Lagardère


# REFERENCE DOCUMENT

## INCLUDING THE ANNUAL FINANCIAL REPORT


2012

# PROFILE

Lagardère

LAGARDÈRE, A WORLD-CLASS PURE-PLAY MEDIA GROUP LED BY ARNAUD LAGARDÈRE, OPERATES IN AROUND 30 COUNTRIES AND IS STRUCTURED AROUND FOUR DISTINCT, COMPLEMENTARY DIVISIONS:

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

**Lagardère SCA**

French partnership limited by shares (*société en commandite par actions*)
with share capital of €799,913,044.60 divided into 131,133,286 shares with a par value of €6.10.

Registered office: 4 rue de Presbourg - 75116 Paris - France

Telephone: + 33 (0)1 40 69 16 00

Lagardère is registered with the Paris Trade and Companies Registry
(*Registre du commerce et des sociétés*) under number 320 366 446

Corporate website: www.lagardere.com

# REFERENCE DOCUMENT

## including the Annual Financial Report

## 2012

The original version of this Reference Document (*Document de référence*) in French was filed with the French financial markets authority (*Autorité des Marchés Financiers* – AMF) on 5 April 2013 in accordance with article 212-13 of the AMF's General Regulations. It may be used in connection with a financial transaction if supplemented 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 *Document de référence*.

# CONTENTS



Items appearing in the Annual Financial Report are cross-referenced with the following symbol AFR

**The Annual Financial Report prepared in accordance with article L.451-1-2 of the French Financial and Monetary Code (*Code monétaire et financier*) and article 222-3 of the General Regulations of the French financial markets authority (*Autorité des Marchés Financiers* – AMF) comprises the information, documents and reports listed below, which are presented in the chapters, sections and pages indicated of the accompanying Reference Document.**

This page is left intentionally blank.

# 1

# PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT AND STATUTORY AUDITORS



Items appearing in the Annual Financial Report are cross-referenced with the following symbol AFR

## 1.1 PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THE REFERENCE DOCUMENT

AFR

### MANAGING PARTNERS

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

## 1.2 DECLARATION BY THE PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT

AFR

### DECLARATION BY THE MANAGING PARTNERS

*"We hereby declare, having taken all reasonable care to ensure that such is the case, that the information set out in this Reference Document is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.*

*We further declare that to the best of our knowledge, the financial statements have been prepared in compliance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all the entities included in the consolidation, and that the accompanying management report (Chapter 3, pages 9 to 15; Chapter 4, pages 17 to 21; Chapter 5, pages 23 to 91; Chapter 6, section 6.1, pages 94 to 95; Chapter 6, section 6.2, pages 96 to 100; Chapter 7, pages 199 to 242; Chapter 8, pages 243 to 256; Chapter 9, pages 257 to 259) provides a fair view of the business, results of operations and financial position of the Company and all the entities included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.*

*We have obtained a letter from the Statutory Auditors issued upon completion of their engagement, confirming that they have read the Reference Document in its entirety and verified the information contained therein relating to the Group's financial position and the financial statements.*

*The historical financial information presented in this document is covered by the Statutory Auditors' reports which can be found on pages 196 to 197 of this Reference Document, and the information included by reference for 2010 and 2011 is covered by the Statutory Auditors' reports contained in pages 212 to 215 of the 2010 Reference Document and pages 214 to 216 of the 2011 Reference Document."*

The Statutory 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.

The Statutory Auditors' report on the consolidated financial statements for the year ended 31 December 2011 contains two observations:

- one concerning note 10 to the consolidated financial statements with respect to impairment losses on goodwill and intangible assets, relating in particular to Lagardère Unlimited;
- the other concerning note 19 to the consolidated financial statements, which presents the accounting treatment applied at 31 December 2011 for the investment in Canal+ France.

The Statutory Auditors' report on the consolidated financial statements for the year ended 31 December 2012 contains two observations:

- one concerning note 10 to the consolidated financial statements with respect to impairment losses on goodwill and intangible assets, relating in particular to Lagardère Limited and Lagardère Active;
- the other concerning note 19 to the consolidated financial statements, which presents the accounting treatment applied at 31 December 2012 for the investment in Canal+ France.

Paris, 4 April 2013

**Arnaud Lagardère** **For Arjil Commanditée-Arco**

Arnaud Lagardère Pierre Leroy

## 1.3 DETAILS OF THE STATUTORY AUDITORS

AFR

| | First appointed | End of current term of office |
|---|---|---|
| **Principal Statutory Auditors** | | |
| Ernst & Young et Autres represented by Jeanne Boillet<br>Tour First, 1, place des Saisons, 92037 Paris-La Défense, France<br>Member of the Versailles Regional Institute | 29 June 1987 | 2017 |
| Mazars represented by Bruno Balaire<br>61, rue Henri-Regnault - 92400 Courbevoie - France<br>Member of the Versailles Regional Institute | 20 June 1996 | 2014 |
| **Substitute Statutory Auditors** | | |
| Auditex<br>Tour First, 1, place des Saisons, 92037 Paris-La Défense, France | 10 May 2011 | 2017 |
| Patrick de Cambourg<br>61, rue Henri-Regnault, 92400 Courbevoie, France | 29 April 2008 | 2014 |

# 2

# CONSOLIDATED KEY FIGURES FOR 2012

# 2.1 CONSOLIDATED KEY FIGURES

| (IN MILLIONS OF EUROS) | 2012 | 2011 | 2010 |
|---|---|---|---|
| **Net sales** | **7,370** | 7,657 | 7,966 |
| **Recurring operating profit before associates(1)** | **339** | 402 | 462 |
| Non-recurring/non-operating items | **(216)** | (1,003) | (184) |
| Income from associates(2) | **105** | 112 | 65 |
| **Profit (loss) before finance costs and tax** | **228** | (489) | 343 |
| Finance costs, net | **(82)** | (95) | (82) |
| Income tax expense | **(40)** | (105) | (67) |
| **Profit (loss) for the year** | **106** | (689) | 194 |
| o/w attributable to minority interests | **17** | 18 | 31 |
| **o/w attributable to owners of the parent** | **89** | (707) | 163 |
| **Total equity** | **2,991** | 3,024 | 4,018 |
| **Net debt** | **1,700** | 1,269 | 1,772 |
| **Goodwill** | **1,799** | 1,837 | 2,583 |
| **Cash used in investing activities** | **648** | 352 | 286 |

*(1) Recurring operating profit before associates is described in note 3.3 to the consolidated financial statements as profit (loss) before finance costs and tax excluding the following income statement items:*
- *Income (loss) from associates;*
- *Gains (losses) on disposals of assets;*
- *Impairment losses on goodwill, property, plant and equipment and intangible assets;*
- *Restructuring costs;*
- *Items related to business combinations:*
  - *Acquisition-related expenses;*
  - *Gains and losses resulting from acquisition price adjustments;*
  - *Amortisation of acquisition-related intangible assets.*

*(2) Before amortisation of acquisition-related intangible assets and impairment losses.*

# 2.2 PER SHARE DATA

| (IN EUROS) | 2012 | | 2011 | | 2010 | |
|---|---|---|---|---|---|---|
| | **basic** | **diluted(1)** | **basic** | **diluted(1)** | **basic** | **diluted(1)** |
| Profit (loss) attributable to owners of the parent, per share | **0.70** | **0.69** | (5.56) | (5.56) | 1.29 | 1.27 |
| Equity attributable to owners of the parent, per share | **22.79** | **22.51** | 23.18 | 22.94 | 30.61 | 30.32 |
| Cash flow from operations before change in working capital, per share | **4.32** | **4.27** | 4.69 | 4.64 | 4.65 | 4.60 |
| Share price at 31 December | **25.285** | | 20.40 | | 30.83 | |
| Dividend | **1.30(2)** | | 1.30 | | 1.30 | |

*(1) The method used to calculate diluted earnings per share is described in note 15 to the consolidated financial statements.*
*(2) Dividend to be approved by the Annual General Meeting on 3 May 2013.*

# 3

# RISK FACTORS



Items appearing in the Annual Financial Report are cross-referenced with the following symbol AFR

The following description concerns the Group's exposure to certain risks considered significant. Risk management procedures are described in section 7.4.1.8 – Risk management procedures.

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

EADS NV and Canal+ France are in charge of their own risk management. The reader is invited to consult the EADS NV Registration Document and the Vivendi Annual Report for 2012 for details of these companies' risk management policies in 2012.

## 3.1 RISKS ASSOCIATED WITH THE ECONOMIC ENVIRONMENT AFR

### 3.1.1 ADVERTISING, PRINT MEDIA AND BROADCASTING RIGHTS MARKETS, AND AIR TRAFFIC

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 partworks, customer numbers in the Group's store locations, especially air travel areas, and revenues directly or indirectly associated with advertising. For example, a 1% downturn in advertising net sales across the whole of Lagardère Active would lead to a decrease of €3 million to €4 million in the division's operating profit over a full year, before any adjustment.

Cuts in the funding allocated by certain governments to buy textbooks can have a negative impact on Lagardère Publishing's business.

In sports events, as was already seen in 2011 and 2012, the financial difficulties encountered by certain broadcasters, mainly in Europe, could lead to bankruptcies and mergers between broadcasters, thereby reducing the intensity of competition among non-premium sports rights broadcasters. Certain broadcasters are also changing their programming strategy by reducing or delaying the sports content that they buy or by subjecting rights holders to tighter financial conditions. This is affecting the net sales and profitability of Lagardère Unlimited.

In addition to the factors that can influence the sale of Group products and services, competition from other well-established or new market players can have a significant impact on the Group's net sales and profitability on its markets, especially when Lagardère Unlimited and Lagardère Services submit a bid in a call for tenders.

All these factors have a direct influence on the growth rate of future cash flows expected by the Group in each of its divisions.

Assumptions (perpetuity growth rate) must be made about these growth rates to determine the impairment losses on goodwill and intangible assets described in note 10 to the consolidated financial statements.

The table below presents the sensitivity, for each division, of these losses to an increase or decrease in the growth rates used, in millions of euros.

| Differences compared with the perpetuity growth rates used for the impairment tests | Lagardère Publishing | Lagardère Active | Lagardère Services | Lagardère Unlimited |
|---|---|---|---|---|
| -1% | (42) | (21) | (13) | (32) |
| -0.5% | (17) | (2) | (6) | (17) |
| 0% | - | - | - | - |
| 0.5% | 1 | 2 | 5 | 19 |
| 1% | 3 | 5 | 5 | 42 |

Note 19 to the consolidated financial statements provides similar data on the Group's interest in Canal+ France.

### 3.1.2 SENSITIVE GEOGRAPHIC AREAS

Lagardère conducts business in many countries, and some of these countries are considered particularly sensitive to today's credit and liquidity crisis. If the crisis worsens in these countries and they experience a recession, this would have an influence on the net sales and profitability of the activities concerned; however, this does not mean that a direct link can be established between the results of the Group's operations and the solvency of these countries.

In 2012, the Group generated 12.9% of its net sales in the following countries: Greece, Hungary, Ireland, Italy, Portugal and Spain.

# 3.2 RISKS ASSOCIATED WITH THE BUSINESS ACTIVITY AFR

## 3.2.1 EVENTS AND SPORTS MEDIA RIGHTS

In the sports sector, certain sports organisations and/or broadcasters review their policies or strategies, substantially changing 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.

In both Europe and Asia over the past two to three years, some sports federations have been shifting their strategy to make the marketing of media rights for their competitions more centralised. UEFA has centralised the marketing of broadcasting rights for qualifying matches for the 2016 European Football Championship and 2018 World Cup throughout Europe, asking its 53 affiliated national federations not to enter into broadcasting rights agreements beyond 30 June 2014. UEFA has chosen the CAA Constellation agency to centralise the marketing of these rights, and may consider applying the same model that was successfully used to market the Champions League. This would reduce Sportfive's opportunities even further. Sportfive still holds the media rights of several European federations, but the marketing of these media rights for the qualifiers of these tournaments will not be extended past 30 June 2014. This will obviously have a critical impact on Sportfive's business. UEFA is also considering restructuring its European competitions and this could lead to the disappearance of the Europa League, a competition in which Sportfive holds direct agreements with certain clubs.

In addition, the conditions for the operation of each sports event depend directly on how these competitions are organised by the federations and the countries hosting the events, and in particular the budget policies and resources of these countries especially in terms of the quality of the sports facilities where these events are organised.

Future development of sports marketing will depend to a large extent on political efforts as regards prohibited or regulated sectors of advertising.

New regions have come to the fore as future growth drivers (e.g., the Middle East, Russia and Brazil). Lagardère Unlimited already has operations in some of these regions. Others still need to be conquered, although there is no guarantee of success.

Moreover, as was seen in 2011 and 2012, 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 for Lagardère Unlimited.

## 3.2.2 DEVELOPMENT OF DIGITAL AND MOBILE TECHNOLOGIES

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

Lagardère Publishing sees the development of e-books as an opportunity in so far as profitability in this business is at least similar to that of paper printed books. However, uncertainties in various markets as to whether a publisher can determine the sales policy of its works could have a negative impact on the profitability of this division. Note 35 to the consolidated financial statements describes the investigations by certain antitrust authorities concerning e-books.

In the United States, the Association of American Publishers, which includes Hachette Book Group as a member, and Google reached an agreement in October 2012 under which US publishers can choose whether or not to make available their books and journals that are part of the Google Books Library Project. The settlement ends a lawsuit filed by a group of publishers against Google in 2005, but does not affect the ongoing class action proceedings launched by the Authors Guild. As previously stated, in July 2011, Lagardère Publishing signed an agreement with Google on the digitisation of works in French.

Over time, a high concentration downstream of sales of digital media and e-books and online sales of paper printed books could create a situation of dependency for some Group activities, particularly Lagardère Publishing. Repercussions of this dependency could influence the profitability of sales networks for paper printed books, primarily bookstores, potentially resulting in unpaid receivables for Lagardère Publishing.

Substantial unauthorised reproduction and sharing of protected content (books, sports content, etc.) is observed as more people have access to the Internet. These practices can lead to lost revenues for copyright holders, and as such the Group's subsidiaries that are concerned have put in place measures to prevent these practices. However, these measures have their limits, especially given the uncertainties relating to case law and how difficult it can be to enforce legal decisions in certain countries.

A large portion of net sales from Lagardère Services' distribution activities comes from press and print media distribution. An unexpected decrease in demand for these formats, as digital and mobile technologies develop, could have a significant impact on the profitability of this division or lead to costly adjustments. Moreover, restructuring of the press distribution activities in France could lead to a market disruption, temporary at least.

Furthermore, for Lagardère Unlimited, changes in broadcasting technologies on the Internet, particularly Internet-based TV, mean that it is difficult to determine how broadcasters will produce and broadcast their programmes in the future, and therefore it is difficult to determine exactly which broadcasters are likely to buy sports content. Over time, technological changes will determine growth both for long-standing players that are able to develop a strong positioning and for new players from the field of new technologies.

### 3.2.3 RISKS AND DEPENDENCY ASSOCIATED WITH MAJOR CONTRACTS

Some contracts, particularly agreements entered into in connection with sports events or concessions managed by Lagardère Services, may have high unit values (several hundred million euros), extend across several years and entail significant commitments for the Group in return for the future expected cash flows. Difficulties relating to their application, an adverse economic environment or unfavourable market conditions may have a negative impact on income derived from these contracts, and as a result it cannot be guaranteed that they will be profitable upon termination.

As indicated in sections 3.1.1 and 3.2.2, there is no guarantee that these agreements will be renewed once they terminate. This factor depends extensively on how the Group's competitors, be they long-standing or newcomers to the market, handle the situation.

### 3.2.4 KEY TALENT AND SKILLS

The Group's success in some areas may be a direct result of the skills and expertise of certain individual employees or Group contractors, e.g., book authors or specialists in sports markets or services. Should any of these individuals resign or be unavailable, the Group could be exposed to losses in net sales or earnings.

## 3.3 LEGAL RISKS

AFR

### 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 the publisher or importer, which restrict qualitative or quantitative discounts to distributors. Further regulations also apply to publications for children and young adults and to broadening access to out-of-print books.

In both its **book publishing** and **press and audiovisual operations**, the Group is subject to laws and regulations on copyright, libel and slander, image rights and privacy.

In its **wholesale and retail distribution activities**, the Group must comply with certain specific local regulations in the countries in which it operates, principally those applicable to the sale of print media, foodstuffs, tobacco, alcohol and duty-free products (which may be governed by conventions signed with the local customs authorities), and transport operations. In France, for example, press distribution and the legal structure of press distribution cooperatives are subject to a specific law (*Loi Bichet*).

Both in France and abroad, prior authorisation may be required to carry out certain distribution activities. The World Health Organization's Framework Convention on Tobacco Control recommends various measures to reduce the supply and demand of tobacco, in particular, banning or restricting duty-free and tax-free sale of tobacco products to international travellers and banning smoking in public transport and public places. In response to this Framework Convention as well as other measures, stricter regulations are being put in place regarding the sale and consumption of tobacco and could have an impact on Lagardère Services' activities; however, the geographic spread of the network mitigates this risk. Some countries have also taken environmental protection measures (e.g., recycling certain products) that may affect sales outlets.

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, online gambling laws, and laws concerning misleading advertising.

The French law of 30 September 1986 on freedom of communication is applicable to the Group's French **audiovisual communication operations**. Operation of broadcasting services (namely radio and television) 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 applicable obligations are set forth in a convention signed with the CSA, and renewed in compliance with this law.

The legislation in most other countries in which Lagardère's Audiovisual business operates is similar to the French law of 30 September 1986, and is overseen by a broadcasting authority. These laws generally define the terms for attribution of frequencies for broadcasting services, and the terms of use for programme broadcasting (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. Moreover, pursuant to the French laws of 30 September 1986 and 1 August 1986, foreigners are prohibited from holding, directly or indirectly, more than 20% of the capital of a company that has a radio or terrestrial TV service authorisation in France or a company that publishes works in French (this provision applies subject to France's international commitments, i.e., it does not apply to nationals from the EU or the European Economic Area).

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 the 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, as for football. 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 companies), or establishments receiving members of the public and occupying public land. Depending on the countries concerned, agency and career management activities for professional athletes may be subject to national regulations and sports organisations' rules on agents' activities and the protection of minors. Finally, activities relating to the development of sports facilities must take into account regulations governing construction, urban planning, safety and security standards for sports events and approval by sports authorities.

The Group's **live entertainment activities** are subject to intellectual property law, labour law and standards for establishments receiving members of the public, as applicable to this sector, as well as special regulations pertaining to certain professions (entertainment producers, venue operators, etc.).

## 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 7.4.1.6-E).

## 3.3.3 RISKS THAT HAVE OCCURRED BY BREACH OF CONTRACTUAL COMMITMENTS

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

Counterparty risks are described in section 3.4.3 below.

The Group is not aware of any other recognised risks following the violation of contractual commitments which could have significant effects on its financial position or profitability.

## 3.3.4 RISKS ASSOCIATED WITH LITIGATION IN PROCESS

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 2012.

The main litigation and claims involving the Group are presented in note 35 to the consolidated financial statements for 2012 (see Chapter 6). The main disputes and legal proceedings involving EADS NV and Canal+ France are described in the EADS NV Registration Document and the Vivendi Annual Report respectively.

To the best of the Group's knowledge, in the twelve months immediately preceding publication of this Reference Document, there were no other governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) which may have or recently had significant effects on its financial position or profitability.

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

As regards the activities of **Lagardère Publishing**, pursuant to French law 2012-958 of 16 August 2012, a single VAT rate of 5.5% shall apply to all books, irrespective of format, as of 1 January 2013. The VAT rate had been reduced from 19.6% to 7% for e-books applicable as of 1 January 2012 and raised from 5.5% to 7% for print and audio books as of 1 April 2012. As regards the VAT rate applicable to e-books, the European Commission has initiated an infringement procedure under EU law against France and Luxembourg for applying a reduced VAT rate. Meanwhile, the European Commission is currently envisaging a general VAT reform at EU level.

In the **Group's digital activities**, user data is increasingly being used by digital media publishers and their advertisers (for example in strategies to define website audiences for advertising purposes). This highlights the importance of conforming to laws designed to protect privacy, such as France's data protection laws. At the same time, awareness is growing among the competent authorities, especially in Europe, of the need to protect personal data (in particular, online data), which is reflected in draft legislation. To this effect, in 2012 Lagardère Publicité signed the Online Behavioural Advertising framework initiated by IAB Europe, which aims to increase transparency and control in online advertising for web users through a system that allows them to manage their preferences on the collection and use of their personal data.

# 3.4 FINANCIAL OR MARKET RISKS AFR

## 3.4.1 LIQUIDITY, INTEREST RATE AND EXCHANGE RATE RISKS

Market risks (liquidity, interest rate, exchange rate and equity risks) are described in note 29.1 to the consolidated financial statements for 2012 (see Chapter 6).

## 3.4.2 RISKS RELATED TO PAPER PRICES

Lagardère Active and Lagardère Publishing need to use large volumes of paper for their business activities. Total paper purchases reached nearly 243,000 tonnes in 2012, as described in section 5.3.2.2-C. 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 negative impact on these divisions' operating profit, to the extent of €15 million to €20 million for a long-term 10% rise in paper prices over a full year, before adjustment.

## 3.4.3 CREDIT AND COUNTERPARTY RISKS

Credit and counterparty risks are described in note 29.2 to the consolidated financial statements for 2012 (see Chapter 6).

As indicated in note 29, "The Group was unable to recover certain receivables in 2011 and 2012, notably related to (i) the bankruptcies of the retailers Borders in the United States and Red Group in Australia (affecting the Lagardère Publishing division) as well as Virgin Megastore in France, and (ii) the marketing of sports rights".

Furthermore, in various geographic areas and in particular due to the impact of the economic crisis on the financial position of companies, there has been a trend toward longer average collection periods for receivables (broadcasters, sponsors, etc.) as well as dispute resolution.

Press distributors represent a major counterparty for the Group, along with the associated receivables risks discussed in section 3.2.2 – Development of digital and mobile technologies.

# 3.5 OPERATIONAL RISKS AFR

## 3.5.1 INDUSTRIAL AND ENVIRONMENTAL RISKS

The industrial and environmental risk prevention and management policies are described in section 7.4.1.8 – Risk management procedures.

### 3.5.1.1 IDENTIFIED RISKS

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

Only activities primarily related to the warehouses and distribution sites of the Press, Publishing, Distribution and 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 the authorisation or declaration by the administrative authorities, but none of the Group's sites is classified SEVESO 1 or SEVESO 2.

### 3.5.1.2 ASSESSMENT OF IMPACTS

The Group has no knowledge of any items or situations relating to industrial or environmental risks likely to have a significant impact on its assets or results, apart from the dispute with a Brazilian authority mentioned in note 35, and is unaware of any environmental issue that may affect its use of property, plant and equipment in its operations.

Due to the limited nature of the Group's exposure to industrial and environmental risks, costs related to the assessment, prevention and remediation of those risks are included in the relevant investment and expense items and are not separately valued.

Under this policy, the consolidated financial statements for 2012 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.

## 3.5.2 RISKS ASSOCIATED WITH SUPPLIER CONSOLIDATION

Default by one or more suppliers could cause losses in results and net sales for the Group, without prejudging any adjustments and alternative solutions sought. The proportion of purchases from the largest, the five largest and the ten largest suppliers is respectively 8%, 24% and 34%.

## 3.5.3 OTHER OPERATIONAL RISKS

In the course of its business, the Group may have to face losses or liabilities. While it is not possible to quantify or identify all such contingencies, these risks may include risks generally related to any predominately service-related activity and risks related to the performance of contracts mentioned in section 3.2.3, as well as risks related in particular to fraud, information networks and systems, and the organisation of events open to the public.

## 3.5.4 INSURANCE POLICIES – RISK COVERAGE

The Group's insurance policy is described in section 7.4.1.8 – Risk management procedures.

The Group has a captive insurance company based in the United States which covers certain risks of Lagardère Services in North America. It provides insurance exclusively for Lagardère group entities. The relevant policies come in addition to the insurance described in section 3.5.4.1 below, or as primary layer for non-significant amounts of risk at Group level. This captive insurance company has not had to indemnify any claims since its formation.

### 3.5.4.1 SUBSCRIBED INSURANCE POLICIES

The major subscribed insurance policies cover property damage and business interruption as well as liability. Depending on the type of risk, coverage consists of permanent policies and temporary or specific policies.

In 2012 and for the year 2013, 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.

### 3.5.4.2 COVERAGE AND LIMITS

Many insurance policies are subscribed 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.

#### *3.5.4.2.1 INSURANCE FOR PROPERTY DAMAGE 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 coverage is implemented in compliance with the laws in force in each country concerned.

