13,471,035	421.20	22
October	35.64	13 Oct.	30.79	30 Oct.	30.80	33.42	33.32	14,377,897	478.88	22
November	32.06	4 Nov.	28.34	27 Nov.	28.36	30.39	30.26	12,220,602	370.69	21
December	30.67	4 Dec.	27.80	18 Dec.	28.41	29.15	29.14	10,344,438	301.64	22
2010										
January	29.62	19 Jan.	26.96	27 Jan.	28.10	28.43	28.40	14,112,176	400.14	20
February	28.89	4 Feb.	26.18	16 Feb.	26.81	27.30	27.16	12,979,420	354.06	20
March	30.21	26 March	26.24	11 March	29.96	28.01	28.17	20,120,292	561.88	23
April	32.95	14 April	28.94	28 April	30.38	31.21	31.23	15,284,064	475.73	20
May	30.68	3 May	25.00	25 May	26.19	27.26	27.12	19,103,922	524.48	21
June	28.47	21 June	25.23	8 June	25.71	26.77	26.75	10,798,941	289.16	22
July	28.56	27 July	24.08	7 July	28.26	26.27	26.38	8,139,769	214.64	22
August	29.75	27 Aug.	27.02	20 Aug.	28.42	28.39	28.42	9,536,146	271.43	22
September	30.60	21 Sept.	27.76	6 Sept.	28.65	29.29	29.27	17,933,813	527.05	22
October	30.88	29 Oct.	27.88	4 Oct.	30.64	28.68	28.78	8,542,619	247.07	21
November	32.30	3 Nov.	28.45	30 Nov.	28.45	30.48	30.37	10,015,429	306.33	22
December	31.90	29 Dec.	28.70	1 Dec.	30.83	30.65	30.76	9,167,696	280.37	23
2011										
January	36.37	20 Jan.	31.35	3 Jan.	32.50	34.44	34.35	14,900,336	512.01	21
February	33.81	9 Feb.	31.84	24 Feb.	32.61	33.08	33.00	8,114,786	268.03	20
March	33.47	8 March	29.55	17 March	30.12	31.28	31.19	13,993,481	435.11	23

Source : NYSE-EURONEXT Paris.

8.1.7 OPTIONS GRANTED TO THIRD PARTIES ON SHARES MAKING UP THE SHARE CAPITAL OF CERTAIN GROUP COMPANIES

Some investments included in Lagardère SCA's consolidated financial statements are subject to put options for which exercise is conditional on certain events. These commitments are described in the notes to the consolidated financial statements presented in Chapter 6 of this Reference Document. At the date of filing, there were no other put options concerning all or part of any significant investment [1] held directly or indirectly by Lagardère SCA.

8.1.8 SHARE OWNERSHIP STRUCTURE – PRINCIPAL SHAREHOLDERS

8.1.8.1 CHANGES IN SHARE OWNERSHIP STRUCTURE AND VOTING RIGHTS OVER THE LAST THREE YEARS

Shareholders	At 31 December 2010			At 31 December 2009			At 31 December 2008		
	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
Lagardère Capital & Management(*)	**12,610,893**	**9.62**	**14.01**	12,610,893	9.62	13.86	13,513,222	10.31	13.25
French institutional investors	**20,595,221**	**15.71**	**17.54**	26,229,338	20.00	21.34	21,707,721	16.55	19.15
Non-French institutional investors	**83,037,247**	**63.32**	**56.33**	76,720,727	58.51	52.26	79,285,638	60.46	54.13
General public	**9,035,507**	**6.88**	**9.94**	9,526,185	7.26	10.37	10,153,149	7.74	10.87
Employees and Group Savings Plan investment funds	**1,755,470**	**1.34**	**2.18**	1,807,195	1.38	2.17	2,293,608	1.75	2.60
Treasury stock	**4,098,948**	**3.13**	**-**	4,238,948	3.23	-	4,179,948	3.19	-
Total	**131,133,286**	**100**	**100**	131,133,286	100	100	131,133,286	100	100

(*) Mr. Arnaud Lagardère, Lagardère SAS and its subsidiary Lagardère Capital & Management.

Of the 1.34% of capital held by Group employees, 0.58% is held via the Group Savings Plan investment funds or directly under employee profit-sharing and savings schemes required by law.

At 31 December 2010, the share capital was held by 73,068 shareholders.

8.1.8.2 REGULATORY SHAREHOLDING THRESHOLDS CROSSED IN 2010

On 4 October 2010, AllianceBernstein declared that its holding had decreased to below the threshold of 5% of the voting rights.

8.1.8.3 CONCERT WITH OTHER GROUPS

None.

(1) "Significant investments" are shareholdings above €150 million.

8.1.8.4 VOTING RIGHTS

Including the double voting rights attributed to shares registered in the name of the same shareholder for at least four years (see section 8.2.6.4), the total number of rights to vote at meetings at 31 December 2010 was 160,081,326.

However, in application of AMF regulations, the number of voting rights to be taken into consideration for assessing whether regulatory thresholds have been crossed is the gross number, which at 31 December 2010 amounted to 169,078,764.