##### B) LIMITS OF COVERAGE

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

For 2013, the highest insurance coverage limit subscribed by the Group is €400 million for certain Hachette Livre facilities. The other amounts insured are no higher than €235 million. Sub-limits specific to certain risks may also apply within these overall limits (for storms, earthquakes or flooding, for example).

#### *3.5.4.2.2 LIABILITY*

##### A) RISKS INSURED

Liability insurance policies are subscribed at the level of the divisions or certain activities; they include coverages for public, products 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 OF COVERAGE

Regarding liability, the maximum severity of exposure 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.

For 2013, except in the United States, Canada and countries under an international embargo, the highest amount of coverage subscribed stands at €45 million, while in the United States the highest total limit is €59 million (excluding self-insurance).

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

### 3.5.4.3 PREMIUMS

In 2012, the overall budget for the main permanent insurance policies subscribed by the Group was estimated at 0.14% of net sales (excluding collective insurance).

This page is left intentionally blank.

# 4

# GENERAL INFORMATION ABOUT LAGARDÈRE SCA

# 4.1 GENERAL INFORMATION ABOUT THE ISSUER

## 4.1.1 COMPANY NAME AND COMMERCIAL NAME

Company 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:**

+33 (0) 1 40 69 16 00

## 4.1.3 LEGAL FORM AND GOVERNING LAW

Lagardère is a French partnership limited by shares (*société en commandite par actions* – SCA).

## 4.1.4 PLACE OF REGISTRATION AND REGISTRATION NUMBER

Lagardère is registered with the Paris Trade and Companies Registry (*Registre du commerce et des sociétés*) under number 320 366 446.

## 4.1.5 DATE OF INCORPORATION AND TERM OF THE COMPANY

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

## 4.2 HISTORY

The original purpose 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 control of Hachette, followed by Matra which returned to the private sector in early 1988. At the end of 1992, the activities of these two companies were combined when their two holding companies were merged to form Matra Hachette. At the same time, the Company changed its legal form and became a French partnership limited by 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 have taken place in the Group's structure:

- **Major alliances in the Defence and Space industries:** this European alliance strategy was initiated in the early 1990s, and underwent an important development in 1999 when Aerospatiale Matra was formed through the contribution of Matra Hautes Technologies – which held all of Matra Hachette's aerospace operations – to Aerospatiale. The process was completed on 10 July 2000 when all of Aerospatiale Matra's businesses were merged with those of DaimlerChrysler Aerospace AG and the Spanish company CASA to form the European company EADS NV, in which Lagardère SCA indirectly held an interest of approximately 15%. This interest was reduced to 7.5% in 2009 following the sale of three 2.5% tranches of EADS' capital in June 2007, June 2008 and on 24 March 2009, respectively;
- **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 business) in 1999, and the share exchange offer for Hachette Filipacchi Médias (Magazine Publishing business) in 2000, followed by an offer to purchase all of the remaining minority interests,
  - several agreements signed since 2000, essentially in the audiovisual sector (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 business (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 Magazine Publishing, Distribution and Services businesses also increased, but through internal growth rather than external acquisitions.

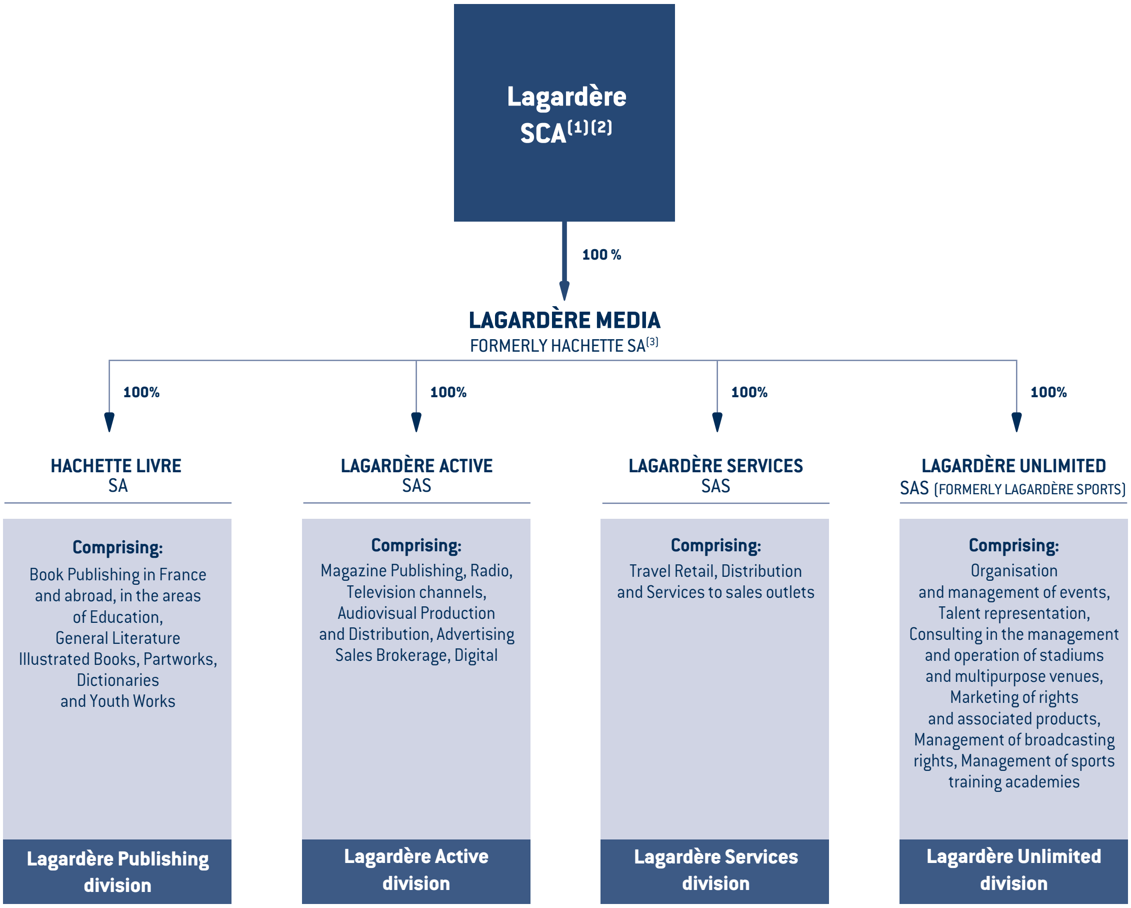
    In September 2012, Lagardère Services travel retail acquired ADR Retail Srl (since renamed Lagardère Services travel retail Roma), an operator of eight duty free/duty paid stores in two airports in Rome,
  - the combination of the Magazine Publishing, Audiovisual and Digital businesses within a new entity, Lagardère Active, was announced in 2006. This division was formed as a result of the Group's ambition to become a leading international content publisher for all media as were as a worldwide "brand factory", and to accelerate its migration towards digital media.

    In line with this goal, Lagardère Active has since acquired Newsweb and Doctissimo, France's top online content publishers.

    Lagardère Active recently acquired LeGuide.com in July 2012, the number one price comparison guide in Europe,
  - sale by Lagardère Active of its International Magazine Publishing business to Hearst in 2011 (102 publications in 15 countries),
  - sale by Lagardère of its Radio business in Russia on 23 December 2011;
- **Creation of a "Sports" division, now named "Lagardère Unlimited":**
  - through the acquisitions of:
    - Sportfive (early 2007), which acts as a partner to sporting bodies and clubs, helping them to extract maximum value from their broadcasting and marketing rights,
    - IEC in Sports (2007), a Swedish company specialised in the marketing of sports rights,
    - 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 (all in 2008);
  - and the combination of all of the Sports division entities with Best (Blue Entertainment Sports and Television), acquired in 2010, within a new division called Lagardère Unlimited in 2010. This gives Lagardère strategic positioning along the entire sports rights value chain, comprising:
    - organisation and management of sports events,
    - talent representation,
    - consulting in the management and operation of stadiums and multipurpose venues,
    - marketing of sports rights and associated products,
    - management of broadcasting rights,
    - 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 the Lagardère SCA parent company financial statements (including the 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 area.




(1) Organisation chart at 1 March 2013.
(2) At 31 December 2012, Lagardère held a 20% interest in Canal+ France and a 7.39% interest in EADS, both accounted for under the equity method.
(3) Lagardère Media is the holding company for all media operations.

As indicated in Chapter 7, section 7.4 on the Group's organisational structure, Lagardère SCA is a holding company and the Group's operating activities are exercised through subsidiaries.

The principal subsidiaries are held via Lagardère Media, which is itself fully-controlled by Lagardère SCA. They are:

- Hachette Livre, a fully-controlled French company and holding company for the Lagardère Publishing division;
- Lagardère Active, another fully-controlled French company and holding company for the Lagardère Active division. Lagardère Active holds the Group's investments in the Magazine Publishing, Audiovisual (Radio, Television, Audiovisual Production), Digital and Advertising Sales Brokerage businesses via several sub-holding companies;
- Lagardère Services, also a fully-controlled French company and holding company for the Lagardère Services division (Relay outlets, airport shops);
- Lagardère Unlimited, another fully-controlled French company, which unites all subsidiaries in the division, including Sportfive and World Sport Group.

A detailed list of the Group's subsidiaries (428 consolidated companies) and their locations is provided in the notes to the consolidated financial statements (Chapter 6, note 38). Details of the positions 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 breakdown of business activities by sector) is described in Chapter 5, section 5.1. There is no significant functional dependency between the Group's various entities.

Chapter 5, 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.

# 4.4 MAJOR INVESTMENTS

## 4.4.1 INVESTMENT AND INNOVATION POLICY

### 4.4.1.1 PURCHASES OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

| (IN MILLIONS OF EUROS) | 2012 | 2011 | 2010 |
|---|---|---|---|
| Lagardère Media | **260** | 237 | 214 |
| Other Activities | **4** | 16 | 14 |
| **Total** | **264** | 253 | 228 |

In relation to its media activities, the Group's innovation policy is not reflected in the capital expenditure recorded. The internal costs of creating a work, principally in the Book Publishing, Magazine Publishing, e-Publishing and Digital Terrestrial Television sectors, are not capitalised.

### 4.4.1.2 PURCHASE OF INVESTMENTS

| (IN MILLIONS OF EUROS) | 2012 | 2011 | 2010 |
|---|---|---|---|
| Lagardère Media | **383** | 98 | 56 |
| Other Activities | **1** | 1 | 2 |
| **Total** | **384** | 99 | 58 |

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

## 4.4.2 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.

## 4.4.3 MAJOR INVESTMENTS IN 2011

Like in 2010, purchases of property, plant and equipment and intangible assets principally concerned Lagardère Unlimited (sports rights) and Lagardère Services (sales outlet refits).

Financial investments mainly comprised (i) earnouts paid in connection with the acquisitions of IEC and WSG carried out by Lagardère Unlimited in previous years, (ii) investments by Lagardère Services in the retail business (particularly for sales outlets in the Czech Republic), and (iii) purchases of minority interests in the Lagardère Publishing division.

## 4.4.4 MAJOR INVESTMENTS IN 2012

Like in the two previous fiscal years, purchases of property, plant and equipment and intangible assets principally concerned Lagardère Unlimited (sports rights) and Lagardère Services (sales outlet refits).

The most significant investments in 2012 comprised (i) the acquisition by Lagardère Services of ADR Retail, a duty free/duty paid concession operator in two airports in Rome, and (ii) the acquisition by Lagardère Services of the LeGuide.com group, an online shopping guide operator.

This page is left intentionally blank.

# 5

# INFORMATION ON THE BUSINESS ACTIVITIES OF THE COMPANY AND THE GROUP



Items appearing in the Annual Financial Report are cross-referenced with the following symbol AFR

## 5.1 BUSINESS ACTIVITIES AND STRATEGY AFR

Lagardère, a world class pure play media group, operates in around 30 countries and is structured around four distinct, complementary divisions:

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

With a holding of 7.39% at 31 December 2012, Lagardère had joint control of EADS NV. The main shareholders of EADS NV signed an agreement with the company on 5 December 2012 to clear the way for i) a new governance structure – concretised on 2 April 2013 by an amendment to its Articles of Association approved by the Extraordinary General Meeting of EADS NV of 27 March 2013, and ii) a substantial streamlining of its shareholding structure. The agreement gives Lagardère priority over Daimler to sell its stake in EADS NV before 31 July 2013. According to the terms of the agreement, subject to market conditions, in the first half of 2013, EADS NV will set up a share buyback programme for a maximum of 15% of outstanding shares, half of which will be reserved for Lagardère, subject to certain conditions (see section 5.2.2.1.A.3).

Lagardère's current strategy is focused on growth and the adaptation of its business portfolio, especially:

- the development of high-growth activities: Travel Retail, Audiovisual production, Sports rights;
- the transition of its activities to digital technology;
- withdrawal from activities in decline and disposal of non-core assets;
- reduction of exposure to activities with pronounced economic cycles;
- international diversification, especially in emerging countries.

***

- **Lagardère Publishing** includes the Group's **Book Publishing**[(1)] and **e-Publishing businesses**, which cover the areas of Education, General Literature, Illustrated Books, Partworks, Dictionaries, Youth Works and Distribution. Publishing is predominantly in the three main language groups: English, French and Spanish, which represent 60% of the world market. Hachette Livre is the world's second-largest trade book publisher for the general public and educational markets (number one in France, number two in the United Kingdom and Spain and number five in the United States).

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

- well-balanced positioning (across geographic areas and publishing segments), which allows it to capitalise on the fastest-growing markets;
- decentralised organisation, giving a large degree of autonomy to its different entities and publishing houses;
- sustained investment in digital technologies.

The digital and Internet era represents an exciting opportunity for Hachette Livre, and the division offers products suited to multiple formats, distribution channels and media, in line with emerging market trends.

**Lagardère Active** encompasses the Group's **Magazine Publishing, Audiovisual (Radio, Television, Audiovisual Production), Digital and Advertising Sales Brokerage businesses**. To stimulate growth and profitability, the division has streamlined and reorganised its business portfolio by refocusing Magazine Publishing on segments offering solid growth potential. Lagardère Active continues to expand its digital business with the aim of becoming a leading producer and aggregator of content.

Lagardère Active's growth strategy is anchored around several priorities:

- enhancing profitability through performance improvement plans;
- streamlining businesses, with the sale of International Magazine Publishing (PMI) and the Radio business in Russia;
- adjusting to the changing requirements of advertising buyers and bringing innovation to its advertising solutions supported by strong positions in magazine publishing, radio, television, Internet, mobile phones and tablets;
- pursuing an ambitious digital strategy combining organic growth with external growth if the right opportunities arise, underpinned by a corporate culture focused increasingly on marketing and digital operations.

**Lagardère Services**, encompasses the **Travel Retail and Distribution businesses**. The division's development focuses on two business lines:

- LS travel retail consists of retail activities in travel areas and concessions in three fields – Travel Essentials, Duty Free & Luxury, and Food Services;
- LS distribution operates distribution and services activities for convenience outlets, both independent networks and integrated Retail activities. LS distribution also offers a complete range of services to e-tailers.

In 2013, the division's strategy will be focused on:

- Travel Retail:
  - continuing to diversify the product mix to secure new growth drivers amid a downturn in the press and book markets;
  - stepping up development in Asia-Pacific, the Middle East and Africa;
  - pursuing external growth through new partnerships and a transformative acquisition if the right opportunity arises.
- Distribution:
  - carrying out several small acquisitions to accelerate the roll-out of business development plans;
  - forging global or local, industrial or financial capital alliances in order to bolster LS distribution's strategic market positioning.

**Lagardère Unlimited** is a leading player in the **Sport Industry and Entertainment business**. Having built its expertise around six complementary key business lines, Lagardère Unlimited is positioned over the entire value chain:

- organisation and management of events;
- talent representation;
- consulting in the management and operation of stadiums and sports grounds;
- marketing of sports rights and associated products;
- management of broadcasting rights;
- management of sports academies.

In 2013, Lagardère Unlimited will aim to:

- focus on commission-based businesses, such as support for rights holders, sponsors and athletes, and the development of assets, especially events;
- expand its activities in growth regions such as South America, Africa, Asia and the Middle East;
- pursue its diversification policy in sports and entertainment.

***

(1) This Reference Document refers to this activity as either Hachette Livre or Lagardère Publishing.

# 5.2 THE GROUP'S PRINCIPAL ACTIVITIES AND MAIN MARKETS – OPERATIONS DURING 2012

AFR

## 5.2.1 LAGARDÈRE MEDIA

| | 2012 | 2011 | 2010 | 2009 | 2008[1] |
|---|---|---|---|---|---|
| Contribution to consolidated net sales (in millions of euros) | **7,370** | 7,657 | 7,966 | 7,892 | 8,214 |
| Contribution to consolidated recurring operating profit before associates (in millions of euros)[2] | **358** | 414 | 468 | 463 | 648 |
| Number of employees[3] | **23,818** | 26,493 | 28,212 | 29,028 | 29,393 |

*(1) After the pro forma restatement of brand royalties invoiced by "Other Activities".*
*(2) Recurring operating profit before associates (as defined in note 3.3 to the consolidated financial statements).*
*(3) Average number of employees (full-time equivalent) 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.

### 5.2.1.1 LAGARDÈRE PUBLISHING

#### A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

The world's second-largest trade book publisher[1] for the general public and educational markets (number one in France[2], number two in the United Kingdom[3] and Spain[4] and number five in the United States[5]), Lagardère Publishing is a federation of publishing companies with a large degree of editorial independence. They are united by common management rules, a concerted effort to expand in digital activities, a coordinated strategy in respect of the global distribution giants, and the same high standards required of the people appointed to positions of responsibility in each company.

Since its foundation in 1826, the company has always sought to publish, sell and distribute high-quality innovative books which satisfy its readers' thirst for knowledge, culture and entertainment. The company's employees, who contribute to the growth and ongoing success of this division of the Group, continue to pursue this goal.

Hachette Livre has a well-balanced, diversified portfolio that covers much of the editorial spectrum (Education, General Literature, Illustrated Books, Partworks, Dictionaries, Youth Works, Distribution, etc.). Publishing is predominantly in the three main language groups: English, Spanish and French. This portfolio offers new bases for expansion by geographic area and business line, allowing the division to capitalise on the most buoyant segments and the most dynamic markets.

The division's business model is present throughout the entire book publishing/distribution value chain. Thanks to its highly reputed publishing houses and brand names, it is able to draw the fullest benefit from its close relationships with authors, the expertise of its sales force, the rigorous logistics organisation 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 of its success, since each division forms a federation of small and medium-sized independent publishing houses with their own corporate culture and specific – not to say unique – editorial tone.

Each publishing house is responsible for relations with its own authors. Excellent individual relationships enable publishers to control the copyright portfolio and offer seamless supply to the paperback sector. In France, they also give rise to merchandising opportunities.

Central management functions allow Hachette Livre to achieve economies of scale, strengthen its financial position, and negotiate on the best possible terms with its major customers and suppliers.

These combined assets make Hachette Livre France's leading publishing group, ahead of prominent competitors including 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, Simon & Schuster, 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 available in digital format – in France and the United Kingdom as well as in the United States – and sold as e-books on all platforms.

##### A.1 IN FRANCE[1]

General Literature comprises prestigious publishing houses such as Grasset, Fayard, Stock, Calmann-Lévy, Lattès and Harlequin. Each is prominent in a specific domain but competes with the Group's other publishing houses and with rival publishing groups' brands. The Livre de Poche paperback, leader on its market, releases reprints for all of the division's publishing houses as well as for many non-Group publishers.

(1) World publishing rankings prepared internally by Hachette Livre based on:
- annual financial reports of the groups in question (most cases); and
- rankings data appearing each year in *Livres Hebdo* (rankings prepared with Rüdiger Wischenbart Content and Consulting and generally used subsequently in partnership with *The Bookseller*, *Publishers Weekly*, *Buchreport*) and which are sometimes based on direct contacts with the groups in question (i.e., when annual financial reports are not available).

(2) Source: internal analyses based on statistics from Ipsos survey panels and the data from the education group of the French publishers association.
(3) Source: internal analyses based on Nielsen Bookscan in the United Kingdom.
(4) Source: internal analyses.
(5) Source: internal analyses based on Nielsen Bookscan in the United States.

Hachette Illustré covers the entire range of illustrated works. It is number one in France for both practical guides (Hachette Pratique and Marabout) and travel guides (Hachette Tourisme and Le Routard). Hachette Illustré is also number one in the high-quality illustrated book market with two prestigious publishers, Editions du Chêne and Hazan, and in youth works (Hachette JD, Hachette Jeunesse Roman and Livre de Poche Jeunesse). Hachette Livre boasts valuable editorial assets in this market, including characters such as Babar, Noddy, Astérix and Fantômette.

In Textbooks, Hachette Livre is the leading publisher[(1)] in France thanks to two separate 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, Passeport, Littré, Gaffiot) enabling Hachette Livre to occupy a leading position on the extra-curricular book segment.

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

The Academic and Professional activity includes Dunod and Armand Colin. Leaders on the French market, these publishing houses continued to digitise their content in 2012.

Distribution for Hachette Livre and other 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, newsagents, news-stands and supermarkets in France. Hachette Livre Distribution, the number one distributor in France, also operates in Belgium, Switzerland and French-speaking Canada.

### A.2 OUTSIDE FRANCE[(2)]

Partworks are published by the Encyclopaedias and Collections activity, which has seen considerable international expansion particularly in Spain (through its subsidiary Salvat Editores), and also in the United Kingdom, Japan, Poland, Italy (with Hachette Fascicoli) and, since 2010, Russia. This activity's marketing skills and capacity to create new products make it the number two player worldwide and a driving force behind the overall performance of Hachette Livre.

In the United Kingdom, Hachette UK was the second-largest publisher in 2012 with 12.5% of the printed book market (see section 5.2.1.1 - A). It has six activities: Octopus for illustrated books; Orion, Hodder, Headline, and Little, Brown for general literature, and Hachette Children's Books in the youth works sector.

These six activities and their range of brand names have also enabled Hachette Livre to develop operations in Australia and New Zealand, as well as in India.

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

Hachette Livre has a distribution activity in the United Kingdom via its two centres, Book Point and LBS (Little Hampton Book Services).

Hachette Livre Spain is the second-largest publishing house in Spain and the leading publisher of textbooks through Anaya and Bruño. These two publishing houses are key players in the education market as well as in the extra-curricular book segment, general literature and youth works segments. It is also very well established in Latin America, through its Larousse, Anaya, Bruño and Salvat brands. In Argentina and Mexico, Hachette Livre is one of the leading textbook publishers under the brands Aïque and Patria.

In the United States, Hachette Book Group is the fifth-largest trade publisher thanks to publishing houses such as Grand Central Publishing (formerly Warner Books); Little, Brown, as well as Little, Brown Group for Young Readers in the youth works segment; Faith Words in the religious literature segment; Orbit in science fiction; Twelve for quality non-fiction; and Mulholland for crime fiction. 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.

(1) Internal estimates.
(2) Source: Internal data, based on Nielsen BookScan in the United Kingdom and internal sources in Spain.

## B) OPERATIONS DURING 2012

Contribution to consolidated net sales for 2012: €2,077 million (versus €2,038 million in 2011)

### • Breakdown of net sales by activity

| | 2012 | 2011 |
|---|---|---|
| Education | **18%** | 20% |
| Illustrated Books | **15%** | 14% |
| General Literature | **40%** | 39% |
| Reference | **4%** | 4% |
| Other | **23%** | 23% |
| **Total sales** | **100%** | 100% |

### • Breakdown of net sales by geographic area

| | 2012 | 2011 |
|---|---|---|
| France | **32.6%** | 33.3% |
| United Kingdom | **16.8%** | 15.2% |
| United States | **20.3%** | 20.5% |
| Spain | **7.6%** | 8.8% |
| Other | **22.7%** | 22.2% |
| **Total sales** | **100%** | 100% |

In 2012, the global publishing market was less affected by the economic crisis than the market for other cultural goods such as recorded music and films. It also fared much better than the markets for advertising and most other durable consumer goods. Market trends varied significantly in the division's main markets. Sales fell 0.5%[1] in France, while the United States reported a 10.6%[2] increase. In the United Kingdom, sales decreased 4.6%[3] (excluding digital). Book stores continued to experience difficulties – suffering from competition from major Internet distributors. These online players are gaining market share in the printed book sector, and they dominate the e-book market. The growth of e-books over printed books has slowed significantly in the United States, however, (with a 48% increase in 2012[4] compared with a 100% increase in 2011), and sales of dedicated e-book readers fell while all-purpose tablets gained ground. This suggests that the e-book market will even out soon to about one-third of the total value of the book market. While this would have a significant impact on book stores, it would not have a fundamental impact on the publishing business model since digital books are considered more as an additional format option, like paperbacks, and not a replacement for printed books. The rise of digital technologies remains strong the United Kingdom, following two years behind the United States. The increase has been slow in France, and almost non-existent in Spain.

Despite this difficult environment, which is of particular concern in Spain because of the severe economic crisis, Hachette Livre's sales increased almost 2%. This is due in particular to good performance in General Literature thanks to impressive sales for The Casual Vacancy by J.K. Rowling (United Kingdom, United States and France) and Fifty Shades of Grey (France) by E L James, the success of partworks aboard, and favourable exchange rates. More impressive still, Hachette Livre delivered higher operating profit – among the highest in the global publishing market.

(1) Source: Ipsos.
(2) Source: Association of American Publishers.
(3) Source: Nielsen BookScan.
(4) Source: Association of American Publishers.

Hachette Livre's success is based on a steadfast, eight-pronged strategy:

1. the constant search for growth opportunities through value-creating acquisitions needed to keep Hachette Livre among the top-ranking publishing groups worldwide – an essential advantage conferring extra influence in negotiations with major customers;
2. spreading risks across a significant number of markets and market segments in order to smooth out the cyclical effects specific to each one;
3. concentrating acquisitions and new subsidiaries in countries belonging to language areas that offer a critical size for potential markets;
4. broad editorial independence for publishing subsidiaries, with the emphasis on creativity, rapid responses and team motivation;
5. actively seeking out international bestsellers able to attract an extensive readership in all the markets where the division operates;
6. managing distribution both as a cost centre and a strategic link in the book value chain, in all the markets where the division operates;
7. sustained investment in digital technologies to meet the emerging demand for online reading and e-books;
8. selective investments in high-growth markets such as BRICs (Brazil, Russia, India and China).

Hachette Livre's success in the Digital segment is the result of a rigorously implemented strategy seeking to:

a. continue to digitise all new content and selected past works by formatting files so that they are compatible with all digital platforms in the market;
b. encourage the creation of as many new digital platforms selling e-books as possible;
c. strengthen ties between Hachette Livre publishers and their creators and authors by offering a comprehensive range of digital

services and unrivalled expertise in marketing and advertising on the Internet and on social networks to avoid "disintermediation" towards operators with no added value;

**d.** encourage Hachette Livre publishers to develop works not easily transferable into digital format (high-quality illustrated books, box sets, partworks, comic strips, etc.);

**e.** fight against piracy aggressivelyand methodically;

**f.** offer dynamic, selective logistics services to attract other partners weakened by the digital revolution to the division and maintain the division's workload and distribution infrastructure profitability without taking any commercial risk or financial interest in their activities.

The US Department of Justice (DOJ) and some US states filed lawsuits against five publishers, including Hachette Book Group, and Apple over alleged price-fixing of e-books. A settlement signed with the DOJ in April put an end to this action.

The terms of the agreement regarding damages requested by the different US States and private plaintiffs are being finalised.

The European Commission opened an investigation in December 2011 into five publishers, including Hachette Livre, relating to e-book sales. A settlement was reached, putting an end to the proceedings.

## B.1 IN FRANCE

For the third consecutive year since the end of the Twilight saga, the division's performance in France has been the strongest contributor to growth worldwide – in a market that declined 2.3% in volume terms, but was only down 0.5% in value terms.

The division won a number of literary prizes, including the Goncourt biography prize for *Le Roman des Rouart*, by David Haziot (Fayard); the 43rd *Elle* Readers' prize for *Rien ne s'oppose à la nuit*, by Delphine de Vigan (JC Lattès); the France Télévisions quality non-fiction prize for *L'élimination*, by Rithy Panh (Grasset); the Renaudot quality non-fiction prize for *Le dernier modèle*, by Franck Maubert (Éditions Mille et une nuits); the Femina quality non-fiction prize for *Etho-roman* by Tobie Nathan (Grasset); the Médicis foreign prize and the Best Foreign Book prize for *Rétrospective*, by Avraham B. Yehoshua (Grasset/Calmann-Lévy); and the International Press prize for *Les proies*, by Annick Cojean (Grasset).

Two relative unknowns were remarkably successful with the book-buying public: Grégoire Delacourt, with *La Liste de mes envies* (over 420,000 copies sold by JC Lattès), and Barbara Constantine with *Et puis, Paulette…* (170,000 copies sold by Calmann-Lévy). Delphine de Vigan's *Rien ne s'oppose à la nuit*, published in August 2011, continued to break all sales records in 2012. It was not until the end of the year, however, that the most spectacular results were achieved, on the release of J.K. Rowling's *Une place à prendre* (*The Casual Vacancy*), and E L James's *Cinquante nuances de Grey* (*Fifty Shades of Grey*), the first book in the trilogy published by JC Lattès that has become a worldwide sensation. JC Lattès sold some 860,000 copies between 17 October and 31 December. Lattès brought the second and third books out in January and February 2013.

Hachette Éducation and the publishing houses Didier and Hatier performed well despite the contraction of the textbooks segment. Travel guides and high-quality illustrated books were hard hit by the crisis, but Hachette Illustré posted good results. Larousse continued, successfully, to recast itself as a publisher of practical books and high-quality illustrated books without abandoning its leading position in reference works.

In April, the division sold Numilog back to its founder. The company, which was acquired in 2008, specialises in providing digital services to book stores that want to distribute e-books. This activity was no longer in line with Hachette Livre's strategy as it involves formatting and delivering large volumes of e-books to a handful of platforms, each with different specifications.

## B.2 OUTSIDE FRANCE

### United States

The total trade book market (including print books, e-books and audio books) increased 10.6% [(1)] in the United States in 2012. This figure takes into account a slight increase for printed books (2.3% [(2)]), and steady growth for e-books, albeit not as strong as in 2011. The market share for e-books in value terms accounted for 23% [(3)] of General Literature trade publishing sales at the end of 2012 (compared with 17% at the end of 2011). This slowdown can also be seen in the percentage of adults who said they had read an e-book over the last year, from 16% in 2011 to only 23% in 2012[(4)].

Hachette Book Group (HBG) followed the same pattern as the trade book market, with e-books generating 23% of sales at year-end.

The number of HBG's releases listed among the New York Times bestsellers rose by 17%, with 214 print books and 71 e-books, which is a record for this division. Thirty print books and six e-books rose to number one on this benchmark list, which featured HBG works for a total of 1,330 weeks.

HBG published two of the 15 best-selling novels in 2012: *The Casual Vacancy*, by J.K. Rowling (Little, Brown) which ranked number six and *The Lucky One*, by Nicholas Sparks (Grand Central Publishing) which ranked number ten[(2)], as well as 15 works in the quality non-fiction category, including *Bossypants*, by Tina Fey, (Reagan Arthur/ Little, Brown) which ranked number twelve[(2)].

James Patterson was the first author to sell more than five million e-books.

With 1,060 titles published in 2012, HBG remains the fifth-largest publisher in the US market in terms of sales. HBG won the jury's prize at the Lagardère group's 2012 Innovation Awards[(5)], for its work on automating the storage and distribution process for digital books for e-book retailers (digital asset distribution), and was recognised as the Publishing Innovator of the Year by the magazines *Book Business* and *Publishing Executive*.

### United Kingdom and the Commonwealth

Printed book sales volumes were down 3.4% in the UK (and decreased 4.6% in value)[(2)]. However, this decline was more than offset by strong growth in e-book sales.

The rankings and market share of UK publishing houses were temporarily affected by the blockbuster *Fifty Shades of Grey*, which was published by a competitor in the United Kingdom (and by JC Lattès in France). With 12.5% of market share thanks to 4,500 new titles, and a number of bestsellers over the year, Hachette UK (HUK) gave up its number one position to E L James's publisher, while remaining the leader in hardbacks with 31% of this market.

Of a total of 122 HUK books to reach the authoritative Sunday Times bestseller list, 20 reached number one. *Is It Just Me?*, by Miranda Hart (Hodder & Stoughton), held on at number one for eight weeks, J.K. Rowling's *The Casual Vacancy*, (Little, Brown Book Group) for ten weeks, and *A Street Cat Named Bob* (Hodder & Stoughton) for thirteen weeks.

Other titles that were a resounding commercial success include *Standing in Another Man's Grave*, by Ian Rankin (Orion); *Steve Jobs: The Exclusive Biography* (Little, Brown Book Group), by

(1) Source: AAP, at the end of September in terms of volume, cannot be compared to data in terms of value, (10.6%) from Nielsen (different scope).
(2) Source: Nielsen Bookscan.
(3) Source: AAP.
(4) Source: Pew Research Center.
(5) An internal Lagardère Group competition to reward the most innovative project presented by the Group's four divisions.

Walter Isaacson; *Call the Midwife*, by Jennifer Worth (Phoenix); *The Hairy Dieters* (Weidenfeld & Nicholson); and *The Second World War* by Antony Beevor (Weidenfeld & Nicholson). A number of crime novels and thrillers also came out over the year.

HUK created several publishing brands specifically for romances, crime fiction and science fiction published directly on the Internet.

In March, Octopus Publishing (a subsidiary of HUK) acquired Ticktock Entertainment, a publisher of non-fiction for children, as well as the global rights for all media including film and television, to the 800 books in the estate of Enid Blyton (author of the *Famous Five* and *Secret Seven* series, and other books).

In August, HUK sold the Health, Sciences and Academic activities of Hodder Education to Taylor & Francis in order to focus on Textbooks and Continuing Education – two areas in which HUK has a strong position.

The Australian market suffered from direct imports by air of copies of American and British books by certain Internet platforms that handle individual orders and include shipping. RedBooks – one of the main book store networks – closed in 2011, disrupting the Australian market, and undermining Hachette Livre's sales in Australia.

#### Spain and Latin America

Publishing was not spared the effects of the severe economic crisis in Spain. Despite the austere conditions, the Anaya group's positioning on the Education segment tempered the effects of the recession, since most regional authorities have maintained their textbook orders. With a decline in sales of just 12% in Spain, this division decisively outperformed the market.

The division's bestsellers in 2012 as recognised by the well-known lists in Spain (El Cultural - El Mundo, Abc Cultural and La Vanguardia) were: *Mago por casualidad*, by Laura Gallego (Bruño Infantil); *Bebé Koala*, by Nadia Berkana and Alexis Nesme, (Bruño Infantil); *Fede quiere ser pirata*, by Pablo Aranda (Anaya Infantil); *Diez años en Gran Hermano* (Anaya Multimedia); *Poesía completa,* by Marcel Proust (Cátedra Poesía); and *Poemas y antipoemas,* by Nicanor Parra (Cátedra Poesía).

Algaida Editores continued its work to publish Spanish authors through prestigious literary prizes and in conjunction with other cultural institutions, including the Ateneo de Sevilla prize, which offers high circulation and sales.

As part of its Alianza Literaria collection, Alianza Editorial published *Los desorientados* (*Les désorientés*) by Amin Maalouf and organized a special book launch. The book was very well received by critics and readers alike. Other important titles include: *La viola de Tyneford House* (*The House at Tyneford*), by Natasha Solomons; *Shim Chong, la niña vendida*, by the South Korean author Hwang Sok-yong; *Los secretos de la felicidad* (Secrets for Happiness) by Sarah Dunn; as well as *Réquiem por Linda B.,* by Ismaíl Kadaré, whose popularity has grown since he won the Príncipe de Asturias de las Letras prize in 2009.

A number of literary works were published in Spanish including the novel *El hijo*, *de Brian Jones,* by Jesús Ferrero, which received the 13th Premio Unicaja de Novela Fernando Quiñones prize; *Todo por ellas*, by Miguel Bayón, who was shortlisted for the same prize; the novel *Majestad caída*, by Luis Antonio de Villena; and *La estrategia del outsider o la vuelta al mundo de Naraya Sola*, a literary adventure that is difficult to categorise, by Raúl Guerra Garrido who won the 2006 National Spanish Literature prize.

Anaya Educación published 686 titles in the printed books category for the levels *Educación Infantil*, *Educación Primaria*, *Educación Secundaria Obligatoria*, *Bachillerato* and *Selectividad*. All the teaching manuals that correspond to the printed titles were published in digital format.

The 9th Anaya de Literatura Infantil y Juvenil prize was awarded to Blanca Álvarez for her novel which is set in Japan during World War II.

Pirámide continued to publish Academic manuals both in business and psychology.

Within Tecnos, the *Biblioteca Universitaria de Editorial Tecnos* (BUET) collection managed to strengthen its position in 2012, bringing the collection to the top of Tecnos' catalogue and making it number one in academic manuals in Spain.

Cátedra – with its *Letras Hispánicas* and *Letras Universales* collections – has many long-sellers. In 2012, two new titles were published as part of the *Letras Hispánicas* collection: *Los conserjes de San Felipe*, by José Luis Alonso de Santos, marking the Bicentennial of the Spanish Constitution which was signed in 1812, and *Antología del microrrelato español (1906-2011)*.

In 2012, Bruño Educación consolidated its position among the listed education publishers for ESO (middle school), *Educación Infantil* (preschool) and *Educación Primaria* (primary school), and maintained its position in related educational material.

Barcanova confirmed its position as the leader in the Catalan market, with its new textbook titles. And Xerais remained the leader in the Galician market.

Larousse España continued to add new dictionaries and update its collection through its brands Larousse and VOX, and maintained its leading position.

In Mexico, the Patria-Larousse Group launched a number of textbooks, focusing in particular on developing and updating material relating to the *Reforma Integral de la Educación Básica* (RIEB), which seeks to take into account the challenges that the country is facing in the 21st century.

In Argentina, the *El mundo en tus manos* collection for the middle school segment was extended to cover the primary school segment in 2012. The professional development collections *Nueva Carrera Docente* and *Política y Educación* expanded their offerings with new titles. The *Latramaquetrama* extra-curricular literary collection (for children and teenagers) was expanded to include titles for schoolchildren up to the age of eight.

In addition, Aique Educación started digitising its works using the e-Pub format to later sell its titles through digital platforms.

#### Partworks

Generally considered to be more sensitive to purchasing power fluctuations than books, partworks enjoyed an excellent 2012, with sales posting positive growth. Partworks are sold per issue in news-stands, not in book stores. A product may be successful in countries with different cultures and economies, but it is important for the product to go through rigorous testing to make sure that it is appropriate for each market.

France, Italy and Russia all recorded very respectable results, but Japan and the United Kingdom saw the most spectacular performances, defying the pundits with the "Crochet" series in Japan, which sold over 3.5 million copies, and the "Marvel" series in the UK, which sold 2 million.

### B.3 OBJECTIVES AND ACHIEVEMENTS IN 2012

Hachette Livre focused on three key objectives in 2012:

1. carefully managing overheads and capital expenditure in order to maintain margins in an uncertain economy, with purchasing power falling in all the division's markets;
2. ending the dispute between the division and the US and EU Competition Authorities, while strengthening the agency agreement, which is a cornerstone in the battle for an economically viable digital market;
3. finding the international bestseller(s) that can take the place of the Twilight series.

These three objectives were met and/or surpassed. Operating costs remained stable, and restructuring operations were successfully carried out in the countries that were worst affected by the difficult economic climate (Spain and Australia). The e-books settlement signed with the US Department of Justice and the European Commission strengthened the agency agreement, in exchange for concessions of limited volume and duration. Finally, J.K. Rowling, the world's most popular novelist, even within her own lifetime decided to publish her first novel for adults with Hachette Livre in the United Kingdom, the United States, France and the Middle East, a tribute to the division's ability to attract the most famous authors year after year.

### C) OUTLOOK

As we expected in 2012, the global book market did not decline dramatically (except in Spain), demonstrating its resilience. Consolidation increased in the publishing sector, however, both in France (Flammarion acquired by Gallimard) and abroad (planned merger between Penguin and Random House). Given the growing prominence of Internet heavyweights and the decline of book stores in countries that do not have resale price maintenance for books to protect book stores, publishers need critical mass to establish a balance of power with their Internet retailers.

Hachette Livre – which made its last major acquisition in 2006 – will therefore be paying special attention to any opportunities for external growth.

## 5.2.1.2 LAGARDÈRE ACTIVE

The following comments describe the position of Lagardère Active based on its 2012 scope and business developments. Accordingly, they reflect the sale of the operations of NextIdea and Publication Groupe Loisirs, the acquisition of LeGuide.com in July 2012 and BilletReduc.com in December 2012, and the launch of La Place Media in September 2012.

### A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

Lagardère Active encompasses the Magazine Publishing, Radio, Television channels, Audiovisual Production and Distribution, Advertising Sales Brokerage and Digital businesses. The division also has a 20% share in Canal+ France (see section 5.2.2.3).

#### A.1 MAGAZINE PUBLISHING

Lagardère Active is the leader in Magazine Publishing for the general public in France[1], boasting 39 titles plus other licensed titles published internationally (85 publications).

Women's magazines form the core magazine portfolio, which also includes titles covering current affairs, interior design, youth and leisure.

Flagship publications include *Elle*, *Paris Match* and *Télé 7 jours*.

(1) 2011-2012 paid distribution in France: this is used to measure the advertising potential of a magazine and corresponds to the average number of paying copies per issue. It mainly includes copies sold at news-stands and through subscriptions.

Net sales for the Magazine Publishing business represent 57% of Lagardère Active's total. 59% of non-digital sales come from the sale of magazines (one-third of which are sold through subscriptions) and 41% from the sale of advertising space.

Other market players publishing magazines for the general public are either non-specialist groups with operations in one or two countries (such as Time Inc. in the United States and the United Kingdom, Mondadori in Italy and France, etc.), or brands with global ambitions (Hearst and Condé Nast).

#### A.2 RADIO

Radio accounts for 20.4% of Lagardère Active's total sales, of which 28% are derived outside France. 83% of radio stations' revenues come from advertising sales, which largely depend on audience ratings and the state of the advertising market.

In France, Lagardère Active is one of the major players on the radio broadcasting market, boasting three national networks.

**Europe 1**

Europe 1, France's benchmark radio station, with 4.8 million listeners every day, remains faithful to its traditional fare of general interest, high-quality output for the general public. It is renowned for its coverage and analysis of major news event.

**Virgin Radio**

Virgin Radio is a music station for 25-34 year olds, blending creativity and a dynamic, interactive format. Virgin Radio plays a mix of well-known pop hits and new pop music. Virgin Radio has 2.2 million listeners every day[1].

**RFM**

RFM, a music station aimed at a "contemporary adult" audience, is known for its diverse musical programming and its "*Le meilleur de la musique*" ("All the best hits") slogan. RFM is France's second most listened-to radio station[2] for 35-49 year olds and attracts 2.2 million listeners every day[1].

**International radio**

Outside France, Lagardère Active Radio International (LARI) has been successfully developing the division's radio broadcasting skills over the past 20 years in six countries in Eastern Europe, Germany and South Africa.

Every day, more than 13.5 million listeners[3] tune in to its 18 radio stations, mostly music channels.

In almost all of the countries in which it operates, LARI is a major player in the private radio station market. It is number one in the Czech Republic, where it has four radio stations (including Evropa 2, the undisputed leading radio station for young people, and Frekvence 1, the country's second most popular station[2]; and in Saarland (Germany) with Radio Salü.

In South Africa, Radio Jacaranda has been the country's leading private regional radio station for over a decade[2].

LARI is also the second-largest radio broadcaster in Poland with five stations (including the well-known Radio Zet with more than 6 million listeners every day[2]) and in Romania, where Europa FM, Radio 21 and Vibe Fm cover all of its target market. LARI is also strengthening its presence in Slovakia with the continued rise in listeners for Europa 2[2].

In France and abroad, these radio broadcasting activities are subject to national and EU laws and regulations governing the

(2) Source: Médiamétrie - 126,000; average Monday-Friday; 5am-midnight; November-December 2012 wave.
(3) Source: SMG KRC Radio Track August-October 2012; IMAS May-August 2012; Radio Project Q2+Q3 2012; RAMS 2012/5; AS&S MAII 2012 and E.M.A 2012.I; MML SK Q2+Q3 2012.

audiovisual and telecommunications industries. In France, radio broadcasters must have been approved by the French broadcasting authority (*Conseil supérieur de l'audiovisuel* – CSA) (see section 3.3.1).

### A.3 TELEVISION CHANNELS

Lagardère Active continued to shift the focus of its television channels in 2012 to cover two main segments.

Channels targeting a youth and family audience include TiJi (for children under 7) and Canal J (children aged 6-14). These paying channels are broadcast exclusively by CanalSat and Numéricable in France. In Russia, TiJi and Canal J are also broadcast on satellite channels and include purpose-made programmes.

Gulli, a freeview Digital Terrestrial Television (DTT) channel, rounds out the youth package. Gulli is 34%-owned by France Télévisions.

Lagardère Active's package for the youth and family market is the leader in its segment and is also the best known offer in France (98% of households with children know at least one of these channels[(1)]).

Along with these youth channels, the music channels MCM, MCM Pop and MCM Top and the women's channel June make up the entertainment offering for young adults of both sexes. June continues to be broadcast exclusively by CanalSat and Numéricable in the same formats as the youth channels. This is not the case for the MCM channels which are also distributed by Internet service providers.

The Mezzo channel and its offshoot Mezzo Live HD are currently broadcast in 41 countries and more than 17 million households, and have forged a reputation as the international reference for classical music, jazz and dance on television. These channels attract nearly one million viewers [(2)] every month. Mezzo is 40%-owned by France Télévisions.

In June 2011, Mezzo Live HD was incorporated into the CanalSat package.

Thanks to this diverse offering, Lagardère Active is a major player in the television market. The Gulli channel captured the seventh highest DTT audience in 2012[(3)] with 1.9% of audience share among children aged four and over across France. Most importantly, it was the most popular daytime (7am-7pm) channel among children aged 4-10, with 16.4%[(2)] of audience share.

Television channel broadcasters have two main revenue streams. Most of the revenues for cable, satellite and ADSL channels consist of fees paid by the operators broadcasting the programmes, plus incidental advertising revenues.

The opposite is true for freeview DTT channels. At end-2012, freeview DTT channels were available in virtually all geographic areas in France. Freeview DTT channels derive most of their revenues from advertising, since they have a very large pool of potential viewers.

Since 12 December 2012, six new channels were added to the DTT offering. The Elle TV project, which was presented to the Lagardère group, was not selected. The six channels are not available yet in all geographic areas in France, but they should be available throughout France by mid-2015.

### A.4 AUDIOVISUAL PRODUCTION AND DISTRIBUTION

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

In 2012, net sales generated by Audiovisual Production and Distribution represented almost 15.6% of Lagardère Active's total sales.

Lagardère Entertainment maintained its rank as the leading producer of drama and is number two in the production of programmes for immediate broadcast.

Its companies' sales consist of broadcaster financing. Other sources of financing such as co-producers, local and regional authorities, and the French national cinema board (CNC) help save on production. The funding received for a given production does not depend directly on achieved audience ratings but is fixed in a contract negotiated between the various stakeholders.

### A.5 ADVERTISING SALES BROKERAGE

Lagardère Publicité enjoys a unique positioning in France, with more than 150 brands marketed via six media (press, radio, television, Internet, mobiles and tablets) and operations in all major publishing environments:

- it is the leading French magazine advertising sales agency, with a 19.6% market share[(4)];
- in radio, it has a strong position on influential targets as the leader in advertising sales targeting managers and executives*, with a commercial audience share of 30%, and in advertising sales targeting high-spending adults in top occupational categories CSP+I**, with a commercial audience share of 23.7%[(5)];
- in television, Lagardère Publicité is a major advertising sales brokerage agency operating in all broadcasting media and covering all targets. The Gulli channel makes it the leading advertising offering for children aged 4 to 10[(6)];
- it has a strong digital presence with 70 websites (including 30 premium websites). This gives it a point of access to almost half of the Internet-connected population: 47.5% of Internet users are covered (21.1 million unique visitors, or UVs)[(7)], making Lagardère Publicité the seventh-largest advertising sales agency on the market. With its offering of 20 smartphone applications and 7 tablet applications, Lagardère Publicité is a leading advertising sales broker agency that is driving innovation in digital applications.

### A.6 DIGITAL

In 2012, Lagardère Active consolidated its positions in its Digital business, which represents nearly 8% of its net sales.

Lagardère Active operates in the digital segment through the websites and applications of its offline brands (including Elle, Europe 1, Gulli and Télé 7 Jours) as well as its pure player brands (Doctissimo.fr, Boursier.com, Sports.fr and LeGuide.com).

Lagardère Active holds the top spot among media groups in terms of Internet audience, with over 20 million unique visitors[(2)] in November in France, up 26% over one year (11% organic growth). LeGuide.com reaches 24.3 million UVs[(2)] in Europe, in 14 countries.