The total number of voting rights (gross and net) is published every month at the same time as the amount of the share capital.

Under the by-laws, the number of voting rights to be taken into consideration for assessing whether thresholds have been crossed is the total number of rights to vote at meetings, i.e. 160,081,326 at 31 December 2010.

The percentage of voting rights held by Supervisory Board members was 0.03%.

8.1.8.5 PRINCIPAL SHAREHOLDERS

Mr. Arnaud Lagardère, personally and via his two companies, Lagardère SAS and Lagardère Capital & Management (LC&M), is the largest permanent shareholder in the Lagardère group with 9.62% of the capital and 14.01% of the rights to vote at meetings. In accordance with the Company's by-laws (see section 8.2.6.4), all shares which have been registered in the name of LC&M for at least four years carry double voting rights. LC&M's share capital is held by its Chairman, Mr. Arnaud Lagardère, who is also a Managing Partner of Lagardère SCA together with Arco, a subsidiary of LC&M.

Based on declarations of thresholds crossed:

- at 31 December 2010, Qatar Investment Authority held 7.6% of the share capital and 6.22% of the rights to vote at meetings;
- at 31 December 2010, the share held by AllianceBernstein (part of the Axa insurance group) had decreased to 6.46% of the share capital and 5.29% of the rights to vote at meetings; at 31 March 2011, it had decreased to 1.85% of the share capital and 1.43% of the rights to vote at meetings.

8.1.8.6 GROUP TO WHICH THE COMPANY BELONGS

Lagardère SCA is the ultimate holding company of the Lagardère group. See the simplified Group organisation chart at 1 March 2011 in Chapter 4, section 4.3.

8.2 PRINCIPAL PROVISIONS OF THE COMPANY'S BY-LAWS

8.2.1 CORPORATE PURPOSE

Lagardère's purpose is, in France and abroad:

- to acquire any form of interests or investments in all types of corporation or business, whether French or foreign, by any appropriate means;
- to manage any type of security portfolio and to carry out any related spot or future transactions, whether contingent or not;
- to acquire and license any patents, trademarks, and commercial and industrial businesses;
- and more generally, to carry out any commercial, financial, industrial, security and real estate transactions related to the above purposes or to any other purpose related thereto with the aim of fostering the development of the Company's operations.

8.2.2 MANAGING PARTNERS

1. The Company is managed by one or more Managing Partners *(Gérants)*.

Following the death of Mr. Jean-Luc Lagardère on 14 March 2003, the Supervisory Board, at its meeting of 26 March 2003, approved Arjil Commanditée-Arco's proposal to appoint Mr. Arnaud Lagardère as Managing Partner for a six-year term.

For information:

- The Company is now managed by two Managing Partners: Mr. Arnaud Lagardère and the company Arjil Commanditée-Arco;
- On 11 March 2009, the Supervisory Board approved the General Partners' proposal to renew Mr. Arnaud Lagardère's appointment as Managing Partner for a six-year term;
- When Arjil Commanditée-Arco's appointment as Managing Partner was renewed for a further six-year period on 10 March 2010, the Supervisory Board, in application of the provisions of article 14-2 of the by-laws, approved the following persons as the company's legal representatives upon proposal of the General Partners:
  - Mr. Arnaud Lagardère, Chairman and Chief Executive Officer;
  - Mr. Philippe Camus, Deputy Chairman and Chief Operating Officer;
  - Mr. Pierre Leroy, Deputy Chairman and Chief Operating Officer;
  - Mr. Dominique D'Hinnin, Chief Operating Officer;
  - Mr. Thierry Funck-Brentano, Chief Operating Officer.

2. Throughout the life of the Company, any new Managing Partner is appointed unanimously by the General Partners, with the approval of the Supervisory Board or of the General Meeting according to the provisions of article 14 of the by-laws.

3. Each Managing Partner has the broadest possible authority to act in any circumstances in the name of the Company, within the scope of the corporate purpose and subject to the powers expressly attributed by law or the by-laws to meetings of shareholders and the Supervisory Board.

In accordance with the law, each Managing Partner may, in the name of the Company, authorise and grant any sureties, warranties and undertakings which he deems reasonable.

Each Managing Partner may delegate part of his powers to one or more persons, whether or not they are employees of the Company and whether or not such persons have a contractual relationship with the Company. Such delegation in no way affects the duties and liability of the Managing Partner in relation to the exercise of such powers.

4. The Managing Partner(s) must take all necessary care in handling the business of the Company.

5. The age limit for a person who is a Managing Partner is 80 years.

6. The term of office of a Managing Partner cannot exceed six years and is renewable.

A Managing Partner who whishes to resign must inform the other Managing Partners, the General Partners and the Chairman of the Supervisory Board by registered letters with acknoledgment of receipt, at least three months before the date on which the said resignation is to take effect.

In the event that a corporate General Partner which is also a Managing Partner of the Company changes its Managing Partner(s), the Chairman of its Board of Directors and/or its General Manager(s), it is automatically deemed to have resigned as Managing Partner of the Company, with immediate effect. This is also the case on expiry of the approval of such persons given by the Supervisory Board as described in section 8.2.3, or in the event of sale or subscription of shares which the Supervisory Board has not approved as described in section 8.2.3.