Lagardère Active is the leader on the French mobile market with a total of 5.1 million UVs[(2)] in November, up 6% since January. The

(1) Source: CSA; 2012 study conducted on awareness of additional channels; April 2012.
(2) Source: Médiamat'Thématik; wave 23.
(3) Source: Médiamétrie - Médiamat; consolidated audience. Audience share is expressed as a percentage and calculated by dividing the audience for a given channel by the total audience for the media as a whole.
(4) Source: Kantar Media; January-November 2012; excluding various advertising and media information except TV/sales insert included.
(5) Source: Médiamétrie - 126,000 Radio; September-October 2012; 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.
(6) Source: Médiamétrie Médiamat, January-November 2012; Médiamat'Thématik, January-June 2012.
(7) Source: Médiamétrie NetRatings, all connection sites; November 2012.

division produces eight well-known applications: Public, the most popular "celebrity" app; Télé7, ranked number two in TV guide apps; as well as Sports.fr, Première, Virgin Radio, Europe 1, Elle and Boursier.com.

Lagardère Active is also present on the tablets market with service apps such a Télé7, Public and Gulli, and 21 magazines have been available at the Apple Newsstand since April 2012.

## B) OPERATIONS DURING 2012

Contribution to consolidated net sales for 2012: €1,014 million (versus €1,441 million in 2011)

### • Breakdown of net sales by activity

| | 2012 | 2011 |
|---|---|---|
| **Press** | **56.8%** | **66.3%** |
| of which: Magazine Publishing | 51.1% | 63.1% |
| Other Activities | 5.7% | 3.2% |
| **Audiovisual** | **43.2%** | **33.7%** |
| of which: Radio | 20.4% | 17.9% |
| Television | 22.8% | 15.7% |
| **Total net sales** | **100.0%** | **100.0%** |
| **of which: Digital activities** | **7.9%** | **7.1%** |

### • Breakdown of net sales by geographic area

| | 2012 | 2011 |
|---|---|---|
| France | **88.0%** | 64.4% |
| International | **12.0%** | 35.6% |
| **Total net sales** | **100.0%** | 100.0% |

### B.1 MAGAZINE PUBLISHING IN FRANCE

In 2012, Lagardère Active confirmed its leadership position in circulation and advertising in Magazine Publishing, both overall and in nearly all of its markets.

In July 2012, Lagardère Active acquired Socpresse's interest in the magazine *Version Femina* and sold its interest in *TV Magazine* to Socpresse.

*Version Femina* moved into a new area of France in October 2012 with the regional daily *Le Républicain Lorrain*, increasing the number of dailies in its portfolio to 38.

In September 2012, Lagardère Active implemented a strategic decision for the brand Be: the magazine changed how often it was published and became a monthly. The artistic direction of the magazine was also adapted. The monthly had paid distribution in France(1) of 294,000 copies and advertising page volume of an average of 62 pages per issue. These results far exceeded the objectives set. The brand also improved its position in the digital market with its new social shopping website in October 2012.

In terms of circulation, Lagardère Active invested in maintaining or lowering prices, making it possible to keep or gain market share in strategic segments such as high-end women's magazines, current affairs and television. In 2012, Magazine Publishing was able to prepare for a recovery in 2013.

There was a great deal of pressure on per-issue sales, and net sales from circulation were down overall 6.4%, although subscriptions held up well.

- In the fiercely competitive high-end women's magazine segment, *Elle* managed to maintain its circulation in 2012.
- *Psychologies magazine* was able to limit the decrease in its circulation thanks to strong subscription sales.
- Lifestyle magazines performed well, with paid distribution in France(2) up, particularly thanks to subscriptions for *Maison & Travaux* (7.6% increase) and *Elle à Table* (7.8% increase). *Elle Décoration* and *Le Journal de la Maison* were stable, while *Art & Décoration* (1.5% decrease) and *Mon Jardin & Ma Maison* (1.4% decrease) were down slightly.
- Like other national dailies, *Le Journal du Dimanche* had lower paid distribution in France(1) despite a very good first half of the year.
- Unlike in 2011, current affairs did not contribute to net sales much in 2012. In this difficult market environment, *Paris Match* strengthened its market share in its segment.
- Amid a downturn in celebrity magazines, *France Dimanche* and *Ici Paris* held up particularly well and fared better than the market as a whole. Along with its competitors on the young celebrities market, *Public* had a tough year.
- *Télé 7 Jours* remained the leader in its filed, with an average circulation of 1,371,000 copies, and by far the best performance in per-issue sales.
- Furthermore, digital publishing sales took off in 2012 since all Lagardère Active's titles were available at the Apple Newsstand. Digital sales increased by a total of 84% for the division's various brands.

In advertising, given the economic crisis, net sales for Magazine Publishing fell.

- Despite a declining market, *Elle* was still the undisputed leader in its segment and maintaining its lead over its competitors.

(1) 2011-2012 paid distribution in France: this is used to measure the advertising potential of a magazine and corresponds to the average number of paying copies per issue. It mainly includes copies sold at news-stands and through subscriptions.

(2) 2011-2012 paid distribution in France: this is used to measure the advertising potential of a magazine and corresponds to the average number of paying copies per issue. It mainly includes copies sold at news-stands and through subscriptions.

- After an excellent year in 2011, *Version Femina* saw a slight decrease in page volume.
- Lagardère Active maintained its leadership in the interior design and renovation segment, with leading titles such as *Elle Décoration* and *Maison & Travaux*.
- Advertising page volume for *Paris Match* and *Le Journal du Dimanche* was down compared with 2011.
- *Télé 7 Jours* confirmed its leading position despite the structural decline in television advertising.
- Lagardère Active's share of the parent segment edged up 3.2 points, with *Parents* faring better than its competitors.
- In terms of licences abroad, sales were slightly higher in 2012. Magazine Publishing continued to roll out its brands with the launch of *Elle Décoration* in the Philippines in September 2012. New development projects are already well underway for 2013, for example with the launch of *Elle* in Australia which is planned for October 2013.

## B.2 RADIO

### Europe 1

Europe 1 brought in a new Managing Editor, Fabien Namias, in 2012. From the very beginning, he focused on the stability of the station's programming and on offering news analysis with perspectives and exclusive events (morning show was moved to New York City for the US elections; morning show was moved to Kabul when the French troops left Afghanistan, first radio interview with French President François Hollande since he was elected).

The strategy is to focus on steady organic growth by drawing on the loyalty of the Europe 1's core listeners.

Audience results from the November-December 2012 wave(1) showed that the station has a strong listener base.

- Europe 1 performed very well, attracting 4,793,000 listeners every day:
  - with a cumulative audience share of 9.1%, Europe 1 gained 0.2 points in a single wave;
  - with 123 minutes of listening time, up nine minutes in one year (and up three minutes in a single wave), Europe 1's listeners are ever-more loyal;
  - in terms of audience share, Europe 1 also gained ground, with 7.6% of audience share (up 0.1 point in a single wave).
- The show *Europe 1 matin* set its record for the number of listeners since Bruce Toussaint started presenting the morning show:
  - 3,023,000 listeners every morning, representing an increase of 169,000 listeners in a single wave(2);
  - the new features starting in autumn performed well: *L'édito politique* by Caroline Roux (141,000 new listeners), *Le vrai-faux de l'info* by Laurent Guimier (136,000 new listeners), *La revue de presse* by Natacha Polony (215,000 new listeners) and *L'interview de 8h20* by Jean-Pierre Elkabbach (179,000 new listeners) were all up. *La revue de presque* by Nicolas Canteloup (243,000 new listeners), *Rouge Vif* by Anne Roumanoff and *Les humeurs* by Jérôme Commandeur (165,000 new listeners);
  - all the quarter-hour slots for the morning show were up from 7am to 9am, in one year and in a single wave.
- A number of other features, outside the morning show, were up: *Le grand direct des médias* by Jean-Marc Morandini, *Faites entrer l'invité* by Michel Drucker, *Europe 1 midi* by Patrick Roger, *Les Experts Europe 1* by Helena Morna and *On va s'gêner* by Laurent Ruquier.
- In terms of its commercial target markets, Europe 1 increased its audience among the 25-59 age group, with audience share(3) of 6.3% (0.3 points in one year).

Europe1.fr performed very well in its digital activities during 2012:

- the station's website was visited by an average of over 2.4 million unique visitors (UVs) every month over the January-November 2012 period(4);
- the News Europe 1 portal, which brings together Europe1.fr, Lejdd.fr, Parismatch.com and Lelab.europe1.fr, attracted an average of over 3 million UVs from September to November 2012. The aim of this portal is to form one of the top ten news websites and one of the top five in the medium term, by exceeding five million Nielsen UVs.
- Europe 1 is the radio station with the most popular podcasts in France over the January-November 2012 period(5), and it ranked number one each month with an average of 5.2 million podcasts downloaded in France per month. Europe 1 is the only radio station to have exceeded six million downloads.

The top 3 shows downloaded remain strong and have not changed since last year. *La revue de presque* by Nicolas Canteloup, is still the most popular podcast for the station, followed by *On va s'gêner*, which reached new records this year, and *Au coeur de l'histoire*.

The number of visitors on the mobile application, which is available on all platforms, regularly exceeds two million visitors. It is among the 20 apps reporting the most hits in France.

### Music radio

Virgin Radio started the 2012 autumn season with Cyril Hanouna presenting, for the second year in a row, the 6am to 9am morning show.

Every hour from 9am to 8pm, Virgin Radio plays 40 minutes of non-stop pop music.

From 8pm to 2am, Double F presents *Le Lab Virgin Radio*, a special music show that mixes interviews with artists and live performances.

The changes to the musical programming since the summer of 2012 were not finalised until the beginning of 2013. In November and December 2012, strong performance with its target audience, 25-34 year olds, shows that the station is already well positioned: audience share was up 0.4 points in one year, a 10% increase in the average audience, and ten more minutes of listening time.

RFM is positioned as the second most popular music station in the 35-49 age group(6).

After two promising seasons, RFM strengthened its morning show for the start of the 2012 autumn season with a strong team: Pascal Gigot and Sandra Lou joined Bruno Roblès for the *Le Meilleur des réveils* morning show, every day from 6am to 9am.

From 5pm to 8pm, the duo Guillaume Aubert and Sophie Coste enliven evening drive time during the celebrity, cinema, music and interview features presented.

(1) Source: Médiamétrie 126,000 Radio; 13 years and over; November-December 2012; Monday-Friday; 5am-midnight change in a single wave unless otherwise mentioned.
(2) Source: Médiamétrie Médiamat, January-November 2012; Médiamat'Thématik, January-June 2012.
(3) Source: Médiamat'Thématik; wave 23.
(4) Source: Médiamétrie NetRatings, all connection sites; November 2012. Please note that in 2012 the way Internet figures are measured changed in France: in August, Médiamétrie changed its methodology. This new methodology now gives more weight to young people in audiences, and less weight to the oldest target audiences. This brought the performance of Lagardère Active's websites and portals down.
(5) Source: Médiamétrie NetRatings, all connection sites; November 2012.
(6) Source: Médiamétrie - 126,000; average Monday-Friday; 5am-midnight; November-December 2012 wave.

Despite the decline in cumulative audience at the end of 2012, primarily related to the context of the wave, RFM remains the second most listened-to adult music radio station with 2.8% of audience share and remains the music station that is listened to the longest (1 hour and 39 minutes).

Changes in Lagardère Active's cumulative radio audience in France are as follows:

| | **Nov.-Dec. 2012** | **Sept.-Oct. 2012** | Nov.-Dec. 2011 | Nov.-Dec. 2010 |
|---|---|---|---|---|
| Virgin Radio | **4.1%** | **4.3%** | 4.6% | 4.4% |
| RFM | **4.2%** | **4.9%** | 4.6% | 4.4% |
| Europe 1 | **9.1%** | **8.9%** | 9.4% | 8.9% |

*Source: Médiamétrie.*

**International radio**

Every day, Lagardère Active Radio International's radio stations attract: 7.3 million listeners in Poland[1]; 2.5 million in Romania[2]; 2 million in the Czech Republic[3]; over 800,000 in South Africa[4]; approximately half a million in Germany[5], and nearly 350,000 in Slovakia[6].

In all, Lagardère Active Radio International (LARI) attracts over 13.5 million listeners every day.

(1) Source: SMG KRC Radio Track August-October 2012.
(2) Source: IMAS May-August 2012.
(3) Source: Radio Project Q2+Q3 2012.
(4) Source: RAMS 2012/5.
(5) Source: AS&S MAII 2012 and E.M.A 2012.I.
(6) Source: MML SK Q2+Q3 2012.

In line with Lagardère Active's overall strategy, LARI continued its digital development in 2012, strengthening the development of digital advertising brokerage operations in Poland and the Czech Republic.

In parallel to its editorial content activity, LARI continues to run its own advertising brokerage operations. In addition to sales for its own radio stations, it also has exclusive contracts for a number of external broadcasters such as the Czech Republic leader Radio Impuls, the PN network in Poland and Smart Fm in Romania.

This strategy has enabled LARI to reinforce its commercial leadership and become the top radio advertiser in the Czech Republic and South Africa.

Changes in the number of listeners by country are as follows:

| | **2012** | 2011 |
|---|---|---|
| Poland | **7,286,000** | 7,570,000 |
| Romania | **2,494,718** | 2,264,566 |
| Czech Republic | **1,961,000** | 1,972,000 |
| Germany | **584,000** | 528,000 |
| Slovakia | **347,000** | 302,000 |
| South Africa | **835,000** | 973,000 |

*Source: Poland: SMG/KRC Radio Track August-October 2011/12 LV 15+.*
*Romania: IMAS May-August 2011/12 LV11+ Urbains and IMAS May-August 2011/12 LV11+ Bucarest.*
*Czech Republic Radio Project Q2+Q3 2011/12– LV12+.*
*Germany: AS&S MA II 2012 and E.M.A 2012.I.*
*Slovakia: MML SK Q2+Q3 2011/12 LV14+.*
*South Africa: RAMS 2012/5 December LV15 + Rég.*

## B.3 TELEVISION CHANNELS

2012 confirmed the expansion of Digital Terrestrial Television (DTT) in France, but new channels increased their audiences less than in previous years. These channels no longer benefit from broader coverage: as of the end of 2011, 95% of the French population already had access to DTT. The audience share for DTT channels, which went from 18.3% in 2010 to 21.4% in 2011 (up 3.1 points), was 22% in 2012 (only a 0.6 point increase over 2011). The audience share for special interest channels fell slightly to 11.2%, from 11.6% in 2011. All the historical terrestrial TV channels also slipped, but they still represent two-thirds of television consumption (66.7% of audience share compared with 67% in 2011).

The French audiovisual landscape was also affected by the launch in 2012 of six new HD DTT channels whose coverage will gradually expand until mid-2015. From 12 December (the day they were launched) to 30 December 2012, these six channels accounted for 1.5% of national audience share[7].

Against this backdrop, Gulli's advertising sales only rose 3.5%, compared with an increase of over 30% between 2010 and 2011.

In 2012, Gulli reached an average 35,000,000 viewers[8] aged four and over every month, representing a 2% increase compared with 2011.

(7) Source: Médiamétrie Médiamat; consolidated audience.
Historical terrestrial TV channels: TF1, France 2, France 3, Canal+, France 5 24hr/day, Arte 24hr/day and M6.
DTT channels: BFM TV, Direct 8, France 4, Gulli, i-Télé, LCP, NRJ12, NT1, TMC, Direct Star, W9 and France Ô.
Special interest channels: Total TV - (historical terrestrial TV channels + DTT channels).
New HD DTT channels: HD1, L'équipe 21, 6ter, Numéro 23, RMC Découverte HD and Chérie 25.
(8) Source: Médiamétrie Médiamat; daily.

The channel had its highest audiences during prime time. In 2012, Gulli reached one million viewers four times and beat its all-time record with 1,649,000 viewers aged four and over for the movie *La Guerre des boutons*.

Gulli was also the second most popular channel in the French audiovisual landscape for households with children (index of 131.9), for the third year in a row.

Lagardère Active's youth channels hold a 34% share of the audience for children's channels[(1)]. TiJi and Canal J are respectively in sixth and tenth positions on cable and satellite television (for pay channels) among the 4-10 age group, with a respective audience share of 2.7% and 1.7%. In one year, Canal J rose 8% in the 4-14 age group (for pay channels), with 1.4% of audience share. TiJi, which changed the look of its logo in February, has an average of 620,000 young viewers aged 4 to 10 every month (for pay channels) and is the second most popular pre-school channel in France.

In just one year, June rose 22% among women aged 15-34 with 1.1% of audience share[(2)]. Among the five most popular special interest channels for this target audience, June climbed four places in the ranking over the same period.

The MCM offering (MCM, MCM Top and MCM Pop) is the first music and entertainment offering whose audience share is men aged 15-24 (0.8% of audience share) and men aged 15-34 (0.5% of audience share)[(3)].

The local versions of TiJi and Gulli in Russia, launched in May 2009 on the NTV+ satellite platform, continued to increase viewing figures and broke even in 2012. Broadcast in Russian, these channels use a subscription-based economic model. At the end of September 2012, a total of 5 million households were subscribed to TiJi[(4)] in nine countries (three times more households than one year previously) and 1.6 million to Gulli[(4)] (up 105%).

To optimise brand positioning, raise profiles, and anticipate new television consumption patterns by imagining new ways of supplying content, the TV division has adapted to the digital age, developing mobile apps, tablets and connected TV, Xbox, catch-up television, videos on demand, and websites.

Diversification operations, particularly for Gulli, were also strengthened in 2012.

Lastly, programming reflected the commitment of youth and family-oriented channels to promoting environmental protection, sport and healthy eating.

### B.4 AUDIOVISUAL PRODUCTION AND DISTRIBUTION

In 2012, Lagardère Entertainment enjoyed strong viewing figures for the short episodes of *Nos chers voisins,* co-produced by Aubes Productions and Ango Productions and broadcast on TF1. Atlantique Productions continued to develop abroad with the series *Transporter*, broadcast on M6 in France and RTL in Germany, as well as the beginning of the production of season 2 of *Borgia* for Canal+ and the detective series *Jo* for TF1 whose main character is played by Jean Reno.

Lagardère Entertainment's other series continue to attract good viewing figures, particularly *Joséphine, ange gardien*; *Julie Lescaut*; *Boulevard du Palais*; *Famille d'accueil* and the daily current affairs programme *C dans l'air*, broadcast on France 5.

2012 also saw a further increase in the number of hours spent watching TV in France (3 hours and 50 minutes per day, which is 3 minutes more than in 2011; source: Médiamétrie).

Six new freeview DTT channels were also launched in December 2012, which will further fragment audiences – when advertising is already sluggish for all players – and will also create the need for new programmes.

Despite these structural changes, TF1 and the France Télévisions group remain the biggest players on the French market and Lagardère Entertainment's main clients.

In this new-look audiovisual landscape with changing television consumption patterns (video on demand with or without a subscription and catch-up TV), Lagardère Entertainment continued to grow in the segment of immediate broadcasts, lightweight drama, international production, as well as the production of purpose-made programmes to be broadcast on the Internet.

### B.5 DIGITAL

En 2012, Lagardère Active expanded its business model to include other forms of monetisation for audiences with:

- the acquisition of LeGuide.com in July, the number one price comparison guide in Europe, a service that uses a cost-per-click (CPC) payment model. The company operates in 14 countries and lists 155 million offers from 78,000 online retailers;
- the launch of La Place Media in September 2012 by Lagardère Publicité, in collaboration with Amaury Médias, FigaroMedias and TF1Publicité. La Place Media is an exclusive real-time bidding service for the premium digital audience of 80 media websites;
- the acquisition of BilletReduc.com in December, an online ticket service that is the leader in the French market for discount reservations with over 2.2 million tickets sold in 2012.

Lagardère Active also consolidated its positions focusing on its media websites, including the video and mobile segments which are the most dynamic.

- Doctissimo.fr, the number one women's website in France with 8.9 million unique visitors (UVs)[(5)], continued to develop in the video segment with Doctissimo Play, a new health and well-being channel on YouTube.
- Elle.fr, with 2.2 million UVs[(6)], created a new concept in 2012 with DailyElle, the first media website in France developed using responsive web design: technology that makes it possible for the website to adapt directly to the screen being used (PC, mobile phones and tablets).
- With over 6,205,000 downloads in November 2012[(7)], Europe 1 is the radio with the most popular podcasts for the 11th consecutive month. Europe 1 has also been streaming over seven hours of video programmes since September 2012.
- Public.fr, launched in 2011, proved a huge success with Internet users. It became number one in its competitive environment both in the Internet segment with 3.4 million UVs[(6)] and the mobile segment with 0.8 million UVs[(6)].
- With 1.8 million UVs[(6)] in December 2012, Télé7 – Télé 7 Jours' TV guide app – is the first TV app in the OJD (French media watchdog) ranking of mobile apps.

(1) Source: Médiamétrie - Médiamat' Thématik; January-June 2012; consolidated audience; audience share 4-14 year olds; extensive pay channels; average Monday-Sunday; 3am-3am.
(2) Source: Médiamétrie - Médiamat' Thématik; January-June 2012; consolidated audience; for pay channels.
(3) Source: Médiamétrie - Médiamat' Thématik; January-June 2012; consolidated audience; for pay channels.
(4) Source: Local reporting Russia.

(5) Source: Médiamétrie NetRatings, all connection sites; November 2012.
(6) Source: Médiamétrie - Médiamat' Thématik; January-June 2012; consolidated audience; audience share 4-14 year olds; extensive pay channels; average Monday-Sunday; 3am-3am.
(7) Source: Médiamétrie eStat; Catch Up Radio; November 2012; France.

### B.6 OBJECTIVES AND ACHIEVEMENTS IN 2012

In 2012, given the difficulties in the advertising market, Lagardère Active reduced its exposure to advertising which represented 41.5% of its total net sales compared with 51% in 2011.

Lagardère Active focused on strengthening its brands with initiatives such as the launch of La Place Media and DailyElle, streaming for Europe 1, online retail websites, and the Télé 7 Jours and Public applications.

The upturn in growth also enabled Lagardère Active to expand its scope with the acquisitions of LeGuide.com and BilletReduc.com.

The division also continued to cut costs as it had promised.

### C) OUTLOOK

At the present time, visibility on the advertising market in 2013 remains poor for magazines, radio and Internet media.

Lagardère Active will therefore continue its efforts to cut costs. Furthermore, the division will continue to develop its positions on digital audience platforms and will create new digital revenues through its brands.

## 5.2.1.3 LAGARDÈRE SERVICES

### A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

Lagardère Services is a global leader in local Distribution and Travel Retail, with operations in 25 countries and four continents.

Lagardère Services focuses its development on two business lines:

- LS travel retail covers the retail operations in travel areas and concessions across three business segments: Travel Essentials, Duty Free & Luxury, and Food Services. The business line breaks down its operations into three geographic areas: Europe, Middle East and Africa (EMEA), Asia-Pacific and North America.

  LS travel retail boasts 4,066 stores, as against 3,978 in 2011, with 3,534 in Europe, Middle East and Africa, 208 in Asia-Pacific and 236 in North America.
- LS distribution develops distribution activities and services for convenience stores in both independent and integrated retail networks. The business line also provides a full range of services for e-tailers. These businesses are located as follows:

| | Belgium | Switzerland | Hungary | Spain | Canada | United States |
|---|---|---|---|---|---|---|
| **Distribution** | | | | | | |
| National retailer | x | x | x | x | x | x |
| Wholesaler | x | x | x | x | x | |
| FMCG distributor(1) | x | x | x | x | x | |
| Third-party logistics(2) | x | x | x | x | x | |
| Marketing services | x | x | x | x | x | x |
| **Integrated retail(3)** | x | x | x | x | | |

*(1) Fast-moving consumer goods.*
*(2) Third party logistics.*
*(3) 1,258 stores in 2011 and 1,197 in 2012.*

### A.1 TRAVEL RETAIL

#### Retail sales dedicated to travellers

Travel Retail is a niche in the distribution market, and one of the most attractive activities in retailing. In the past few years, the market has undergone profound change, globalising, integrating, consolidating and becoming more sophisticated.

Lagardère Services is stepping up its expansion in this segment by:

- leveraging its current positions to increase effectiveness and brand awareness;
- expanding its commercial offering, particularly in food services;
- intensifying organic growth in emerging countries;
- accelerating its external growth, with, if possible, a transformative acquisition.

LS travel retail aims to become the leading transport retailer and the preferred partner for licensors on all market segments. It is structured by geographic area:

- LS travel retail EMEA covers Europe and pending expansion in the Middle East and Africa. A centre of expertise and support for Duty Free Aelia Franchisors has been created, and Aelia's and Relay's French operations now fall under LS travel retail France;
- LS travel retail ASPAC covers the Asia-Pacific region. A special development unit was set up in Singapore to focus on accelerating growth;
- LS travel retail North America covers the retail businesses in Canada and the United States.

The world's third-largest operator in Travel Retail, Lagardère Services operates on three market segments, and:

- has the largest international network of convenience stores and stores dedicated to cultural leisure products (Travel Essentials);
- is a major player in duty free, luxury and fashion (Duty Free & Luxury);
- is also moving into food services in travel areas (Food Services).

The network includes the following outlets:

- under its own international store names (Relay, Hubiz, Aelia Duty Free, Discover, Tech2go, So! Coffee and Trib's), as well as store names with a strong local identity (Buy Paris Duty Free, Buy Paris Collection, Payot, Newslink);
- under franchise or licence (Hermès, Lonely Planet, Fnac, iStore, Costa Coffee and Paul).

#### a) World leader in Travel Essentials

With the Relay and Hubiz stores and local store names (Newslink, etc.), Lagardère Services currently runs the world's largest international network of newsagents and convenience stores located in travel areas, including more than 130 international airports. With new sales outlets opening regularly, Relay offers an increasing number of customers a wide range of products while travelling: newspapers, magazines, books, confectionery, souvenirs, food and convenience products.

In train stations and airports, Lagardère Services also operates a large number of stores selling small electronics, telephone accessories and mobile devices under the Fnac, Virgin, iStore, Tech2go names (in France, Germany, Poland, China, Australia, Canada and the United States).

Lastly, the Air de Paris stores in France and the Discover stores in North America, Germany, Poland, Australia and Singapore sell tourists products and souvenirs that promote local culture and regional produce. LS travel retail also operates gift-souvenir concessions at the Eiffel Tower and Sydney Opera House as well as sales outlets at Niagara Falls.

Competition in press sales and convenience stores in travel areas is mainly from local businesses: Hudson News, Paradies and HMSHost in North America; WH Smith in the United Kingdom; Valora in Switzerland; Valora and Eckert in Germany; Areas in Spain; Ruch and Kolporter in Poland, etc. Two groups have plans for international expansion: Hudson News in Europe, following its acquisition by Dufry, and WH Smith in Europe and Asia-Pacific.

#### b) A top player worldwide in Duty Free & Luxury

LS travel retail also operates duty-free shops and specialist concept stores, under its own names (Aelia Duty Free, Buy Paris Duty Free, So Chocolate, Fashion Gallery, etc.) and under international brand licences (Hermès, Fauchon, Longchamp, Hugo Boss, etc.).

This high-growth activity has 292 stores.

LS travel retail also handles onboard sales of high-end products on behalf of certain airlines, including Air France, Alitalia and Iberia in partnership with the Servair group.

Aside from LS travel retail, the leading global players in duty-free sales and specialist concept stores in travel areas are Dufry, DFS (LVMH group), World Duty Free (Autogrill group), TNG (The Nuance Group) and Heinemann.

#### c) Fast-growing operator in Food Services

Lastly, with its long-standing presence in French hospitals (188 sales outlets), LS travel retail is stepping up its expansion in food service concessions. It won contracts with the Rhine-Rhone TGV and Montpellier airport and acquired two companies in the Czech Republic that will ultimately give it access to more than 50 food service sales outlets in train and metro stations.

LS travel retail operates nearly 300 food service outlets in nine countries: France, Poland, Czech Republic, Germany, Belgium, Australia, Bulgaria, the United States and Canada, under its own store names (Trib's, Business Shark, So! Coffee, etc.) or under international (Paul, Costa Coffee, Subway, etc.) or local brand licences (Panos, Mr. Baker, Empirik Café, Java U, etc.).

### A.2 DISTRIBUTION

A leader in distribution and services for convenience stores, LS distribution has considerably diversified its businesses, and is now focusing on growth and consolidation, despite lower print media sales, with three main priorities:

- streamline and improve the performance of Press Distribution operations: harmonise and improve industrial practices and productivity, integrate companies to improve efficiency, gain market share in Press Distribution, capture a greater portion of the value chain, etc.;
- develop Distribution activities and diversified services: distribute and represent FMCG brands, extend the services (including dematerialised services) provided within the network, in a new and commercially attractive offer, expand into non-press distribution networks;
- build an offer of B2B services based on skills, logistics assets and systems: provide services for e-tailers, 3PL (Third-Party Logistics Provider) and PUDO (Pick Up Drop Off) services.

#### a) National Press Distribution and Press Import/Export

Supplying sales outlets with newspapers and magazines is a crucial function in press sales. Lagardère Services carries out this activity in nine countries at two levels: National Press Distribution and international Press Import/Export.

The world's leading national press distributor, LS distribution is the largest distributor in the United States, Belgium, French-speaking Switzerland, Spain and Hungary. In these countries, Lagardère Services supplies convenience store networks: Lapker in Hungary (10,641 sales outlets, 582 of which are operated by the company), SGEL in Spain (more than 20,000 sales outlets).

In North America, the leading national magazine distributor Curtis Circulation Company coordinates a network of independent wholesalers and manages sales of press titles to the biggest retail chains. Its market share stood at 33% in 2012.

Competitors are major local players such as TDS/WPS (Time Warner group), Comag (The News Group) and Kable. Major changes took place on the market in 2012, with the takeover of Comag by The News Group (TNG, largest US wholesaler) from Hearst Group & Condé Nast. This shift towards vertical integration is shaking up the press distribution market in the United States.

In Spain, SGEL, the leading national press distributor, has 49% of the overall press and magazine market. Its main rivals are Logista and GDER (a newspaper publishing cooperative).

Lagardère Services is also the leader in Hungary, Belgium and French-speaking Switzerland.

LS distribution is also a leading company in the import and export of the international press, with operations in nine countries (Belgium, Bulgaria, Canada, Czech Republic, Hungary, Romania, Spain, Switzerland and the United States).

#### b) Other distribution activities

In order to respond to the structural decline in the press market, LS distribution has diversified its distribution activities, building on the strength of its networks and its local organisations.

Lagardère Services now offers distribution and brand-representation services, FMCG distribution and logistics for e-tailers, in addition to new services (including dematerialised services such as Western Union, telephony, etc.).

#### c) Integrated retail operations: local retailing in town centres and shopping malls

LS distribution also has an extensive network of more than 1,200 convenience stores 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 bookstore chain in Switzerland, with 11 stores, and four Nature & Découvertes sales outlets. The competition consists of Fnac and independent bookstores.

Furthermore, in response to the steady decline in press sales, LS distribution is pursuing a plan to diversify its product ranges, as well as its concepts, by expanding into fast food, coffee shops and specialised concepts.

LS distribution has entered into partnerships with major players including La Cure Gourmande (France, Spain) Nature & Découvertes (Switzerland) and Jeff de Bruges (Spain).

## B) OPERATIONS DURING 2012

Contribution to consolidated net sales for 2012: €3,809 million (€3,724 million in 2011).

### • Breakdown of net sales by activity

| | 2012 | 2011 |
|---|---|---|
| Travel Retail | **56.3%** | 53.3% |
| Distribution | **43.7%** | 46.7% |
| of which integrated retail | **18.3%** | 18.7% |
| of which distribution | **25.4%** | 28.0% |
| **Total sales** | **100%** | 100% |

### • Breakdown of net sales by geographic area

| | 2012 | 2011 |
|---|---|---|
| France | **28.0%** | 28.9% |
| Europe | **58.5%** | 59.0% |
| North America | **6.1%** | 6.0% |
| Asia-Pacific | **7.4%** | 6.1% |
| **Total sales** | **100%** | 100% |

Sales grew by 2.3% in 2012 on a reported basis or 2.2% on a like-for-like basis.

Travel Retail generated 56.3% of consolidated net sales in 2012, compared with 53.3% in 2011. Retail activities (Travel Retail and integrated retail) accounted for 74.6% of consolidated sales in 2012, compared with 72% in 2011, due to acquisitions in 2011 (Czech Republic and New Zealand) and 2012 (Czech Republic, the Pacific, Switzerland and Italy), new contract wins (China, Malaysia, Reunion Island, *boutiques du quotidien*), despite some businesses now being accounted for under the equity method (Aéroports de Paris and Aéroports de Lyon).

The product diversification policy for both retail activities and Press Distribution reduced the print media component of sales from 50.1% in 2011 to 46.2% in 2012.

The 2012 market environment was marked by continued but slower growth in air traffic compared with 2011, and a notable acceleration of the decline in the press and book markets.

Business suffered from the economic crisis (particularly in Europe and North America) and geo-political tensions.

The Swiss franc and Australian dollar remained strong and continued to have a negative impact on sales in those countries.

#### Continued growth in air traffic

After a 2.7% drop in 2009 and an increase of 6.3% in 2010 and 5% in 2011, 2012 saw growth of more than 4% in air traffic worldwide, with increases of 2.2% in Europe, 1.5% in North America and 7.7% in Asia-Pacific[1]. Since December 2009, world air traffic volumes have been higher than before the crisis (2007), with significant disparities between geographic areas:

- in Europe, 2012 air traffic volumes were above those of 2007;
- in North America, traffic has not yet returned to its 2007 level;
- in Asia-Pacific, 2012 traffic was well above 2007 levels.

#### Acceleration of the decline in print media sales

The decline in the press market has accelerated, with volumes down between 5% and 10% depending on the country.

(1) Source: ACI, at end-September 2012.

Lower volumes have been partially offset by higher prices.

Against this backdrop, the sustained growth in Travel Retail profits was attributable to:

- growth in air traffic;
- expansion of networks (through organic and external growth) and the modernisation of stores;
- the ongoing strategy of modulating concepts and lines in favour of products enjoying growth and/or offering higher margins (duty free, food service and convenience stores, for instance).

Lagardère Services' concessions portfolio expanded considerably during the year, especially the Duty Free & Luxury activities, for which both royalties and operating margins are traditionally higher.

For Distribution, the drop in profits was in part offset by diversification efforts and reorganisation plans, which helped generate new revenues and further savings in 2012.

### B.1 TRAVEL RETAIL

#### Europe, Middle East and Africa (EMEA)

In France, net sales at Relay France stores rose 1.4% on 2011.

This growth reflects the subsidiary's capacity to offset the considerable decline in press sales (5.3%), books (9.6%) and telephony (21.3%).

The success of Travel Retail's diversification is due to:

- Relay's development in Food Services with the expansion of Trib's outlets;
- the extension of the convenience store offer designed for commuters at Hubiz outlets and the greater selection of foods available at Relay outlets;
- the ongoing shift towards electronics;
- the renovation of Virgin stores under the Fnac name boosted net sales 10.2%;
- the remarkable performance of souvenir sales at Eiffel Tower shops (up 8.2%), with the contract renewed in 2012.

The airport outlets under the joint venture Relay@ADP recorded satisfactory sales with the opening of Air de Paris souvenir shops, despite a heavy works schedule in 2012.

In France, Aelia recorded a sharp increase of 20.2% in sales in 2012, both in the Paris and regional airports, which recorded 21.8% and 19.6% growth, respectively. The modernisation of sales outlets, new business initiatives and the quality of the training policy helped generate sales growth that exceeded the increase in air traffic (up 1% for Aéroport de Paris, 0.9% in Lyon, 13.4% in Marseille and 7.5% in Nice). The rollout of the new Aelia Duty Free concept at regional airports and the opening of the new 2A, 2C and S4 terminals at Charles de Gaulle airport boosted sales considerably.

Onboard sales also turned in strong growth of 5.7% following the optimisation of these contracts in France, Spain and Italy.

The United Kingdom boasted 10.7% growth and enlarged its scope in 2012 from 9 to 15 sales outlets. This reflects both the growth of LS travel retail UK in the travel retail sector in the United Kingdom and its diversification strategy, with a new Relay sales outlet opened in central London and a new Watermark bookstore at King's Cross train station.

In Italy, in line with the strategy to step up growth through calls for tenders and acquisitions, LS travel retail won the Aeroporti di Roma bid in July 2012 to acquire AdR Retail, which operates eight duty-free sales outlets at Rome airports. As business recovers, the sales generated by LS travel retail Roma since it took over operations on 1 October 2012 have already risen 1.1% on 2011, despite a 7% drop in traffic. 2013 will be a year of transition, including a comprehensive shop renovation programme.

In Germany, business was up 8.8%. The network continued to expand, contributing 8.3 points to growth. This reflects the six additional sales outlets and the full-year impact of outlets opened in 2011. Like-for-like growth came out at 0.5%. The company now has 91 sales outlets.

In Poland, net sales rose 14.8%, including 21% growth in the Empik Café network and 29% in Duty Free shops, driven by the UEFA Euro 2012™, the closure of Baltona sales outlets at the Warsaw airport and the rerouting of passenger traffic through Warsaw's Terminal 2 following the renovation of Terminal 1. The network totalled 713 sales outlets, with 39 more outlets than in 2011.

In the Czech Republic, the Lagardère Services subsidiary grew significantly in 2012, thanks to several major acquisitions: FEE (acquisition of 70 food service outlets and convenience stores) and Unimex (Aelia CZ's main competitor at the Prague airport). These acquisitions resulted in sharp sales growth over the year. The traditional business of the Relay and Inmedio sales outlets inched up 4%. The duty-free operations, with 22 airport sales outlets including 15 from the acquisition of Unimex, and onboard sales for CSA recorded growth of 81.6% over the year. Food Services, which comprises the Paul, Costa and FEE sales outlets, boasted growth of 95%.

In Romania net sales increased by 16%, with 13 additional sales outlets opened since 2011, bringing the total to 198.

In Bulgaria the network is growing steadily, with 80 sales outlets at year-end, primarily in shopping malls and metro stations. The subsidiary bolstered its development in Food Services and diversified its portfolio of brands with Hello, 1 Minute, Café Inmedio, Bistro Inmedio and the Subway® franchise.

#### Asia-Pacific

In Asia-Pacific, net sales were up 9%, reflecting:

- the acquisition of Duty Free Stores Wellington Ltd (16 duty-free sales outlets in New Zealand and Australia) in July 2012;
- the favourable comparison base after acquiring 11 news and convenience outlets in New Zealand in 2011;
- the renovation of two duty-free concessions at the Nouméa airport in New Caledonia in early 2012.

Excluding network changes, Newslink and Purely ended the year with sales down 0.2% and 4.4% respectively. Unfavourable factors in the trading environment include a particularly strong Australian dollar, drop in tourism and a widespread and a significant drop in book sales and therefore prices.

In Asia, strong growth stemmed from development in Singapore and sustained growth in China. In Hong Kong, the drop in press sales and English books was tempered by an effective diversification strategy into confectionery, drinks and other high-margin items. In China, the Travel Retail network entirely repositioned itself, closing its metro outlets and moving into luxury goods in airports. The convenience store network in train stations continues to grow.

In Singapore, fashion outlets continued to open while loss-making specialty outlets were closed.

In 2012 Lagardère Services launched operations in Malaysia, in Terminal 1 of Kuala Lumpur International Airport.

#### North America

With a network totalling 248 sales outlets (169 in Canada and 78 in the United States), Travel Retail fell 2.2% (and just 3.7% based on the same number of outlets), despite a decline of 11.9% in press activities and 10.9% in books. This performance was the result of tremendous efforts made to diversify into food services, souvenirs and portable accessories.

Including changes in the network, these operations contributed 1.5 points to sales, with 10 more sales outlets and the full-year impact of new outlets opened in 2011.

The subsidiary won a high number of calls for tender in 2012 in food service and specialist concepts (excluding press), with new outlets planned for 2013.

### B.2 DISTRIBUTION

#### Integrated retail activities

In Belgium, retail sales were down 0.6% as the network was optimised from 264 sales outlets at end-2011 to 252 at end-2012.

Excluding changes in the network, net sales remained stable on 2011. Tobacco sales offset the drop in press and telephone card sales.

In Spain, the bleak economic environment (rising unemployment and declining consumption) had a strong impact on net sales in 2012. Business was down 10.1% in press sales outlets in both Spain and Portugal, despite the opening of four convenience hubs and Hubiz, which represented 2% of net sales in the news and convenience segment in 2012.

Diversification projects were launched to make up for the flagging press market. At the end of 2012, the network had seven La Cure Gourmande sales outlets, five Jeff de Bruges sales outlets and one Discover sales outlet (souvenirs).

Business was strong at the two fashion boutiques opened in Malaga and Alicante in 2011, contributing 2.8 points.

Volumes were down 0.5% in Switzerland, still impacted by the transfer of business to the Internet or neighbouring France, due to the strength of the Swiss franc at the end of 2011.

Naville Détail saw a slight drop of 0.9% between 2011 and 2012, with press volumes at 7.1% and despite hikes in tobacco prices. The network comprised 180 sales outlets at the end of 2012. It included two new fashion sales outlets at the Geneva airport following the takeover of the company Airport Fashion in March 2012, which contributed 2.3 points to growth.

Covering 11 bookstores and 4 Nature & Découvertes stores, the Payot chain posted a 6.3% decline in business in 2012 (impact of the strong Swiss franc).

In Hungary, retail sales grew by 5.5%, with a strong performance from non-press products (up 10.7%), offsetting the decline in press sales (9.9%).

The network operating under the Relay and Inmedio store names remained stable at 344 sales outlets despite the ongoing streamlining of news-stands and closure of 39 units (238 stands at the end of 2012).

#### Distribution activities

The 2012 results for the distribution activities were negative in all countries except Hungary due to the continued decline in press markets. To limit the structural decline in press sales, distribution companies implemented plans aiming to accelerate diversification.

In Belgium, AMP's distribution activities saw a 7.5% decline in sales in 2012 due to an accelerated decline in press sales (volume down 9.4% on 2011). The telephone cards business decreased by 3.7%.

The reorganisation plan launched in 2007 was extended in 2012. After a redundancy scheme affecting 90 people in 2011, 13 additional jobs were cut and key functions were reshuffled. As a result, profitability has improved significantly since 2007.

In Spain, distribution activities fell by 9.6% due to adverse trends in the local press market (down 23.7%) and a drop in the number of collections for partworks (down 22.6%). Books were down 7.1%.

Diversification continued in an effort to check this decline, resulting in the acquisition of Celeritas in August 2012. The specialist in logistics and distribution for e-tailers represented 0.5% of distribution sales at end 2012.

In Switzerland[1], the erosion of press sales, down 8.8%, affected Naville's distribution activities, with net sales down 6.3%. The distribution of non-press products also fell 4.4% due chiefly to the decline of 4.8% in confectionery and 10.1% in telephony, despite strong tobacco sales (up 7.5%).

Consolidated net sales grew in Hungary (2.4%), with falling press sales (down 5.8%) offset by strong growth in non-press sales (9.9%), resulting from the development of the telephony products network and the creation of a range of prepaid electricity services (in partnership with E.ON in Budapest).

In the United States, the Curtis Circulation Company's consolidated distribution sales were down a sharp 12% in 2012, with the magazine market being restructured and transitioning to digital formats.

In Canada, the sales of LS distribution North America (LS DNA) slipped 1.9% as a result of the 17% decline in press sales. This fall was largely absorbed by Euro-Excellence (a specialised distribution company acquired in July 2011), which now accounts for 26.1% of LS DNA's sales.

## B.3 OBJECTIVES AND ACHIEVEMENTS IN 2012

#### Travel Retail

- Travel Essentials
  The following factors largely counter-balanced the decline in press sales:
  - the development of new product lines, especially in food, souvenirs and accessories;
  - the development of new concepts such as Hubiz, Tech2go and iStore;
  - a number of new and/or renewed concessions (Eiffel Tower, *boutiques du quotidien* in the SNCF rail network, airports in Nantes, Bordeaux, Dallas, Chicago, Xi'an, Singapore, Edmonton, Boston, Perth, Cairns, etc.);
  - efforts to modernise stores and the acquisition of Redgroup in New Zealand and Jablonsky in the Czech Republic.

Consolidated net sales were affected by the full-year impact of the transfer of Relay sales outlets to Aéroports de Paris as part of the joint venture Relay@ADP set up in August 2011 (accounted for under the equity method).

- Duty Free & Luxury
  In line with its strategic plan, this segment continued its strong expansion in 2012, with:
  - the acquisition of duty-free operations at the Rome airport, Duty Free Stores Wellington Ltd (in Australia and New Zealand) and fashion sales outlets at the Geneva airport;
  - the development of the partnership with Aéroports de Paris, with heavy investment in the terminals 2A and 2C and the opening of terminal S4, along with the first full year of operations for DFP's fashion sales outlets, previously part of The Nuance Group;
  - new concessions won (Reunion Island, fashion in Xi'an, General Merchandise – including an Elle Café in Kuala Lumpur, etc.);
  - the consolidation of UG-Air in the Czech Republic, acquired at the end of 2011.

Consolidated net sales were impacted by the first year of operations for the joint venture Lyon Duty Free (accounted for under the equity method), which covers the duty-free stores at Lyon airport previously operated directly by Aelia.

- Food Services
  This segment represents another development priority, registering considerable growth in 2012 with:
  - the rollout of the Trib's concept in France and abroad (Australia), and the ongoing development of franchises including Paul and Costa Coffee in the Czech Republic, Subway in Bulgaria and a first Eric Kayser outlet at Orly airport;
  - an external growth drive including a 49% stake purchased from the minority shareholder in the Empik Café network in Poland and the acquisition of FEE in the Czech Republic and the Coffee Fellows cafe chain in Germany (effective control in 2013);
  - a significant number of concessions won: several large hospitals in France, the food service outlet at the Frankfurt train station, sales outlets in the Varna and Burgas tourism airports in Bulgaria and a concession at the Los Angeles airport. These outlets will open in 2013.

#### Distribution

LS distribution continued to work on productivity and diversification in response to the structural decline in print media, and 2012 was particularly dynamic:

- the development of non-press retail continued with the integration of Euro-Excellence in North America (import and distribution of fine chocolate and European fine foods) and the acquisition of a similar activity from Crossings in the United States. LS distribution also acquired the Hungarian FMCG retailer Deliterra (formerly Lekkerland);
- more services to e-tailers in each of its subsidiaries with the acquisitions of Celeritas in Spain and Sprinter in Hungary.

LS distribution continues to gain market share in its traditional business both in Spain and the United States.

At the end of 2012, LS distribution sold its non-strategic book distribution business in Switzerland, OLF. Similar action was considered for the Payot bookstore chain, but the sale was deferred due to the market environment.

(1) Excluding OLF (book distribution) sold on 30 September 2012.

## C) OUTLOOK

Lagardère Services' trading outlook in 2013 mainly hinges on changes in airport traffic, press markets and broader economic trends.

For Travel Retail, the objectives are focused on:

- continuing to diversify the product mix to secure new growth drivers amid a downturn in the press and book markets;
- stepping up development in Asia-Pacific, the Middle East and Africa;
- pursuing external growth through new partnerships and a transformative acquisition if the right opportunity arises.

For Distribution, the strategy could require:

- carrying out several small acquisitions to accelerate the rollout of business development plans;
- forging global or local, industrial or financial capital alliances, diluting ownership, in order to bolster LS distribution's strategic market positioning.

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

# 5.2.1.4 LAGARDÈRE UNLIMITED

## A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

Lagardère Unlimited is a leading player in the Sport Industry and Entertainment businesses. Boasting expertise that spans the entire value chain, Lagardère Unlimited has six complementary business lines.

#### Organisation and management of events

Lagardère Unlimited owns, organises and produces sporting events and major musical performances. These activities represent a diversified positioning in the Sports Industry and Entertainment businesses.

#### Talent representation

Lagardère Unlimited assists elite athletes, artists and tomorrow's talent in managing their careers (contracts, scheduling, logistics) and their image (rights, sponsors, media relations).

#### Consulting in the management and operation of stadiums and sports grounds

Lagardère Unlimited is positioned on the venue consulting market, designing, financing, building and/or operating infrastructure capable of hosting sports, cultural and/or artistic events.

#### Marketing of sports rights and associated products

Sports marketing enables advertisers to associate their brand and image with organisations, events and athletes from the sports world through a range of media: uniforms, naming and signage in stadiums, and in corporate hospitality. Lagardère Unlimited and its subsidiaries connect rights holders and advertisers, and provide them with expertise and tools to meet their specific needs.

#### Management of broadcasting rights

Lagardère Unlimited manages the broadcast rights for sports events through traditional and digital media.

Media activities also involve production, which covers all the resources necessary to record and distribute an event and/or create a programme intended for broadcast.

#### Management of sports academies

Lagardère Unlimited is a strategic partner and manager of sports academies.

### A.1 EUROPE AND AFRICA

#### Organisation and management of events

Upsolut, a wholly-owned subsidiary acquired in 2008, has developed expertise in organising mass sports and endurance events such as marathons and triathlons.

PR Event, a wholly-owned subsidiary also acquired in 2008, is a Swedish agency that owns and organises the ATP 250 Skistar Swedish Open and the WTA Sony Ericsson Swedish Open in Båstad, Sweden. It also organises the ATP 250 IF Stockholm Open.