When a Managing Partner's office terminates, the management of the Company is carried out by the Managing Partner(s) who remain(s) in office, without prejudice to the right of the General Partners to appoint a new Managing Partner as a replacement, or to renew the appointment of the outgoing Managing Partner, as described in paragraph 2 above.

When a sole Managing Partner's term of office terminates, one or more new Managing Partner(s) are appointed, or the outgoing sole Managing Partner is reappointed, as described in paragraph 2 above. However, pending such appointment(s), the Company is managed by the General Partner(s) who may delegate all necessary powers for the management of the Company until the new Managing Partner(s) has been appointed.

A Managing Partner may be dismissed at any time on the grounds of incapacity (whether as a result of insolvency proceedings or otherwise) or for any other cause, by the unanimous decision of the General Partners, after the Supervisory Board has expressed its opinion as described in section 8.2.3. A Managing Partner may also be dismissed for just cause, by decision of the courts.

8.2.3 SUPERVISORY BOARD

COMPOSITION OF THE SUPERVISORY BOARD (ARTICLE 12)

1. The Company has a Supervisory Board composed of a maximum of 15 members, selected exclusively from shareholders who are neither General nor Managing Partners.
2. The Board members are appointed or dismissed by the shareholders in an Ordinary General Meeting. Shareholders who are also General Partners are not entitled to vote on such resolutions.
3. The term of office of members of the Supervisory Board cannot exceed six years. It terminates at the close of the Annual General Meeting called to approve the financial statements for the preceding year held during the year in which the term of the member expires. Members of the Supervisory Board may be re-elected.

No more than a third of the members of the Supervisory Board may be more than seventy-five years old. If this number is exceeded, the oldest member is automatically deemed to have resigned.

MEETINGS OF THE SUPERVISORY BOARD (ARTICLE 13)

The Supervisory Board appoints one of its members as Chairman, and may if it wishes appoint one or more Deputy Chairmen, to preside over Board meetings.

The Board meets as often as required by the interests of the Company, and once per half-year at least.

Board meetings may be convened by the Chairman or in his absence a Deputy Chairman, or by at least half the Board members, or by each Managing Partner or General Partner.

At least half the Board members must be present for the meeting to validly deliberate.

Its decisions are made by the majority of members present and represented. The Chair has the casting vote in the event of a tied vote.

In calculating the quorum and majority, members attending the meeting via video conferencing or telecommunication technology are considered to be present.

The deliberations are recorded in minutes of the meetings.

POWERS OF THE SUPERVISORY BOARD (ARTICLE 14)

1. The management of the Company is placed under the permanent supervision of the Supervisory Board as provided by law.

   In accordance with the law, the Board prepares a report for each Annual General Meeting called to approve the financial statements of the Company. This report is made available to the shareholders at the same time as the Managing Partners' report and the financial statements.

   In the event of one or more Managing Partners being dismissed by the General Partners, the Board must give its opinion. For this purpose, the Board is notified by the General Partners at least 15 days in advance, and it must give its opinion within 10 days of such notice, which is given by registered letter addressed to the Chairman of the Supervisory Board.

   The Supervisory Board draws up a report on any proposal to increase or reduce the Company's share capital.

If it deems it necessary, after informing the Managing Partner(s) in writing, the Supervisory Board may call an Ordinary or Extraordinary General Meeting of the shareholders, in compliance with the legal provisions relating to notices of meetings.

The Supervisory Board has the right by law to receive the same documents from the Managing Partners as those made available to the Statutory Auditors.

2. The appointment or reappointment of any Managing Partner must be approved by the Supervisory Board. Should Arco be appointed as corporate Managing Partner, the Supervisory Board's approval must be obtained, not in respect of Arco itself, but in respect of its Chairman and general managers.

   The Supervisory Board must grant or refuse its approval within 20 days of receiving notice from the General Partners of the proposed appointment.

   If the Supervisory Board twice refuses to approve an appointment within a period of two months, in respect of two different candidates, while the Company is left without a Managing Partner and is being managed on an interim basis by the General Partners under article 10-6 of the by-laws, approval may be given by a majority vote of the shareholders in an Ordinary General Meeting called by the General Partner(s) at which only one of the two candidates is put forward.

   In the absence of approval from either the Supervisory Board or the General Meeting in accordance with the above, the General Partner(s) designate a third person. If the Supervisory Board fails to approve the appointment of the said third candidate, the appointment is submitted to the shareholders in an Ordinary General Meeting which may only refuse the candidate by a vote of a two-thirds majority of the shareholders present or represented.

3. Should Arco become a Managing Partner of the Company, as from its appointment to such office, no person may become a shareholder in Arco either by acquiring shares in Arco or by subscribing to an increase in its share capital, exercising share warrants or through the conversion or redemption of bonds, without the prior approval of the Supervisory Board, which must approve or refuse the proposed transaction within 20 days of receiving notice, either from Arco or from those shareholders who intend to transfer their shares.