Sportfive is a wholly-owned subsidiary acquired in 2007 and comprises four units: France, Germany, Africa and International. It draws on its expertise and network to organise training sessions, matches and friendly tournaments for European clubs and national football federations.

Lagardère Unlimited Live Entertainment, acquired in 2011 from Lagardère Active, produces and co-produces several musicals, including *Salut les copains*, *Dracula*, *Cinderella* and *Elle en Scène*. It also holds a 20% share in the company that operates the Zénith in Paris, a 90% share in the company that operates Folies Bergère and a 51% share in Marques Folies Bergère.

#### Talent representation

In 2012, Lagardère Unlimited managed the sporting careers and/or image rights of more than 20 rugby players in France.

#### Consulting in the management and operation of stadiums and sports grounds

Lagardère Unlimited Stadium Solutions was founded in 2010 and reinforced by the acquisition of Stadia Consulting Group's business in 2011. The subsidiary advises its clients on developing, managing and operating stadiums and multipurpose venues. Its offer allows it to build long-term relationships with venue owners. In 2012, Lagardère Unlimited Stadium Solutions was involved in preparing projects relating to the UEFA Euro 2012™ in Poland and Ukraine and many projects in the lead-up to the UEFA Euro 2016™ in France. The entity also provides advice to rights holders of European football stadiums and sports leagues.

#### Marketing of sports rights and associated products

The majority of marketing rights sold by Sportfive cover major national and European football clubs.

- In France, Sportfive has comprehensive marketing agreements with four Ligue 1 clubs (Olympique Lyonnais, AS Saint-Etienne, Valenciennes FC and OGC Nice) and two Ligue 2 clubs (RC Lens and AJ Auxerre). Sportfive is also a non-exclusive partner of virtually all Ligue 1 clubs.
- In Germany, Sportfive has comprehensive marketing agreements with 14 football clubs in the top three divisions (including Borussia Dortmund, German champion for the past two seasons) and is a non-exclusive partner of many other German clubs.

Sportfive holds other football marketing rights, including those relating to the Confederation of African Football (CAF), and rights relating to other sports – sailing, golf, tennis, motor sports and winter sports – and events (including the Nitro Circus).

#### Management of broadcasting rights

Sportfive is a leader in the sports media rights market and, as of 2012, has established partnerships with more than 30 European football federations. Its other assets include broadcasting rights for major events such as the 2014 Olympic Winter Games in Sochi, the 2016 Olympic Summer Games in Rio de Janeiro, and the Africa Cup of Nations.

IEC in Sports, a wholly-owned subsidiary acquired in 2007, specialises in the distribution of sports media rights. The Stockholm-based agency represents more than 200 sports rights holders in dealing with broadcasters. Its portfolio of media rights comprises over 40 ATP tennis tournaments (men's tennis) and over 22 major WTA tournaments (women's tennis), including the Premier Event Series in partnership with Perform. IEC in Sports distributes the media rights for a number of Olympic sports events (e.g., the IAAF World Championships in Athletics) and the World Mind Games (owned by SportAccord, an umbrella organisation for the leading international sports federations).

Sportfive and IEC in Sports also provide their rights holder partners with production and post-production services.

#### Management of sports academies

Lagardère holds the occupation and operating rights for two sports centres, Croix Catelan (in the heart of the Bois de Boulogne) and Rue Elbé, for a period of 20 years which started on 1 September 2006. These two Parisian sites are managed by Lagardère Paris Racing Resources SASP.

### A.2 ASIA-PACIFIC AND MIDDLE EAST

The Asia-Pacific and Middle East region is operated by World Sport Group, acquired in 2008.

#### Organisation and management of events

World Sport Group is the promoter of one of the biggest golf tournaments in Asia, the Barclays Singapore Open. In addition, as the business partner and co-creator of OneAsia, World Sport Group also sponsors four OneAsia circuit tournaments including the Australian Open and the Thailand Open.

#### Talent representation

World Sport Group also represents top-level Asian golfers and cricketers, putting them in contact with partners seeking long-term brand association with popular sporting personalities. Contracts have been signed with cricket stars Sachin Tendulkar and Gautam Gambhir.

#### Consulting in the management and operation of stadiums and sports grounds

World Sport Group is a member of the consortium formed to build the Singapore Sports Hub, a complex comprising a 55,000-seat stadium, an indoor aquatic complex and a 41,000 sq.m shopping centre, scheduled to open in April 2014. World Sport Group will sell the marketing rights and provide sports activities for the new complex.

#### Marketing of sports rights and associated products

World Sport Group's portfolio of marketing rights chiefly comprises the AFC (Asian Football Confederation) and the OneAsia golf circuit.

#### Management of broadcasting rights

World Sport Group has established itself as a major player in sports media rights in the Asia-Pacific region, with a portfolio containing more than 5,000 hours of programmes and the equivalent of 600 days per year of sports events in 30 different countries. World Sport Group is also a distributor for prestigious events such as the AFC Asian Cup and qualifying matches for the 2014 FIFA World Cup.

### A.3 UNITED STATES AND SOUTH AMERICA

Lagardère Unlimited moved into the American market in 2010, with the acquisition of the entire share capital of Best and a 30% share in the Saddlebrook sports academy.

#### Organisation and management of events

Lagardère Unlimited organises the Citi Open tennis tournaments in Washington D.C. (ATP World Tour 500 men's event and WTA women's event).

#### Talent representation

Lagardère Unlimited represents athletes in several disciplines: golf, American football, basketball and tennis.

#### Consulting in the management and operation of stadiums and sports grounds

Lagardère Unlimited is the exclusive provider of tennis events for the New York Barclays Center.

#### Management of broadcasting rights

The portfolio of media rights of Lagardère Unlimited's United States and South America division mainly comprises rights to tennis tournaments, including the sale of the international broadcast rights to the US Open.

#### Management of sports academies

In May 2010, Lagardère Unlimited became a strategic partner and owner of a 30% share in Saddlebrook, a sports academy based close to Tampa, Florida.

## B) OPERATIONS DURING 2012

Contribution to consolidated net sales for 2012: €470 million (€454.0 million in 2011).

### • Breakdown of net sales by activity

| | 2012 | 2011 |
|---|---|---|
| TV rights and production | **40.2%** | 46.3% |
| Marketing rights | **43.2%** | 38.0% |
| Other | **16.6%** | 15.7% |
| **Total sales** | **100%** | 100% |

### • Breakdown of net sales by geographic area

| | 2012 | 2011 |
|---|---|---|
| Europe | **59.1%** | 60.8% |
| Asia-Pacific | **20.7%** | 23.9% |
| United States and South America | **6.8%** | 5.5% |
| Africa | **8.3%** | 3.6% |
| Middle East | **5.1%** | 6.3% |
| **Total sales** | **100%** | 100% |

### • Breakdown of net sales by sport

| | 2012 | 2011 |
|---|---|---|
| Football | **72.3%** | 73.9% |
| Tennis | **5.1%** | 5.7% |
| Rugby | **0.4%** | 0.4% |
| Other sports | **22.2%** | 20.0% |
| **Total sales** | **100%** | 100% |

The weighting of "Marketing" activities rose sharply in 2012 (43% in 2012 versus 38% in 2011) with the acquisition of Zaechel in Germany and Sports Marketing and Management (SMAM) in Australia, along with the development of marketing activities for German football clubs.

"Other" activities increased (17% in 2012 as against 16% in 2011) thanks to the acquisition of Lagardère Unlimited Arizona (formerly Gaylord Sports Management).

The weighting of the "Media" activities fell substantially (40% in 2012 from 46% in 2011) due to the negative impact of the football cycle in Europe (six months of qualifying matches for the 2014 FIFA World Cup in 2012 versus a full year of qualifying matches for the UEFA Euro 2012™ in 2011) and, to a lesser extent, the Asian Cup, which did not take place in 2012.

Geographically speaking, the proportionate growth in Africa (8% in 2012 versus 4% in 2011) stems from the Africa Cup of Nations, which took place in 2012.

Growth in the Asia region (21% in 2012 from 24% in 2011) declined due to the fact that 2012 was not an Asian Cup year.

The United States and South America region saw an increase in growth following the acquisition of the activities of Lagardère Unlimited Arizona.

Europe grew in value by €2.8 million with the acquisition of Zaechel, which offset the unfavourable football cycle. However, the region's proportionate growth in Lagardère Unlimited's total sales fell (59% in 2012 from 61% in 2011) due to the strong performance in Africa.

The proportion of sales derived from football, a major sport for Lagardère Unlimited, slipped to 72% in 2012 from 74% in 2011. The two reasons for this decline were the Asian Cup, which did not take place in 2012, and the negative impact of the cycle in Europe, despite the positive effect of the 2012 Africa Cup of Nations.

"Other sports" were up (22% in 2012 versus 20% in 2011), driven by the acquisitions made in 2012 (Lagardère Unlimited Arizona and Sports Marketing and Management) and the sales growth of Lagardère Paris Racing and Lagardère Unlimited Live Entertainment.

#### Cyclical nature of Lagardère Unlimited's activities and competitive environment

The world's major sporting events cover a four-year cycle. This has an impact on the sports marketing businesses, and more specifically on broadcasting rights as the pace of this activity is dictated by the actual events and competitions taking place.

Given Lagardère Unlimited's current portfolio, 2012, 2013 and 2014 are low years compared with the buoyant years of 2011 and 2015.

The competitive environment for Lagardère Unlimited is mainly composed of worldwide agencies that operate in several businesses, sports and geographic areas, as well as more local players in each of its markets.

### B.1 EUROPE AND AFRICA

#### Organisation and management of events

Upsolut organises five of the ITU World Triathlon Series meetings: the triathlons in Hamburg, London, San Diego (organised jointly with Lagardère Unlimited USA and USAT-USA Triathlon), Stockholm (organised jointly with IEC in Sports) and, starting in 2013, the triathlon in Auckland, New Zealand. Upsolut also owns and organises the Berlin Škoda Velothon (endurance cycling competition) and Vattenfall Cyclassics (a cycling race which is part of the International Cycling Union Pro Tour). In 2012, Upsolut Oceania was set up to develop its activities in the region.

IEC in Sports began developing, organising and distributing the European cross-country skiing Swix Ski Classics Tour in 2012.

Lagardère Unlimited Live Entertainment, in charge of all the Lagardère group's live entertainment activities, launched its new production, *Salut les copains*, on 18 October 2012. The *Mozart, l'opéra rock* show continued its international expansion with more than 70 performances in South Korea.

#### Consulting in the management and operation of stadiums and sports grounds

In 2012, Lagardère Unlimited Stadium Solutions developed its activities in France to prepare for the UEFA Euro 2016™ and to advise on the organisation of the World Equestrian Games in 2014.

Lagardère Unlimited Stadium Solutions also boosted its international operations with new consulting agreements signed in Russia and India.

Lagardère Unlimited Live Entertainment now also operates the Folies Bergère entertainment venue in Paris.

#### Marketing of sports rights and associated products

In 2012, Sportfive:

- expanded its portfolio of exclusive business relations with clubs in Germany (Carl Zeiss Jena, VfC Aalen) and France (OGC Nice);
- set up a business activity in the Netherlands with an initial exclusive agreement with the Utrecht club;
- developed its activities in new sports such as sailing (exclusive partner of Michel Desjoyeaux);
- launched a digital platform to sell hospitality products in Germany;
- enlarged its hospitality offering in France (Formula 1 Grand Prix, Gucci Masters, 2013 Champions League final, Paris Opera House);
- developed its expertise and marketing offer for sponsors and rights holders (in particular digital services).

#### Management of broadcasting rights

In 2012, Sportfive focused on finalising the marketing of the UEFA Euro 2012™ across Asia and further developing the marketing of the 2014 Winter Olympics in Sochi and the 2016 Summer Olympics in Rio de Janeiro. The company also marketed the qualifying matches for the 2014 World Cup in Rio de Janeiro for several European football federations.

IEC in Sports continued to market the rights of a large number of international partner federations (including the ATP, WTA and IAAF) throughout 2012. The entity also expanded its portfolio by acquiring new media rights, namely the international rights of the Swiss Football League.

### B.2 ASIA-PACIFIC AND MIDDLE EAST

#### Organisation and management of events

As the business partner of the OneAsia Golf Tour, World Sport Group organised a number of tournaments in Asia-Pacific, including the Barclays Singapore Open.

#### Consulting in the management and operation of stadiums and sports grounds

In 2012, World Sport Group continued to provide the Singapore Sports Hub with consulting services to develop sports activities and, as part of a 25-year exclusive partnership, sold the marketing rights for the sports complex.

#### Marketing of sports rights and associated products

In 2012, World Sport Group jointly managed the marketing and broadcast rights for the AFC, Gulf Cup Championship, Arab Cup and AFF Suzuki Cup. It also sold the marketing rights for the OneAsia tournament and the Singapore Sports Hub.

World Sport Group bolstered its expertise in marketing for international rights holders with the acquisition of Sports Marketing and Management (SMAM) in 2012.

#### Management of broadcasting rights

In 2012, World Sport Group's media rights business was marked by:

- the sale of the rights for the Asian Football Confederation (AFC) contract for the 2013-2016 cycle;
- the contract signed with the Gulf Cup, a football tournament featuring eight Middle Eastern teams, which took place in January 2013;
- the sale of the rights of the UAFA Cup 2012, held for the first time since 2002;
- the extension of the distribution contract with the Japanese football league, J League, for another year.

### B.3 UNITED STATES AND SOUTH AMERICA

#### Organisation and management of events

In the summer of 2012, Lagardère Unlimited organised the Citi Open men's and women's tennis tournaments.

#### Talent representation

Lagardère Unlimited continued to develop its talent representation business in 2012 with the acquisition of Gaylord Sports Management (now Lagardère Unlimited Arizona), which strengthened the division's portfolio in sports such as golf (with Phil Mickelson) and baseball.

### B.4 OBJECTIVES AND ACHIEVEMENTS IN 2012

Lagardère Unlimited developed its expertise in marketing for sponsors and rights holders by:

- diversifying into other sports and geographic areas;
- providing strategy consulting for brands and rights holders;
- developing innovative digital solutions;
- strengthening marketing teams.

In 2012, Lagardère Unlimited also focused on boosting its venue consulting activities and producing events in these stadiums and multi-purpose venues.

Given the poor economic climate, Lagardère Unlimited decided in 2012 to limit its business as a premium media rights intermediary in Europe.

### C) OUTLOOK

Lagardère Unlimited's business outlook for 2013 includes:

- emphasising commission-based business lines (with rights holders, sponsors and athletes) and asset development (events);
- developing further in high-growth geographic areas (South America, Africa, Asia and the Middle East);
- pursuing its policy of diversifying its sports and entertainment activities.

## 5.2.2 OTHER BUSINESS ACTIVITIES

### 5.2.2.1 EADS [1]

### A) GOVERNANCE AND CHANGES IN SHAREHOLDING STRUCTURE

#### A.1 GOVERNANCE

Further to the 2007 governance reform, until 2 April 2013 the organisation of the EADS group still adhered to the founding principles of EADS NV as defined in 1999 by the French government, Lagardère SCA, Daimler and the Spanish government (via holding company Sepi), as follows:

**Principle of parity**

- *In the structures of the controlling entities*: the principle of parity was primarily reflected in the Sogeade holding company, a French partnership limited by shares, in which the French government and Lagardère SCA had the same rights, although their respective interests were different from the original parity.

  The share capital of Sogeade, which until the end of June 2007 was held half by Sogepa (wholly-owned by the French government) and half by Désirade (wholly-owned by Lagardère SCA), was owned two-thirds by Sogepa and one-third by Désirade after remittal of the final tranche of EADS NV shares by Lagardère SCA to the holder of Mandatory Exchangeable Bonds on 24 March 2009 (see below).

  Sogeade was managed by Sogeade Gérance (owned jointly and equally by the French government and by Lagardère SCA). In application of the reform of 2007, which also concerned Sogeade's governance, the Chairman of Sogeade Gérance was appointed upon proposal of Lagardère SCA; Arnaud Lagardère was Chairman of Sogeade Gérance from 25 October 2007.

  The principle of parity was also reflected in the Dutch "Contractual Partnership" empowered to exercise the voting rights of Sogeade, Daimler and Sepi at EADS NV's Annual General Meetings, in accordance with the EADS NV shareholder agreement. Sogeade and Daimler each held identical rights in this partnership.
- *At managerial level*: EADS NV's board of directors comprised the following members, appointed at the Annual General Meeting of 31 May 2012 for terms of office that were to expire at the Annual General Meeting to be held in 2017:
  - the two representatives of Sogeade, appointed upon proposal by Lagardère SCA – Jean-Claude Trichet and Dominique D'Hinnin – and two representatives of Daimler – Bodo Uebber and Wilfried Porth;
  - Arnaud Lagardère, who was appointed Chairman of the company by the board of directors of EADS NV following the Annual General Meeting of 31 May 2012;
  - a representative of Sepi, appointed upon proposal of Sepi – Josep Pique i Camps; and
  - four independent directors – Hermann-Josef Lamberti, Lakshmi N. Mittal, Sir John Parker and Michel Pébereau – appointed upon joint proposal of the Chairman and the CEO[2] of EADS NV to contribute their experience and independent points of view to the group;
  - Thomas Enders, who was appointed CEO of the company by the board of directors of EADS NV following the Annual General Meeting of 31 May 2012.

  Decisions of the board required a simple majority of 6 votes out of 11, with the exception of decisions concerning a limited list of reserved subjects. These included the appointment of the Chairman and the CEO of EADS NV, the appointment of the CEO of Airbus and strategic or major investment decisions, and they required the approval of all four directors representing Sogeade and Daimler.

  EADS NV was managed by a Chairman (non-executive) and CEO (executive) appointed upon joint proposal by Sogeade and Daimler.

  The Chairman of EADS NV and the CEO of Airbus had to be of the same nationality, either French or German, while the CEO of EADS NV and the COO[3] of Airbus were both to be of the other nationality.

  The Chairman of EADS NV was, 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 the controlling shareholders. In particular, he chaired the board's strategic committee (see below). The CEO of EADS NV was more particularly in charge of the management team responsible for the execution of group strategy, and handled the company's relations with institutional and private shareholders.

**Principle of unicity**

In compliance with the wishes expressed when the company was founded, EADS NV had only one general management, one finance division, one strategy division, etc.

The executive committee of the EADS group, which, along with the CEO, was jointly responsible for the executive management of the group, comprised 12 members.

Investments of less than €350 million were the exclusive responsibility of the executive committee, as was the appointment of the management teams for the main subsidiaries and operating entities (apart from the CEO of Airbus – see below).

The members of EADS' executive committee were appointed by the EADS NV board of directors upon proposal by the CEO of EADS NV and after approval by the Chairman of EADS NV.

At Airbus, Fabrice Brégier was the CEO (candidates for this post were appointed by the board of directors of EADS NV upon proposal by the CEO of EADS NV and required the approval of the Chairman of EADS NV).

Both EADS NV's audit committee and remuneration and nomination committee comprised one director representing Sogeade, one director representing Daimler and two independent directors. They were both chaired by an independent director.

(1) Accounted for under the equity method.

(2) CEO: Chief Executive Officer.
(3) COO: Chief Operating Officer.

A strategic committee provided support for the board of directors. It consisted of one director representing Sogeade, one director representing Daimler, one independent director, the CEO of EADS NV and the Chairman of EADS NV who acted as committee chairman.

### A.2 HISTORICAL CHANGES IN THE SHAREHOLDING STRUCTURE OF EADS NV

From 1 July 2003, the principal shareholders of EADS NV within the Contractual Partnership had the right to sell 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 had proportional tag-along rights.

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 NV shares, in three tranches covering a maximum of 20,370,000 shares each, on 25 June 2007, 25 June 2008 and 24 March 2009 respectively. In all, 61,110,000 EADS NV 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 NV shares, reducing its interest in the share capital of EADS NV 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) of the capital of EADS NV to German investors while retaining the attached voting rights. In 2010, Daimler decided to renew this arrangement (Dedalus consortium). Daimler was expected to continue to exercise the voting rights attached to the EADS NV shares acquired by the German government, which were only to be transferable subject to the conditions set out in the EADS NV shareholders agreement.

These partial withdrawal transactions had no effect on the balance of powers between the French government and Lagardère SCA in France and between the French and German sides of EADS NV. Lagardère SCA retained its role as reference shareholder in the control structure of EADS NV.

### A.3 RECENT DEVELOPMENT: PLAN TO OVERHAUL GOVERNANCE AND REORGANISE SHAREHOLDING STRUCTURE AT EADS

Lagardère has on several occasions publicly announced its intention to sell its stake in EADS NV in 2013 as soon as operating conditions allow.

In late 2011, Daimler expressed a wish to partially dispose of its stake in 2012.

Against this backdrop, on 5 December 2012, EADS NV and its main shareholders agreed on a plan to overhaul the company's governance and complete the reorganisation of its shareholding structure.

The agreement is primarily designed to standardise and simplify EADS' governance, whilst securing a shareholding structure that allows the French, German and Spanish governments to protect their legitimate strategic interests.

In this context, Daimler sold 7.44% of its EADS NV stake, including 2.76% to KfW, the German development bank. In parallel, KfW purchased the privately-held interests in the Dedalus consortium. KfW and the other German public entities holding interests in Dedalus thus currently own approximately 10.1% of EADS NV's share capital, with an objective of 12% after accretion resulting from the cancellation of shares in respect of the share buyback programme (see below). This represents the counterpart of the 12% that the French government (Sogepa) will continue to own in the new division set up with the Spanish government (Sepi), which will own 4% of EADS NV.

On 27 March 2013, the Extraordinary General Meeting of EADS adopted all the resolutions defining the set-up of the new governance of EADS NV.

EADS' board of directors has been expressly authorised by this Extraordinary General Meeting to implement an 18-month share buyback programme and subsequent cancellation of up to 15% of the outstanding EADS shares, at a maximum price of €50 per share, subject to market conditions. Pursuant to the agreement signed on 5 December 2012 and to the presentation of the resolutions submitted to the Extraordinary General Meeting of EADS NV of 27 March 2013, this programme would comprise two equal and simultaneous tranches bearing the same terms and conditions:

- a first tranche of up to 7.5%, which will be open to all EADS NV shareholders, other than the parties to the above-mentioned agreement; and
- a second tranche of up to 7.5%, with 5.5% reserved exclusively for Lagardère. If the tranche exceeds 5.5%, Sogepa and Sepi will have the right to tender the remainder (based on their pro rata ownership of EADS shares unless they agree otherwise). In the event that Sogepa and Sepi do not exercise all or part of their right, Lagardère SCA would be offered the remainder of the tranche not used by Sogepa and Sepi. In the event that this tranche is not fully tendered by the above-mentioned parties, Daimler would have the right to participate up to the full unused amount of the tranche.

On 2 April 2013, all of the conditions precedent defined in the agreement of 5 December 2012 were met. The new governance of EADS therefore became effective and the agreements described above (A.1 and A.2) have been terminated, as well as the commitment taken by all signatories to the agreement of 5 December 2012, including Lagardère SCA, not to sell their shares in EADS NV.

On the same day, EADS NV's board decided to implement a share buyback programme in accordance with the conditions set by the Extraordinary General Meeting of 27 March 2013. Pursuant to the authorisation given by the shareholders, EADS NV will be able to acquire its own shares for a period of 18 months and by all means, namely on the stock market, out of said market, or through derivative products, according to market conditions, the maximum overall amount of the programme being 3.75 billion euros.

It should be noted that Lagardère SCA has, in any event, exclusivity vis-à-vis Daimler to sell its EADS NV shares until 31 July 2013. Any sale by Lagardère SCA of its EADS NV shares after 31 July 2013 will have to be performed in accordance with a sales procedure agreed between Lagardère SCA and Daimler.

## B) KEY FINANCIAL DATA PUBLISHED BY EADS

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Revenues (in millions of euros) | **56,480** | 49,128 | 45,752 |
| EBIT(*)(1) (in millions of euros) | **2,186** | 1,696 | 1,231 |
| Net income (loss)(2) (in millions of euros) | **1,228** | 1,033 | 553 |
| Number of employees | **140,405** | 133,115 | 121,691 |
| Order intake(3) (in millions of euros) | **102,471** | 131,027 | 83,147 |
| Order backlog(3) (in millions of euros) | **566,493** | 540,978 | 448,493 |

*(*) EADS uses EBIT before amortisation of goodwill and non-recurring items as a key indicator of its economic performance. The term "non-recurring items" refers to such items as depreciation expenses of fair value and adjustments relating to the EADS merger, the Airbus Combination and the formation of MBDA, as well as impairment charges thereon.*
*(1) Operating profit before interest, tax, goodwill and non-recurring items.*
*(2) EADS uses the term "Net income (loss)", which corresponds to "Profit (loss) attributable to owners of the parent" under IFRS.*
*(3) Contributions from commercial aircraft activities to EADS order intake and backlog are based on list prices.*

## C) PRINCIPAL ACTIVITIES AND MAIN MARKETS

With consolidated revenues of €56.5 billion in 2012, EADS is the one of the world's leading players in aeronautics, space, defence and related services. In terms of market share, EADS ranks among the world's top two manufacturers of commercial aircraft, helicopters for the civil and semi-public markets, commercial space launch vehicles and missile systems. It also holds leading positions in the field of military aircraft, satellites and defence electronics. In 2012, EADS generated approximately 79% of its revenues in the civil sector, and 21% in the defence sector.

#### Organisation of EADS' activities

EADS organises its main business into four divisions: Airbus (including Airbus Commercial and Airbus Military), Eurocopter, Astrium and Cassidian.

### C.1 AIRBUS

Airbus splits its operations and results into two sectors: **Airbus Commercial** and **Airbus Military**.

**Airbus Commercial** is one of the world's two leading manufacturers of commercial aircraft with more than 100 seats. From its foundation in 1970 up to 31 December 2012, Airbus Commercial received 12,312 orders for aircraft from some 351 companies worldwide. Deliveries remained high in 2012, with 588 commercial aircraft. Airbus Commercial recorded 914 new orders (833 net of cancellations), representing approximately 41% of worldwide new orders (in value) for aircraft with more than 100 seats.

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

In 2012, the Airbus division generated revenues of €38.6 billion (2011: €33.1 billion).

### C.2 EUROCOPTER

Eurocopter is the world's largest manufacturer of helicopters in the civil sector and offers the most comprehensive range of civil and military helicopters worldwide.

In 2012, Eurocopter confirmed its top ranking world position, with 469 helicopters ordered and a 44% share of the civil and semi-public markets. Its products represent 33% of the world's entire fleet of helicopters on the civil and semi-public markets. Services accounted for 47% of total order intake in 2012. Eurocopter has extensive international operations through its subsidiaries and affiliates in 21 countries, and its network includes maintenance and training centres, distributors and approved agents serving some 2,900 customers around the world. A total of 11,780 Eurocopter helicopters are currently in service in 148 countries.

In 2012, the Eurocopter division generated revenues of €6.3 billion (2011: €5.4 billion).

### C.3 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 operating 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 Soyuz launcher) and Eurockot (the Rockot launcher), as well as a wide range of satellite telecommunications and earth observation services, chiefly through its subsidiaries Paradigm Secure Communication, Infoterra and Spot Image.

In 2012, Astrium generated revenues of €5.8 billion (2011: €5 billion).

### C.4 CASSIDIAN

The Cassidian division is a leader in integrated security systems and solutions, in particular fighter aircraft, drone and missile systems, defence electronics and related services. Its customers are the armed forces and security forces of countries all over the world. The Cassidian Air Systems & Services operating unit is part of the Eurofighter consortium (EADS holds a 46% capital share of Eurofighter GmbH), but Cassidian is also a leading player in naval, terrestrial and joint armed forces systems, intelligence, border and coastal surveillance, and cyber security, as well as playing a key role in the secure and encrypted military communications market.

In 2012, Cassidian generated revenues of €5.7 billion (2011: €5.8 billion).

### C.5 OTHER BUSINESSES

The Other Businesses segment in 2012 comprises ATR, the world leader for turboprop aircraft in the 50-90 seat market segment; EADS Sogerma, specialised in aerostructures and cabin fittings; and the North American subsidiary EADS North America, which operates in key defence and territorial security sectors.

Revenues generated by the Other Businesses segment in 2012 increased to €1.5 billion (2011: €1.3 billion).

## D) OPERATIONS DURING 2012

Despite a difficult macro-economic environment, EADS saw continued momentum in its commercial activities while defence activities were broadly stable. Order intake amounted to €102.5 billion and the value of order backlog increased to €566.5 billion at 31 December 2012.

EADS' revenues advanced 15% in 2012, to €56.5 billion (2011: €49.1 billion). This strong performance was driven mainly by higher volume and more favourable US dollar rates at Airbus Commercial, as well as solid increases at Eurocopter and Astrium. Revenues at Eurocopter and Astrium were boosted by the services businesses, including Vector Aerospace and Vizada. These companies, acquired in 2011, contributed around €1.5 billion to EADS' 2012 revenues. Despite the overall defence environment, defence revenues were flat compared to 2011.

EADS' reported EBIT(1) increased to €2.2 billion (2011: €1.7 billion), with one-off charges totalling €820 million booked during the year.

Of these total one-off charges, €522 million was booked at Airbus, including the anticipated €251 million on the A380 related to the wing rib feet repair. The A350 XWB charge of €124 million to reflect the latest programme update is unchanged since the first half of 2012. Good progress is being made on the A350 XWB programme but it remains challenging and there is no room left in the schedule. Also included are the €76 million charges related to the Hawker Beechcraft Programme closure booked in the third quarter and a €71 million charge for the foreign exchange impact on pre-delivery payments mismatch and balance sheet revaluation. At Eurocopter, the on-going renegotiation of certain contracts for governmental customers resulted in a €100 million charge in the fourth quarter. At Cassidian, a total of €198 million of charges were booked in the final quarter to reflect restructuring costs in line with the business transformation (€98 million) and a charge related to portfolio de-risking (€100 million), in particular for the secure systems and solutions business.

Net income increased by 19% to €1,228 million (2011: €1,033 million), or earnings per share of €1.50 (2011: €1.27).

As the basis for its 2013 guidance, EADS expects the world economy and air traffic to grow in line with prevailing independent forecasts and assumes no major disruption due to the current sovereign debt crisis.

In 2013, gross commercial aircraft orders should be above the number of deliveries, in the range of 700 aircraft. Airbus deliveries should continue to grow to between 600 and 610 commercial aircraft.

Due to lower A380 deliveries and assuming an exchange rate of €1 = USD 1.35, EADS revenues should see moderate growth in 2013.

By stretching the 2012 underlying margin improvement, in 2013 EADS is targeting an EBIT before non-recurring items of €3.5 billion and an EPS before non-recurring items(2) of around €2.50 (2012: €2.24), prior to the proposed share buyback.

Excluding the known wing rib feet A380 impact in 2013 of around €85 million based on 25 deliveries, going forward, from today's point-of-view, the non-recurring items should be limited to potential charges on the A350 XWB programme and foreign exchange effects linked to PDP mismatch and balance sheet revaluation.

The A350 XWB programme remains challenging. Any schedule change could lead to an increasingly higher impact on provisions.

EADS aims to be Free Cash Flow break even after customer financing and before acquisitions in 2013.

### D.1 AIRBUS

In 2012, for the tenth consecutive year, **Airbus Commercial** delivered a record number of aircraft. A total of 588 commercial aircraft were delivered, exceeding the 2011 record by more than 10%, or 54 aircraft. In 2012, Airbus Commercial recorded 914 new orders (2011: 1,608) and 833 orders net of cancellations (2011: 1,419), comprising 739 A320 Family aircraft (ceo and neo), 85 A330/A350 XWBs and nine A380s.

The A350 XWB development remains on track, based on the revised schedule, with the final assembly line fully operational. The structural assembly of the first flyable plane, 'MSN1', was completed and 'electrical power on' accomplished. Another milestone was achieved in February 2013 with the award of the European Aviation Safety Agency's Engine Type Certification for the Trent XWB turbofan.

Regarding the A380, the wing rib issue has been resolved with repairs on-going on deployed aircraft and design modifications embodied into the new production standard. The avenue for break even in 2015 is set at 30 deliveries. In response to the continuing strong demand for Airbus series programmes, Airbus achieved the steady production ramp-up of the A320 and A330 Families to 42 and 9.5 per month respectively. At the end of the year, AirAsia became the first operator of a fuel-saving 'Sharklet'-equipped A320.

**Airbus Military** recorded 32 aircraft orders (2011: 5) and delivered 29 aircraft (2011: 29), comprising 20 light and medium transport aircraft, five A330 multi-role tanker transporters and four P-3 conversions. With 300 hours of Function and Reliability testing completed, civil and military certification of the A400M is expected in the first quarter of 2013 with the first delivery due in the second quarter of 2013 and four deliveries in total expected this year. Full military capabilities will be achieved over time and challenges remain until then. Airbus Military was selected by India as the preferred bidder to supply A330 MRTT aircraft.

At 31 December 2012, Airbus' consolidated order backlog comprised Airbus Commercial orders amounting to €503.2 billion (end-2011: €475.5 billion) and Airbus Military orders totalling €21.1 billion (end-2011: €21.3 billion).

### D.2 EUROCOPTER

Order intake at **Eurocopter** increased 15% to €5.4 billion (2011: €4,679 million), with the number of orders net of cancellations rising for the third consecutive year to 469 (2011: 457). Orders of the Ecureuil/Fennec/EC130 and EC135/EC145 Families were particularly strong. Among the main highlights of 2012 was the delivery of the first AS350 B3e – an improved version of the Ecureuil –, the first EC130 T2, and the first 500e EC145. Eurocopter continues to work in close collaboration with the investigating authorities on further identifying and explaining the root cause of the Super Puma incidents. The root cause of the recent Ecureuil incidents has been identified and a programme is in place to implement a retrofit approved by EASA.

At end-2012, Eurocopter's order backlog was worth €12.9 billion (end-2011: €13.8 billion) comprising 1,070 helicopters (end-2011: 1,076 helicopters).

(1) EADS uses EBIT pre-goodwill impairment and non-recurring items as a key indicator of its economic performance. The term "non-recurring items" refers to items such as the amortisation of fair value adjustments relating to the EADS merger, the Airbus combination and the formation of MBDA, as well as impairment charges on these items.

(2) Net profit before non-recurring items is the net profit stripped of the EBIT* non-recurring items. It excludes other items of net financial income (except the unwinding of discount on provisions) and all tax effects on the mentioned items. Net profit* before non-recurring items is the net profit before non-recurring pre-goodwill and exceptionals net of tax. Accordingly, EPS* before non-recurring items is EPS based on net profit* before non-recurring items.

### D.3 ASTRIUM

Despite continued tough competition in the marketplace **Astrium** achieved an order intake of €3.8 billion in 2012 (2011: €3.5 billion).

Seven Ariane 5 launches were conducted during 2012, taking the number of successful consecutive launches to 53. Nine Astrium-built satellites were delivered during the year. Fourth quarter satellite launches included UK military satellite Skynet 5D and earth observation satellite Pléiades 1B, further expanding the fleet operated by Astrium Services.

In November 2012, the European Space Agency's Ministerial Council broadly confirmed European space budgets related to key programmes of Astrium. This resulted in initial contracts worth €108 million received in January 2013 to secure the development of Ariane 6 and Ariane 5 ME. Astrium's international expansion continued in 2012, with the creation of Astrium Americas to market the division's products and expertise in North America, as well as Astrium Brazil and Astrium Singapore. A joint venture was entered into with Russian manufacturer RSC Energia in late December 2012, for the joint development of satellites and satellite equipment.

Astrium's order backlog stood at €12.7 billion at 31 December 2012 (end-2011: €14.7 billion).

### D.4 CASSIDIAN

**Cassidian**'s order intake rose significantly to €5.0 billion in 2012 (2011: €4.2 billion) despite the challenging market environment. This was driven mainly by the Eurofighter and missile export business. In December, Oman signed a contract for the purchase of 12 Eurofighter Typhoon aircraft, which are yet to be included in the order backlog.

At end-2012, the division's order backlog had risen slightly to €15.6 billion (end-2011: €15.5 billion).

### D.5 OTHER BUSINESSES

After an exceptional 2011, ATR secured 61 firm orders in 2012 (2011: 119), with its order backlog reaching 221 aircraft at year-end, equivalent to nearly three years of production. ATR achieved a record annual delivery level of 64 aircraft, reflecting a year-on-year increase of 19% (2011: 54 aircraft).

In late 2012, the US Army awarded EADS North America a USD 181.8 million contract option to deliver 34 additional UH-72A Lakota light utility helicopters, raising the total number of orders to 312. The total number of Lakota deliveries to the US Armed Forces reached 250 in December 2012.

At end-2012, the order backlog of Other Businesses had decreased slightly to €2.9 billion (end-2011: €3.0 billion).

## 5.2.2.2 MATRA MANUFACTURING & SERVICES (FORMERLY MATRA AUTOMOBILE)

In the course of 2012, Matra Manufacturing & Services pressed ahead with its strategy of developing light electric vehicles (LEV), notably with the introduction of a new generation of high density lithium-ion batteries.

Despite a tough economic climate in France, Matra maintained its position as leader on the electric bicycle and scooter market, with 2012 notably characterised by:

- an increase in sales of electric bicycles thanks to an innovative product strategy, namely the launch, in October 2012, of the Matra AGT, an automatic transmission bike;
- the relocation of its entire bicycle assembly activity to France;
- the implementation of its Bat'lib self-service battery distribution service at Class'Croute restaurants in Paris;
- a significant slowdown in the GEM quadricycle business during the year following the phasing-out of state aid;
- a considerable downturn in its automobile spare parts business that previously relied on contracts with Renault;
- the implementation of a new sales management team responsible for international expansion.

Sales by Matra Manufacturing & Services totalled approximately €19 million at 31 December 2012, and the company reported a profit of approximately €0.2 million.

## 5.2.2.3 CANAL+ FRANCE (1)

### A) CANAL+ FRANCE SHAREHOLDER AGREEMENT

On 4 January 2007, the Lagardère group acquired a 20% interest in Canal+ France following the merger transactions 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, Groupe Canal+, Lagardère and Lagardère Holding TV (formerly Lagardère Active). This shareholder agreement gives Vivendi rights excluding any and all rights of joint control over Canal+ France, even if Lagardère exercises its call option (which expired end-2009). 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:

- The Chairman and all the members of the Canal+ France executive board are appointed by the supervisory board, a majority of whose members are appointed by Groupe Canal+. Groupe Canal+ 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 employees representative. The number of Lagardère representatives on the supervisory board would have been raised to three in the event Lagardère's investment had been increased to 34%.
- Lagardère holds rights to veto certain operations (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 right of first offer and higher 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 the acquisition of at least 95% of the capital of Canal+ France (subject to the prior application of Lagardère's higher bid right).
- Between 2008 and 2014, as long as Lagardère holds at least 10% and no more than 20% of the capital or voting rights of Canal+ France, Lagardère will have a liquidity right exercisable between 15 March and 15 April of each calendar year. Under this liquidity right, Lagardère may request an initial public offering (IPO) for Canal+ France. In this event Vivendi/Groupe Canal+ are entitled to acquire all of Lagardère's investment in the company.

  In April 2010, Lagardère notified Vivendi that it wished to initiate 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,

(1) Accounted for by the equity method

Lagardère decided in July 2010 to begin the IPO process for Canal+ France, in accordance with the aforementioned shareholder agreement.

However, in view of the scale of the catastrophe that occurred in Japan on 11 March 2011, and the extreme volatility on the markets resulting from it, the Lagardère group was obliged to postpone the IPO process on 16 March 2011.

The process was relaunched during the second half of 2012, but it was obvious to the Lagardère group that Vivendi was persisting in its refusal to commit to a long-term profitability policy for Canal+ France, which, in light of the market context, would have helped the completion of the IPO. The Lagardère group could not help but make a connection between this attitude and the permanent use by Vivendi of the entire cash surplus of Canal+ France pursuant to a cash management agreement, the legality of which is disputed by Lagardère (see paragraph 9.1.1).

This situation, creating by the Vivendi group, is causing an obstruction preventing the IPO of Canal+ France under normal conditions.

- 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 level of ownership, and subject to certain debt ratios, Canal+ France will pay 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.

Neither Vivendi and Groupe Canal+, nor Lagardère and Lagardère Holding TV, have entered into any non-competition agreements in relation to each other or in respect of Canal+ France.

## B) CONSOLIDATED KEY FIGURES

| (IN MILLIONS OF EUROS) | **2012** | 2011 | 2010 |
|---|---|---|---|
| Net sales | **4,093** | 4,049 | 3,956 |
| EBITA[(a)] | **633** | 617 | 616 |
| **Profit attributable to owners of the parent** | **364** | 346 | 357 |

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

## C) DESCRIPTION OF ACTIVITIES

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 innovative television services.

### C.1 PRODUCTION

#### Canal+

Canal+ France produces five premium channels showing exclusive, original, innovative programmes. Launched in 1984, Canal+ proposes a unique format of a general interest channel with films, sports, news, drama, documentaries and entertainment programmes. Around Canal+, Canal+ France has created four high value-added channels, each with their own programming and brand identity: Canal+Cinéma, Canal+Sport, Canal+Family and Canal+Décalé (known collectively as “Les Chaînes Canal+”). In 2012, Les Chaînes Canal+ broadcast more than 510 films, including approximately 370 on the Canal+ channel alone. Subscribers to Canal+ can enjoy all film genres as well as exclusive coverage from the major awards shows and events, such as the Oscars, the Césars and the Cannes Film Festival.

Canal+ has developed wide-recognised expertise in sports coverage, characterised by exclusive coverage, sharp commentary from prestigious experts, and internationally renowned technical expertise. In total, Les Chaînes Canal+ cover more than 60 of France’s major sporting events. These include Ligue 1 top-tier French football, the major foreign championships (including the English Premier League, Italy’s Serie A and the German Bundesliga), as well as the Champions League, the rugby Top 14, the European rugby cup, southern hemisphere rugby, tennis (including Wimbledon), the French handball and basketball championships, all of the world golf championships and the Vivendi Seve Trophy, athletics, etc. In total, Les Chaînes Canal+ offer an average of more than 5,500 hours of sport per year, concentrated on live events.

#### Special interest channels

Canal+ France produces 22 special interest pay television channels offering specific programmes and covering the most sought-after subjects on television: films (seven Ciné+ channels), sport (Sport+, Infosport+, and, since 4 July 2012, Golf+), documentaries (four Planète+ and Seasons channels), lifestyle (Cuisine+, Maison+), series (Jimmy, Comédie+) and youth (Piwi+, télétoon+ and télétoon+1).

### C.2 BUNDLING

Canal+ France is the leading bundler of content for pay television channels in France. Bundling consists of combining content from various channels produced by the group or third parties into themed packages of coherent and attractive premium and multi-channel television offerings. Groupe Canal+ France offers a premium channel package including Canal+ and the special interest channels grouped together within the Les Chaînes Canal+ offering. It also proposes a CanalSat channel package covering the areas popular with subscribers, such as cinema, sport, youth and discovery.

CanalSat comprises 233 channels, including Groupe Canal+ France channels (the “+” channels), as well as special-interest channels produced by third parties. Approximately 50 of these channels are offered exclusively by CanalSat and represent some of the best-known special-interest brands (Disney Cinemagic, National Geographic Channel, Nickelodeon, 13ème Rue, MTV, etc.). The channels are chosen in accordance with programme quality, audience appreciation and subscriber satisfaction, especially as regards those channels only available through CanalSat. CanalSat is available on all multi-channel broadcasting networks and platforms, such as satellite, broadband and cable as well as on DTT (digital terrestrial television) via a mini package including five special interest channels and the free national channels. CanalSat can be accessed via Internet, with more than 100 channels available live or on-demand. Users can also access CanalSat on the go, thanks to the mobile TV application CanalTouch with its offering of more than 40 channels.

## C.3 OTHER DISTRIBUTION ACTIVITIES

Canal+ France distributes its premium and multi-channel offerings (Les Chaînes Canal+ and CanalSat) by means of specific subscriptions on all broadcast platforms: DTT, satellite, broadband, fibre and cable (Les Chaînes Canal+ only), mobile phone and the Internet. Monthly income per subscriber is €48 per month on average. The broadband offerings are also available in the form of prepaid cards that are valid for one week. These offerings are marketed directly by the group via its call centres and websites and at the store in the Vélizy 2 shopping centre, or via commercial partners through physical distribution networks (almost 7,000 sales outlets including retail chains, specialist stores and phone stores) or the distribution platforms of ISPs.

Regardless of the marketing method, Canal+ France maintains an exclusive relationship with subscribers to the Chaînes Canal+ and CanalSat offerings, from the activation of rights until cancellation, in accordance with a self-distribution model. This unique model enables Canal+ France to foster a very close relationship with its subscribers. With 9.7 million subscriptions at 31 December 2012 in mainland France, Groupe Canal+ France is the leading provider in terms of number of subscribers to a pay television offering. Since the analog signal switch-off in 2010, Canal+ subscriber base has now become 100% digital.

Within the scope of its distribution activities, Groupe Canal+ France also markets some of its special interest channels through third-party distributors, in particular Numericable and all ISPs, who include them in their own pay television offerings.

In the French overseas territories and Africa, Groupe Canal+ France adapts its distribution strategy in accordance with the specific nature of each market.

## C.4 NEW SERVICES

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

### High Definition TV

Canal+ France led the way in introducing a HD TV satellite offering in France in 2006, and now provides all five Canal+ channels, as well as over 40 CanalSat special interest channels, in HD by satellite. Initially proposed as an option, since 2011 HD has been systematically included in the Canal+ and CanalSat offerings at no extra cost to subscribers.

### VoD and Catch up TV

CanalPlay VOD, France's legal video downloading (VoD) service, was launched in autumn 2005 and is freely-accessible by cable, satellite (with connected set-top boxes) and broadband, as well as on PC and Mac and via smooth streaming on the vod.canalplay.com website. CanalPlay is also available on games consoles (Xbox 360), LG Blu-ray readers and, since the summer of 2012, Samsung, LG and Panasonic smart TVs. CanalPlay currently boasts one of the largest VoD catalogues in France, with 9,000 programme titles including over 5,000 films. In 2012, the service registered over six million orders by 700,000 unique users.

In November 2011, Canal+ France launched its subscription video on demand (SVoD) offering, CanalPlay Infinity. Users do not need a subscription to Canal+ or CanalSat to access this service, which provides several thousand titles via streaming, mainly films and series. Initially available on SFR, the service was rapidly rolled out to Free and Bouygues Telecom and is also now available on PC, Mac and tablets, as well as, since late January 2013, Microsoft's Xbox 360. It will soon be available via the satellite decoders of Canal+ France subscribers. At 31 December 2012, over 150,000 Canal+ France customers had signed up for CanalPlay Infinity.

Canal+ and CanalSat on-demand services are offered free of charge to subscribers. They allow access to the content of over 40 channels, or some 3,300 programmes including 700 films, which may be viewed for a certain time after their initial release. These Catch up TV services are an important means of developing customer loyalty. In 2012, consumption increased by 200%. Each month, nearly one million users view almost 10 million programmes from the Canal+ channels (CanalSat à la Demande registers 3 million viewed programmes per month).

### Decoders

In November 2008, Canal+ France launched +Le Cube, an innovatively-designed HD satellite decoder with an Internet connection and hard drive. Since the spring of 2012, a similar decoder has been available to DTT subscribers enabling them to access Canal+ France services directly on their TVs. Since late 2012, a new software version is being rolled out to all satellite decoders giving access to a simpler interface that allows viewers enjoy an original new “start-over” function (replays the current TV show from the beginning), a new version of the Euréka recommendation engine and an innovative TV programming guide.

In order that all subscribers may, in the future, benefit from the new connected devices services (VoD, Catch up TV, recommendation engine, etc.), in 2011, Canal+ France implemented a major initiative to replace all of its satellite decoders. By 31 December 2012, over 90% had been replaced by a HD satellite decoder that is connected to the Internet, and 30% had actually been hooked up, a considerable increase on 2011.

### Mobile services and Web TV

In line with changing television consumption habits, Canal+ France offers Les Chaînes Canal+ and CanalSat customers additional services on smartphones and tablets equipped with 3G or Wifi. Subscribers can access Les Chaînes Canal+ and CanalSat, as well as Canal+ Catch up TV and CanalSat VoD offerings via the CanalTouch application available on Apple's iPhone, iPod Touch and iPad, as well as on devices with other operating systems such as Android and Windows 8. Since its launch in December 2009, the application has been downloaded more than four million times, including 800,000 downloads to iPads. The Canal+ channels register more than four million connections to its live streaming service per month and 1.4 million VoD sessions. In November 2010, the group also launched a Web TV service that enables access to Les Chaînes Canal+ and CanalSat, as well as the Canal+ Catch up TV and CanalSat VoD services, thanks to broadband Internet connections on desktops or laptops. Initially provided as part of a paid-for offering, Web TV and Mobile services have been included in Canal+ and CanalSat offerings since November 2011.