   If such a transaction takes place without the approval of the Supervisory Board, Arco, by virtue of the third paragraph of article 10-6 of the by-laws, is automatically deemed to have resigned from its office as Managing Partner, with immediate effect.

4. Any transaction for the transfer of Arco shares or the issue of securities by Arco which might alter its control immediately or in the future must obtain the prior approval of the Company's Supervisory Board, which must make a decision within 20 days of receiving notice, either from Arco or from those shareholders who intend to transfer their shares.

   If such a transaction takes place without the approval of the Supervisory Board, Arco, by virtue of article 18-5 of the by-laws, will automatically forfeit its status as General Partner, with immediate effect.

5. The approval of the Supervisory Board required in paragraphs 3 and 4 above is automatically deemed to have been given, if the acquiring or subscribing candidate makes a valid public tender offer for all of the Company's shares. Such approval is not required in the event of a transfer of Arco shares through inheritance.

8.2.4 GENERAL PARTNERS (ARTICLE 18)

1. The General Partners *(Associés Commandités)* are:

- Mr. Arnaud Lagardère,
  domiciled at 4 rue de Presbourg – 75116 Paris, France
- Arjil Commanditée-Arco,
  a French corporation with share capital of €40,000
  having its head office at 121 avenue de Malakoff – 75116 Paris, France
  and registered in the Commercial Register under number 387 928 393 RCS Paris.

2. The appointment of one or more new General Partners is decided by the shareholders in an Extraordinary General Meeting, upon the unanimous recommendation of the existing General Partners or Partner.
3. The Company is not wound up in the event of the death or incapacity of a person who is a General Partner, nor in the event of liquidation of a General Partner which is a corporate entity.
4. A person who is a General Partner and is also a Managing Partner loses his status as General Partner, automatically and with immediate effect, if the person is dismissed as Managing Partner for just cause under the terms of article 10-6 of the by-laws.

5. Any corporate entity which is a General Partner automatically loses such status with immediate effect in the event that it effects a sale or subscription of shares which is likely to change its control, when no approval for such a transaction has been given by the Supervisory Board, as provided in article 14-4 of the by-laws.

In both cases the by-laws are automatically amended to reflect this change. The amendment is recorded and published by a Managing Partner, or in the absence of a Managing Partner, by a General Partner or by the Supervisory Board.

Arjil Commanditée-Arco's unconsolidated financial statements for 2010 are as follows (in thousands of euros):

Balance sheet

Assets	
Accounts receivable	20,327
Cash and cash equivalents	2
Total	20,329
Liabilities and shareholders' equity	
Shareholders' equity	19,495
Accounts payable	834
Total	**20,329**

Statement of income

Operating revenues	0
Operating expenses	25
Operating loss	*(25)*
Financial income	785
Financial expenses	1
Net financial profit	*784*
Non-operating profit	*0*
Income tax expense	253
Net profit for the year	**506**

RIGHTS OF THE GENERAL PARTNERS (ARTICLE 18 B)

General Partners who are not also Managing Partners (*commandités non-gérants*) do not participate directly in the management of the Company, except as described in article 10-6 of the by-laws (absence of Managing Partner).

They exercise all the prerogatives attributed to their status by law and the by-laws.

By reason of the unlimited joint and several liability they assume, General Partners who are not also Managing Partners have the right of access to all books and documents of the Company and to ask the Managing Partners any questions concerning the management of the Company, in writing. The Managing Partners must answer such questions in writing as promptly as possible. In addition, in consideration for their unlimited joint and several liability, General Partners are entitled to specific remuneration calculated in accordance with the provisions of article 25 of the by-laws.

DECISIONS OF THE GENERAL PARTNERS (ARTICLE 18 C)

1. The General Partner(s) take decisions either in meetings or by written consultation (ordinary letter, telex, telegram, fax, etc.).
2. In the event of a written consultation, each General Partner has a period of 15 days to inform the Managing Partners of his decision on each of the draft resolutions. A General Partner who does not reply within this period is considered to have voted against the resolution.

3. Decisions taken by the General Partner(s) are recorded in minutes stating, inter alia, the date and method of consultation, the report or reports made available to the General Partner(s), the text of the resolutions and the result of the voting.

   The minutes are drawn up by the Managing Partners or by one of the General Partners, and signed by the General Partner(s) and/or the Managing Partner(s), as the case may be.

   Copies or extracts of the minutes are validly certified as true copies either by the Managing Partner, or by one of them if there are more than one, and by the General Partners.

8.2.5 REQUIREMENTS FOR CHANGING SHAREHOLDERS' RIGHTS

Any change in the rights of shareholders as defined in the Company's by-laws requires:

- a unanimous decision by the General Partners;
- a decision by the Extraordinary General Meeting, passed by a two-thirds majority of the votes of shareholders present or represented.

8.2.6 GENERAL MEETINGS OF SHAREHOLDERS

8.2.6.1 GENERAL (ARTICLE 19)

General Meetings are called either by the Managing Partners or by the Supervisory Board, or by any other person having the right to do so by virtue of law or the by-laws of Lagardère.

General Meetings are held at the head office or at any other place as indicated in the notice of meeting. Notices of meeting are issued in the manner and within the time period provided by law and regulations.

General Meetings are chaired by the Managing Partner or one of the Managing Partners if there are several. If the meeting is called by the Supervisory Board, it is chaired by its Chairman or by a member of the Supervisory Board appointed to this effect. Where the meeting has been called by any other person legally empowered to do so, the meeting is chaired by the person who called the meeting. If the person entitled or appointed to chair the meeting fails to do so, the meeting itself elects its chair.

The vote tellers *(scrutateurs)* are the two shareholders having the greatest number of shares, either directly or by way of proxy, and who are present and willing to be tellers.

The vote tellers thus designated constitute the officers of the meeting *(bureau)*, and appoint a secretary who need not be a shareholder.

The officers of the meeting verify, certify and sign the attendance sheet, ensure that discussions are properly held, settle any differences which may arise in the course of the meeting, count the votes cast, verify that voting procedures are properly observed and that minutes of the meeting are drawn up.

Minutes recording the deliberations of each meeting are entered in a special register signed by the officers of the meeting. Minutes drawn up and recorded in this form are considered to be a true transcript of the meeting. All copies of or extracts from the minutes must be certified by one of the Managing Partners, by the Chairman of the Supervisory Board, or by the secretary of the meeting.

8.2.6.2 ORDINARY GENERAL MEETINGS (ARTICLE 20)

The annual Ordinary General Meeting examines the management report prepared by the Managing Partners, the report of the Supervisory Board and the reports of the Statutory Auditors; it discusses and approves the Parent Company financial statements for the previous year and the proposed allocation of net profit, in accordance with the law and the by-laws. In addition, the annual Ordinary General Meeting and any other Ordinary General Meeting may appoint or dismiss the members of the Supervisory Board, appoint the Statutory Auditors and vote on all questions within its authority and placed on the agenda, with the exception of those matters defined in article 21 of the by-laws as being exclusively within the authority of an Extraordinary General Meeting.

No resolution can be adopted by an Ordinary General Meeting without the unanimous prior consent of the General Partner(s), with the exception of resolutions concerning the election, resignation or dismissal of members of the Supervisory Board and the appointment of a Managing Partner, where the Supervisory Board has exercised its right of veto twice within two months (see section 8.2.3 – Powers of the Supervisory Board). The consent of the General Partner(s) must be obtained by the Managing Partners prior to the Ordinary General Meeting.

All resolutions are adopted by a majority of the votes cast by the shareholders present or represented, including votes cast by mail, except as expressly provided in the last section of paragraph 2 of section 8.2.3.

8.2.6.3 EXTRAORDINARY GENERAL MEETINGS (ARTICLE 21)

The Extraordinary General Meeting may validly decide on:

- any amendment of the by-laws for which approval by an Extraordinary General Meeting is required by law, including, but not limited to, the following, subject to the provisions of the by-laws:
  - increase or reduction of the Company's share capital;
  - changes in the terms and conditions of share transfers;
  - changes in the composition of Ordinary General Meetings or shareholders' voting rights at Ordinary or Extraordinary General Meetings;
  - changes in the purposes of the Company, its duration or its head office, subject to the powers granted to the Managing Partners by the by-laws to transfer the Company's head office;
  - transformation of the Company into a company having another legal form, such as a corporation *(société anonyme)* or a limited liability company *(société à responsabilité limitée)*;
- winding-up of the Company;
- merger of the Company;
- and all other matters on which an Extraordinary General Meeting may validly decide in accordance with law.

No resolution can be passed by the Extraordinary General Meeting without the unanimous prior consent of the General Partner(s). However, where there are several General Partners, a resolution to transform the Company into a company having another legal form requires the prior consent of only a majority of the General Partners.

The consent of the General Partner(s) must be obtained by the Managing Partners, in advance of the Extraordinary General Meeting in question.

8.2.6.4 ATTENDANCE AND REPRESENTATION AT MEETINGS, PROXIES, DOUBLE VOTING RIGHTS (ARTICLE 19)

Any shareholder has the right to attend General Meetings and to take part in the discussions, either personally or through a proxy, subject to presenting proof of identity and providing that the shares have been registered in his name in the Company's shareholder accounts since at least the third business day (00.00, Paris local time) prior to the meeting.

Subject to statement of the relevant decision by the Managing Partners in the public notice of a meeting and the notice sent personally to shareholders, shareholders may participate in General Meetings by means of video conferencing technology, and vote by electronic means of communication. It is the Managing Partners' responsibility to define the practicalities of this method of attendance and voting after consulting the Supervisory Board. The technologies used must be capable of continuous, simultaneous transmission of the discussions and shareholder and proxy identity authentication, and guarantee vote confidentiality and security.

A shareholder who does not personally attend the meeting may choose one of the three following possibilities:

- to give a proxy to another shareholder or to his or her spouse [1]; or
- to vote by mail; or
- to send a blank proxy form to the Company without naming a proxy, in accordance with the applicable laws and regulations.

In this last case, the Chair of the General Meeting will cast a vote in favour of all draft resolutions presented or approved by the Managing Partners and a vote against all other draft resolutions. In order to cast their votes differently, shareholders must choose a proxy holder who agrees to vote as instructed by them.

(1) In application of the Ordinance of 9 December 2010, in a company listed on a regulated market, proxies may now be given to any person without restriction.

If a shareholder decides, after a decision by the Managing Partners in accordance with the provisions of the second paragraph of this section, to vote by mail, give a proxy to another shareholder, or send a blank proxy form to the Company without naming a proxy, by sending the relevant form by an electronic means of communication, his electronic signature must:

- be in the form of a secure electronic signature as defined in the applicable provisions of law;
- or result from use of a reliable identification process guaranteeing his association with the document to which it is attached, or any other identification and/or authentication process considered acceptable by the applicable provisions of law.

At each meeting, shareholders have a number of votes equal to the number of shares they own or represent, as evidenced by the share register on the fifth business day prior to the meeting. However, double voting rights – two votes for each share – are attributed to all those shares which are fully paid-up and have been registered in the name of the same shareholder for at least four years. Shareholders entitled to double voting rights on the date on which the Company was transformed into a limited partnership with shares retain their double voting rights.

Furthermore, if the Company's share capital is increased by capitalisation of reserves, profits or issue premiums, a double voting right is granted from the date of issue for free registered shares distributed to the holder of shares which already carry double voting rights.

Transfer of title to a share results in the loss of the double voting right. However, transfer as a result of inheritance, liquidation of community property between spouses or an *inter vivos* gift to a spouse or relative automatically entitled to inherit under French law does not cause existing double voting rights to lapse, nor does it interrupt the four-year period referred to above. Similarly, the merger or demerger of the Company has no effect on the double voting rights which may be exercised within the resulting company or companies if the by-laws of the said companies recognise these rights.

Voting rights are exercised by the owner even if the shares are pledged, and by the usufruct owner *(usufruitier)* at Ordinary General Meetings and the bare owner *(nu-propriétaire)* at Extraordinary General Meetings.

8.2.7 REQUIREMENTS FOR A CHANGE IN CONTROL OF THE COMPANY

As stated at the beginning of Chapter 7, section 7.1, a limited partnership with shares has two categories of partner: General Partners and limited partners (or shareholders).

Any change in control of the Company thus implies a change in the composition of both categories of partner. As the Company is listed on the stock exchange, it would be possible for a third party to take control of the capital and associated voting rights through a public takeover bid. However, it would not be possible to take control over General Partners' meetings, and consequently, no third party could single-handedly modify the Company's by-laws.

As any new Managing Partner must be appointed by unanimous decision of the General Partners subject to approval of the Supervisory Board [(1)], the person or entity taking control over the capital and associated voting rights would be unable to appoint new Managing Partners.

Therefore, it is impossible to appoint any new Managing Partners or modify the by-laws without the consent of the General Partners.

In view of these measures, no change in control of the Company could take place without the consent of the General Partners who manage the Company until the end of the period during which the Company is left without a Managing Partner.

8.2.8 DISCLOSURE OF SHAREHOLDINGS EXCEEDING SPECIFIC THRESHOLDS

Without prejudice to the provisions of article L. 233-7 of the French Commercial Code, any shareholder holding directly or indirectly, as defined in said article L.233-7, 1% or more of the voting rights, must, within five days following registration to his account of the shares that brought his holding to or above such threshold, disclose to the Company the total number of shares and voting rights he holds by registered letter with acknowledgment of receipt addressed to the head office.

This procedure must be repeated as described above every time a threshold of a further 1% is crossed.

In the absence of disclosure in the conditions described above, all shares in excess of the threshold for which disclosure should have been made may lose their voting rights for any General Meeting that may be held within a two-year

(1) See section 8.2.3 – Powers of the Supervisory Board, paragraph 2 on the appointment or reappointment of a Managing Partner.

period following the date on which the declaration is finally made, at the request of one or more shareholders together holding 5% or more of the share capital, such request being duly recorded in the minutes of the General Meeting.

In these same circumstances, voting rights attached to such shares for which proper declaration has not been made cannot be exercised by the shareholder at fault, nor may he delegate such rights to others.

In accordance with the legal regulations applicable, particularly article 228-II of the French Commercial Code, the Company has the right to obtain at any time from the central securities depositary in charge of the Company's share issue account the name, or corporate name in the case of a corporate shareholder, nationality, date of birth or formation and address of holders of securities carrying immediate or deferred voting rights at its own General Meetings, together with the number of securities held by each of them and the restrictions, if any, that may apply to those securities.

8.3 MAJOR CONTRACTS

8.3.1 MAJOR CONTRACTS BINDING THE GROUP

In the two years immediately preceding publication of this Reference Document, the Company signed the following major contracts (other than those entered into in the normal course of business):

HACHETTE FUJINGAHO AND SUMITOMO CORPORATION: STRATEGIC ALLIANCE IN JAPAN

Hachette Filipacchi Presse and Sumitomo Corporation signed agreements including a plan to develop an e-commerce business around the ELLE brand through Hachette Fujingaho in Japan, selling advertiser-branded products, products selected by *ELLE Japan* magazine and by the *Elle.co.jp* website, and licensed products. It is planned to expand this new business by capitalising on all the media brands owned by Hachette Fujingaho (*ELLE Girl, ELLE Deco, 25 ans, Fujingaho*, etc.) and using Sumitomo's distribution channels (e-commerce, m-commerce, TV shopping, etc).

Under the terms of a conditional contract signed on 14 January 2009 as part of these agreements, Sumitomo Corporation acquired a 34% interest in Hachette Fujingaho from Hachette Filipacchi Presse on 22 May 2009. Hachette Filipacchi Presse continues to hold 66% of the capital of its Japanese subsidiary.

SALE BY HFM US OF FIVE SPECIAL-INTEREST MAGAZINES TO BONNIER CORP.

Hachette Filipacchi Media US (HFM US), Lagardère Active's US subsidiary, and Bonnier Corp. announced on 2 June 2009 that Bonnier had acquired the following five special-interest publications from HFM US: *Popular Photography, Flying, Boating, Sound & Vision* and *American Photo*.

The five titles were sold to Bonnier along with their brand extensions including websites, book publishing, licensing agreements, videos and branded events.

SALE OF VIRGIN 17 TV CHANNEL

Bolloré Média and Lagardère Active (via its subsidiary Lagardère Thématiques) signed a final draft agreement on 9 June 2010 for the sale of the freeview digital terrestrial television channel Virgin 17.

Following cancellation of several conditions for the sale and notification of approval by the French broadcasting authority *Conseil Supérieur de l'Audiovisuel*, on 1 September 2010 Bolloré Média acquired all the shares in MCM SA, the company that broadcasts Virgin 17, and took over the personnel who work on the channel.

The channel has been renamed by Bolloré Média, which did not purchase the Virgin 17 brand.

ACQUISITION OF BEST

As part of the creation of Lagardère Unlimited, on 23 April 2010 the Lagardère group acquired the American group Best (Blue Entertainment Sports Television), which specialises in the representation and management of sports and arts/entertainment celebrities.

The Best group is fully consolidated as of 1 May 2010.

8.3.2 CONTRACTS INVOLVING MAJOR COMMITMENTS FOR THE WHOLE GROUP

Lagardère and/or its subsidiaries have also entered into a certain number of major contracts (other than those entered into in the normal course of business) involving an obligation or major commitment for the whole Group. The contracts concerned are the financing contracts referred to in Chapter 6, in note 28 to the consolidated financial statements for 2010, particularly the following:

- On 6 October 2009 Lagardère SCA undertook a five-year €1 billion bond issue on the Luxembourg Stock Exchange regulated market. The bond is redeemable in 2014 and pays an annual coupon of 4.875%;
- The syndicated loan contract signed by Lagardère SCA on 22 June 2005 with a group of 22 French and foreign banks was replaced by a new contract on 26 January 2011 (see Chapter 9, section 9.1.1.1). An amount of €612,289,843 had been drawn on this loan at 31 December 2010;
- On 24 July 2003, Lagardère SCA signed a financing contract with a group of private US investors for an amount of €150 million. This loan is similar to bond issues and is classified as such for accounting purposes. It is redeemable on 24 July 2013; the original fixed rate was immediately swapped to variable rates. On 21 January 2001, Lagardère SCA had signed a similar financing contract with another group of private US investors for an amount of US$500 million. The third and last tranche was reimbursed on 31 January 2011 (see Chapter 9, section 9.1.1.2).

8.4 REAL ESTATE PROPERTY

The total gross value of property, plant and equipment belonging to the Lagardère group (land, buildings, machinery and equipment, assets under construction) is €1,615 million.

This includes the gross value of land (€151 million) and buildings (€500 million). The net book value of land and buildings is €358 million, i.e. approximately 3% of the balance sheet total, and includes a property with net book value of €68 million at 31 December 2010, rented under an operating lease to the Presstalis group (formerly NMPP); this lease was terminated on 31 December 2009.

In view of the nature of the Group's business activities, the value represented by real estate property is not significant.

CHAPTER 9

Recent developments and outlook

9.1 RECENT DEVELOPMENTS (SINCE 1 JANUARY 2011)

9.1.1 SIGNIFICANT EVENTS

9.1.1.1 SIGNATURE OF A NEW SYNDICATED LOAN CONTRACT FOR THE AMOUNT OF €1,645,000,000, REPLACING THE SYNDICATED LOAN SIGNED ON 22 JUNE 2005 FOR THE AMOUNT OF €2,200,000,000

On 26 January 2011, Lagardère SCA signed a 5-year syndicated loan contract, due to mature in January 2016, with a group of French and foreign banks led by a syndicate of 14 banks, for an amount of €1,645,000,000. This contract replaces the syndicated loan established on 22 June 2005 for an amount of €2,200,000,000. The amount drawn on the loan, which bears variable-rate interest, depends on the occurrence of the Group's needs.

9.1.1.2 REIMBURSEMENT OF THE THIRD AND FINAL TRANCHE OF THE BORROWING UNDERTAKEN BY LAGARDÈRE SCA ON 21 JANUARY 2001

On 31 January 2011, Lagardère SCA reimbursed the third and final tranche of the borrowing subscribed on 21 January 2001 with a group of private US investors for an initial amount of US$500,000,000.

9.1.1.3 AGREEMENT BETWEEN LAGARDÈRE SCA AND HEARST CORPORATION, INC. FOR SALE OF THE INTERNATIONAL MAGAZINE BUSINESS

On completion of the procedures for informing the Lagardère group's employee representative bodies, Lagardère SCA, which had received a firm purchase offer from Hearst Corporation on 30 January 2011, signed an agreement for the sale of its international magazine business to Hearst Corporation, Inc. on 28 March 2011.

- Hearst made cash offer of €651 million for Lagardère Active's international magazine business. The transaction concerns 102 titles in 15 countries (United States, Russia and Ukraine, Italy, Spain, UK, China, Japan, the Netherlands, Czech Republic, Hong Kong, Mexico, Taiwan, Canada and Germany).
- The sale agreement requires signature of a Master License Agreement (MLA) for use of the ELLE brand in the above 15 countries. Lagardère will grant a license to Hearst (for magazines, internet, mobile, and all digital and audiovisual media), which will not affect merchandising licensing. As a result, Lagardère will receive an annual recurring royalty payment from Hearst, based on ELLE net sales generated by Hearst in the 15 countries concerned:
  - based on unaudited 2010 figures, this recurring royalty payment (net of associated expenses) would amount to a contribution of approximately €8 million to Lagardère Active's recurring operating profit before associates;
  - the present value of these future payments is estimated at approximately €70 million (net of tax).
- In some countries, Lagardère will retain the real estate assets currently used by the international magazine business, worth some €30 million.

As owner of the ELLE brand, Lagardère will continue to oversee brand consistency through its management of the ELLE network.

In some countries, the transaction still requires approval from the local partner, or certain governmental authorisations and antitrust clearances.

The sale is expected to take place in the third quarter of 2011.

9.1.1.4 INITIAL PUBLIC OFFERING OF INVESTMENT IN CANAL+ FRANCE POSTPONED

In view of the scale of the catastrophe in Japan, which has caused extreme volatility on the markets, the Lagardère group decided on 16 March 2011 to postpone the IPO of its holding in Canal+ France.

9.1.2 MAJOR CHANGES IN THE GROUP'S FINANCIAL AND COMMERCIAL POSITION

None.

9.1.3 CURRENT TRENDS

9.1.3.1 LAGARDÈRE MEDIA

A) *LAGARDÈRE PUBLISHING*

As expected, sales recorded by Lagardère Publishing in the early part of 2011 show a moderate decline in comparison to 2010. This downturn is partly caused by the great success of Stephenie Meyer and the exceptional popularity of Nicholas Sparks' books in the US in the first half of 2010.

Sales of electronic books were good in the first few months of the year in both the US and the UK, driven by Christmas sales of "electronic readers".

B) *LAGARDÈRE ACTIVE*

Future trends in advertising revenues remain unclear in the longer term, and the first quarter (especially January and February) is traditionally a "low season".

The beginning of 2011 saw a slight rise, in line with annual growth assumptions (+3%). International business generally performed better than France, especially Radio activities in Russia and magazines in China, Russia and the US.

Magazine circulation figures were down, in line with the market.

C) *LAGARDÈRE SERVICES*

The start of the year benefited from the ongoing positive trend in France and in airports. Elsewhere, trends varied, with mixed results in February. Due to seasonal effects in the business, results are lower in the first half than the second half of the year.

D) *LAGARDÈRE UNLIMITED*

Lagardère Unlimited began the year 2011 with growth due to a more favourable calendar of sports events than in 2010.

9.1.3.2 EADS

Information on current trends for EADS was published in the EADS press release of 9 March 2011 (Eads.net).

9.2 OUTLOOK

9.2.1 LAGARDÈRE MEDIA

The target growth in recurring operating profit before associates for the Media segment is approximately 10%, assuming a rise of some 3% in advertising revenues compared to 2010. This target is set for a like-for-like group structure and exchange rates, and thus includes the international magazine business that is to be sold to Hearst.

9.2.2 EADS

The outlook for EADS' was published by EADS in its press release of 9 March 2011 (Eads.net).

9.3 EARNINGS FORECASTS

None.

CHAPTER 10

Documents available to the public

The persons responsible for this Reference Document certify that during the validity of this Reference Document the following documents will be freely accessible in the "Investor Relations" section of the Company's website (www.lagardere.com):

- annual financial reports/reference documents for the last five years;
- interim reports for the last five years;
- monthly information on the share capital and voting rights;
- description of share buyback programmes;
- Annual General Meeting documents for the last five years;
- by-laws of the Company.

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CHAPTER 11

Cross-reference index

This index provides details of disclosure requirements listed in Annex I of EC regulation 809/2004 and the sections of this Reference Document where such information can be found.

(*) Refers to chapter and section numbers of the Reference Document.

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