### Canal+ via games consoles

Following a strategic partnership signed with Microsoft in June 2009, all of the group's live and VoD offerings and services are now available on the Microsoft Xbox 360 console. In summer 2011, the Canal+ channels and services became the first in France to use Kinect technology that enables users to navigate between programmes using gestures and, since late 2011, voice recognition. Since early 2013, CanalPlay Infinity is also available on the Xbox 360.

### A presence on the smart TV market

In 2009, Canal+ France was the first French operator to propose a VoD (CanalPlay) offering via smart TV. In summer 2012, the group rolled this service out to Samsung, Panasonic and LG televisions, through the addition of Canal+ À La Demande. The aim is to make content available on all screens whilst ensuring signal integrity. To this end, in December 2010, Canal+ France signed the smart TV charter alongside all French broadcasters, and also supports the HbbTV standard. Canal+ France plans to extend its presence to all smart TVs with i>Télé, its 24-hour news channel.

**Eureka and TV perso**

In September 2011, Canal+ France launched Eureka, the world's first personalised recommendation engine, capable of identifying subscribers' viewing habits and suggesting programmes to match their tastes. Eureka has a permanent stock of 80 million up-to-date recommendations. Currently based on linear consumption, the service will soon extend its search capacities to on-demand content. Over 75% of subscribers currently use this service.

Canal+ France has also instigated a new channel format that allows subscribers to customise programming. These channels, Mon Nickelodeon Junior for children and M6Music Player for music lovers, are delinearised in accordance with criteria defined or chosen by the subscriber and then "re-linearised" in accordance with his or her profile. They are new in France and come on the back of the group's goal to offer original, tailor-made television.

#### C.5 CANAL+ OVERSEAS

Canal+ France has developed its international activities through its subsidiary Canal+ Overseas, the leading provider of pay television in the French overseas territories and Africa. Canal+ Overseas proposes pay television offerings, namely Canal+ and CanalSat, giving access to over 200 mainly French-language channels in the French overseas territories: the Caribbean (French Antilles and French Guiana), the Indian Ocean (Reunion, Mayotte and Mauritius) and the Pacific (New Caledonia and French Polynesia).

Canal+ Overseas is also the leading pay television operator in French-speaking Africa through its subsidiary Canal+ Afrique, with operations in over 30 countries in Central and West Africa, as well as in Madagascar. In 2012, thanks to a change of satellite, reception has now been much improved in existing countries and the offering can be extended to new territories, including the Democratic Republic of the Congo, Rwanda and Burundi. Following a trade agreement signed in 2009 with Multichoice, the leading pay television operator in English-speaking Africa, Canal+ France has extended its presence on the African continent, with the Canal+ offering now available in over 40 countries with sizeable French-speaking minorities.

### D) NET SALES AND SUBSCRIBER PORTFOLIO IN 2012

Net sales for Canal+ France in 2012 came in at €4,093 million, up 1.1% year-on-year.

At 31 December 2012, Canal+ France had 11,363 million subscribers, a net increase of 147,000 since the end of December 2011. This growth was driven by strong performances at Canal+ Overseas (in French overseas territories and primarily in Africa), which had 1,683 subscriptions at year-end, a net growth of 277,000 subscriptions compared to 2011.

### E) REVIEW BY THE FRENCH COMPETITION AUTHORITIES OF THE 2006/2007 TRANSACTIONS

By a decision of 20 September 2011, the French competition authorities (*Autorité de la concurrence* - ADLC) withdrew the authorisation given by the French Ministry of the Economy on 30 August 2006 in respect of the merger transactions described in section A above and imposed a fine of €30 million on group Canal+ (in practice, on Canal+ France). This was reduced to €27 million by a decision by the French supreme administrative court (*Conseil d'Etat*) on 21 December 2012.

The ADLC was again given notice of the transactions on 24 October 2011, and once again authorised the above-mentioned merger transactions provided that group Canal+ comply with 33 injunctions for a five-year term that may be renewed once. These injunctions were confirmed by the *Conseil d'Etat* by a second decision of 21 December 2012, and notably cover the acquisition of film rights for Groupe Canal+ channels, the interest of Canal+ France – via Multithématiques – in Orange Cinéma Series-OCS, the provision of cinema channels produced by the Group Canal+ to third-party distributors, the distribution of special interest and premium independent channels and non-linear services (VoD and SVoD).

# 5.3 CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE CITIZENSHIP – ETHICS

AFR

## 5.3.1 CSR – KEY OBJECTIVES AND STRATEGY

Create purpose. Foster personal fulfilment at work. Combine excellence with corporate responsibility. Align respect for targets with respect for the planet. These are all key objectives for the Lagardère group.

Lagardère has implemented a Corporate Social Responsibility (CSR) policy with a number of objectives: to embed sustainable development into the production processes of our different business lines and into the daily operations of subsidiaries; to plan ahead for the risk of climate and energy crises and changing consumer demand; and to satisfy regulatory requirements and employees' expectations.

The well-being and personal development of our employees are constant priorities within the Group's HR policy, and safeguarding natural resources (notably forests) and reducing our energy footprint are our two principal environmental objectives.

Our media operations – which involve publishing and producing content for highly diverse target populations – make our social responsibility even greater, against the backdrop of a constantly evolving environment particularly marked by an ever-faster pace of digital development.

Above and beyond the responsibility we have towards our numerous stakeholders – authors and other artists, readers and listeners, internet users and television viewers, employees and suppliers, rights holders and advertisers, concession granters and the travelling public, and customers and shareholders – we also take steps to forge strong ties with the community at large, and particularly its most vulnerable members.

In order to meet these objectives the Group has developed a CSR approach structured around four priorities that contain twelve commitments. The four priorities are:

- asserting our position as a responsible employer;
- developing our business in an environmentally friendly way;
- promoting access to information and knowledge;
- contributing as a media group to the wider community.

The Sustainable Development Report, which is available on Lagardère's website for the fourth consecutive year, describes this overall approach, based on the guidelines of the Global Reporting Initiative (GRI).

This chapter sets out labour, social and environmental reporting data in the order required under the implementing order for article 225 [1] of the French Grenelle 2 law of 12 July 2010.

A cross-reference index is available at the end of this chapter to align the information contained in this document with the disclosure requirements listed in article R. 225-105-1 of the French Commercial Code (Code de commerce).

### 5.3.1.1 CSR PLAYERS

The Group's divisions are independent and autonomous, and each manages CSR internally, under the supervision of a Sustainable Development Department which coordinates the networks of internal correspondents. The operating processes of the various CSR units within the divisions are described in section 5.3.2.1 below.

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

(1) Decree 2012-557 of 24 April 2012 on companies' disclosure requirements concerning social and environmental matters, amending articles R. 225-105-1 and R. 225-105-2 of the French Commercial Code.

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

The Sustainable Development Report describes the organisation and missions of this Steering Committee.

### 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 takes great care to respect the rules established by national and international bodies regarding business enterprises, and those it has drawn up internally for application by its employees and partners.

The Sustainable Development Report lists the related documents, in particular those issued by the International Labour Organisation (ILO) and the Organisation for Economic Cooperation and Development (OECD), as well as the ISO 26000 standard.

In parallel, it sets out the Group's Code of Conduct, which was updated in 2012 and now contains seven chapters: Upholding Fundamental Rights; Relations within the Group; Relations with External Partners and Competitors; Relationships with Clients; Respect for Shareholders; Social Responsibility; and Environment.

The Report also describes the Group's various in-house charters [2] while Section 5.3.2.3 of this Reference Document on external relations provides information on the Group's new rules for supplier relations.

This Reference Document also underlines the commitment of the Group's General and Managing Partner, Arnaud Lagardère, to the principles of the Global Compact.

(2) For example, the "Charter on trading in Lagardère SCA shares by Group employees".

With operations on all continents, the Lagardère group is one of the world's leading media companies. As an international Group, we must be rigorous and exemplary in promoting rights and principles that are universally recognised and adopted to ensure that globalisation 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 businesses to operate responsibly.

In addition 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 in 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 that they are not complicit in human rights abuses.

#### LABOUR

**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.

#### ENVIRONNEMENT

**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

## 5.3.2 IMPLEMENTATION OF THE CSR POLICY

### 5.3.2.1 LABOUR INFORMATION

The Lagardère group's performance depends directly on the skills of its employees and the suitability of resources. To allow for optimum leverage of human resources and adaptation to the nature of the Group's various business lines, the operating units manage their own human resources but follow priorities, principles and commitments common to all the divisions and formalised at Group level in agreement with the divisions' Human Resources Directors.

All of the labour information required under article R. 225-105-1 of the French Commercial Code is provided in this Reference Document (see sections A-G below).

Most of this information can also be found in the Sustainable Development Report which describes Lagardère's CSR approach based on its four priorities, the first of which is "asserting our position as a responsible employer".

This priority is divided into three commitments that the Group pursues on a continuous improvement basis:

- ensuring balance and diversity in the workforce;
- fostering harmonious working conditions;
- encouraging skills development.

In terms of **ensuring balance and diversity in the workforce**, the Group has undertaken to:

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

Diversity in the workforce was a major area of reflection and action during 2012, both at the level of the Group – which drew up a status report on the employment of disabled people and launched a diversity training programme for Group HR managers – and at the level of the different divisions.

For example, at Lagardère Active, following an audit on diversity in all its forms (disability, equality, seniors, ethnic origins etc.), a multi-year action plan called Diversité Active ("Active Diversity") was put in place in order to encourage the division to incorporate diversity into its business. For 2013 the division has decided to focus on social and ethnic diversity.

In terms of **fostering harmonious working conditions**, the Group strives to support the quality of life of its employees and to attract the best talents to its ranks. To this end it offers employees remuneration 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 plans for its employees, protect health and safety at work and encourage labour relations.

In keeping with the policy of independence of the Group's individual divisions, measures to encourage **skills development** are managed by each entity.

However, all reflect the Lagardère group's commitment to invest in the development of the professional skills and individual responsibilities of staff, and foster fulfilling career development by increasing internal mobility.

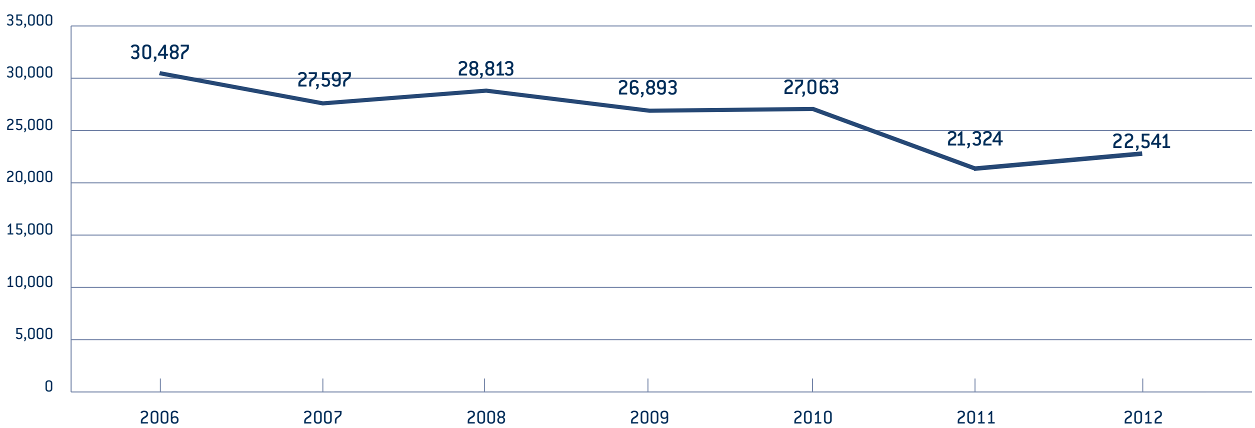
The Group strengthened its skills management initiatives in 2012. In the fourth quarter of 2012, the HR Department recruited new members for the team that is in charge of managing talent within the Group. A Talent Management Policy was set out and shared throughout the Group at end-2012. This policy, which is currently being rolled out, brings together all of the principles and procedures aimed at ensuring the identification, development, mobility, and succession of Lagardère employees who can bring key talents to the Group. In 2013, one of the main focuses of the Talent Management Policy – whose implementation is jointly overseen by the Group HR Department and the divisions' management teams and HR departments – will be to set up an annual talent management cycle within the Group.

### A) EMPLOYMENT

#### A.1 TOTAL WORKFORCE AND BREAKDOWN OF EMPLOYEES BY GENDER, AGE AND GEOGRAPHIC AREA

**Changes in the workforce**

• Changes in permanent workforce at 31 December, since 2006



At 31 December 2012, the permanent workforce [1] was up 5.7% on the previous year, mainly due to the acquisition of new companies within the Lagardère Unlimited division and the fact that new Lagardère Services entities were integrated into the HR reporting process.

(1) Permanent workforce numbers set out here and in the following paragraphs correspond to the number of employees on permanent contracts who were actually in service on the last day of the year concerned. This calculation method differs from that used for "Full Time Equivalent" employees, under which the number of employees who worked for the Group during the year is calculated based on their standard working hours and the hours they actually worked over the twelve months concerned.
The permanent workforce figure is also provided in Note 7 (Employee data) to Chapter 6 of this Reference Document.

### Breakdown of workforce by gender

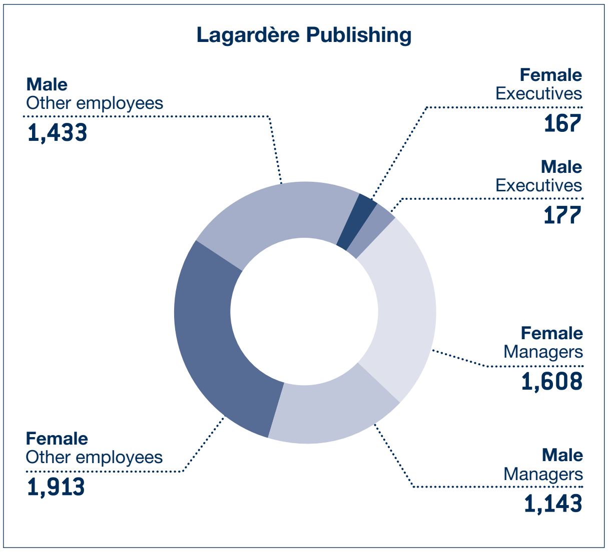
#### • Breakdown of permanent workforce at 31 December, by gender and division

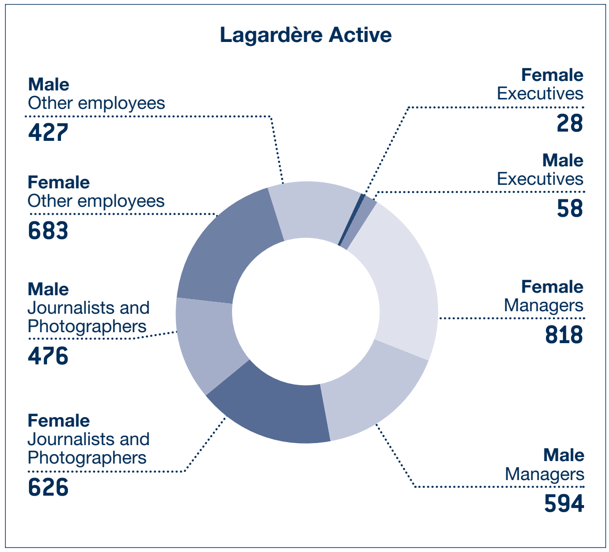
| DIVISION | Women | Men | Total | % Women | % Men |
|---|---|---|---|---|---|
| Lagardère Publishing | 3,688 | 2,753 | 6,441 ↘ | 57% | 43% |
| Lagardère Active | 2,155 | 1,555 | 3,710 ↘ | 59% | 41% |
| Lagardère Services | 6,672 | 4,323 | 10,995 ↗ | 61% | 39% |
| Lagardère Unlimited | 416 | 731 | 1,147 ↗ | 36% | 64% |
| Other Activities | 103 | 145 | 248 → | 42% | 58% |
| **Group Total** | **13,034** | **9,507** | **22,541 ↗** | **58%** | **42%** |

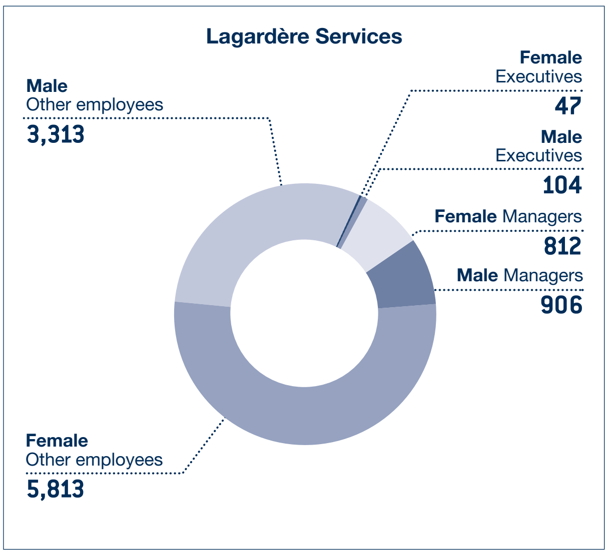
### Breakdown of workforce by occupational group

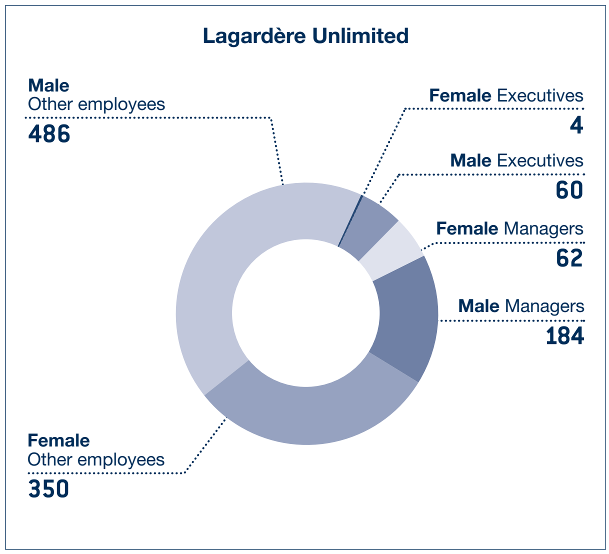
| | Executives | | | Managers | | | Journalists and Photographers | | | Other employees | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| DIVISION | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men | H/F |
| Lagardère Publishing | 49% | 51% | 344 | 58% | 42% | 2,751 | - | - | 0 | 57% | 43% | 3,346 | 57% | 43% | 6,441 |
| Lagardère Active | 33% | 67% | 86 | 58% | 42% | 1,412 | 57% | 43% | 1,102 | 62% | 38% | 1,110 | 58% | 42% | 3,710 |
| Lagardère Services | 31% | 69% | 151 | 47% | 53% | 1,718 | - | - | 0 | 64% | 36% | 9,126 | 61% | 39% | 10,995 |
| Lagardère Unlimited | 6% | 94% | 64 | 25% | 75% | 246 | 0% | 100% | 1 | 42% | 58% | 836 | 36% | 64% | 1,147 |
| Other Activities | 19% | 81% | 31 | 37% | 63% | 108 | - | - | 0 | 52% | 48% | 109 | 42% | 58% | 248 |
| **Group Total** | **37%** | **63%** | **676** | **54%** | **46%** | **6,235** | **57%** | **43%** | **1,103** | **61%** | **39%** | **14,527** | **58%** | **42%** | **22,541** |

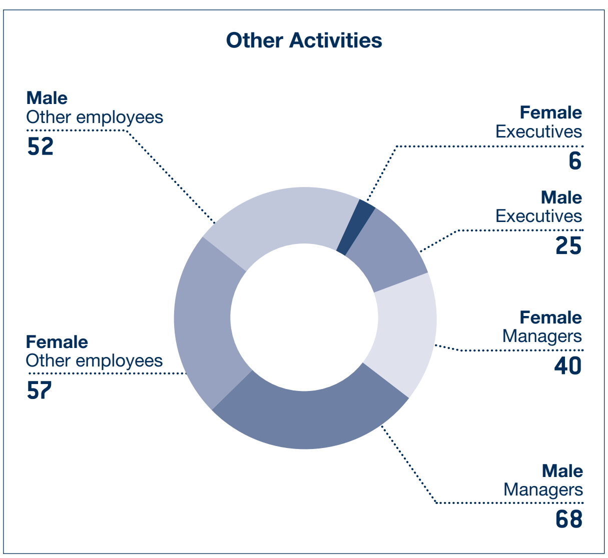
## • Breakdown of permanent workforce at 31 December, by occupational group, gender and division




The 2012 data for the breakdown of the workforce by occupational group, gender and division reflects – as this data does every year – the type of operations conducted by each division. Consequently, there is a high proportion of managerial staff within Lagardère Publishing and Lagardère Active (48% and 40% respectively), as these divisions' main activity is the creation, aggregation and marketing of content.

The same applies for "Other Activities" (which notably include the "Corporate" activities of the Lagardère group and therefore all cross-functional departments). It is much less the case, however, for Lagardère Services (whose core businesses are centred on two main activities – travel retail and distribution), as well as for Lagardère Unlimited.

This data also provides an overview of the breakdown of jobs by gender within each occupational group, which shows that there is an increasing proportion of female middle managers, with 54% of managerial positions held by women in 2012 versus 53% in 2011. On the other hand, the proportion of women holding executive positions has remained more or less the same, at around 37%.

The number of journalists working with the Group in 2012 was on a par with 2011 (1,103 versus 1,105) after a steep decline in 2011 due to the sale of the International Magazine Publishing (PMI) and Russian Radio businesses.

A closer analysis by division shows a very slight year-on-year decrease in Lagardère Publishing's workforce (1.42%), due to the fact that there were very few changes in Group structure or business volumes during the year.

There was also a slight downward trend (4.38%) in Lagardère Active's workforce, primarily attributable to the sale of Nextidea and Nextdata which were deconsolidated in 2012.

However, these figures do not include the workforce of LeGuide.com (totalling around 146 at 31 December 2012), as this company was acquired after 30 June and could not therefore be included in the reporting scope.

Conversely, there was a strong 13.8% increase in the permanent workforce at Lagardère Services, resulting from the fact that entities recently acquired in Spain, Bulgaria, the Czech Republic and South-East Asia have been integrated into the HR reporting process. Headcount was also up (by 14.2%) for Lagardère Unlimited, following the acquisition of new companies in 2012 in the United States, Germany and Australia.

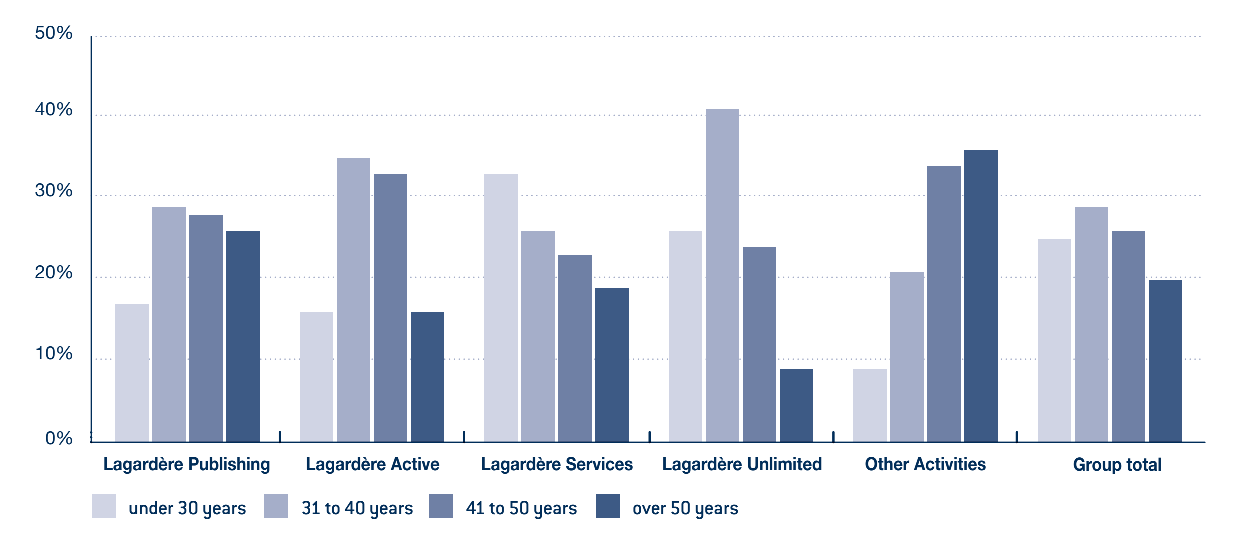
Lastly, there were five more employees within "Other Activities" compared with 2011 when headcount decreased sharply due to the transfer of Lagardère Paris Racing Ressources to the Lagardère Unlimited division and the downsizing plan carried out within Matra Manufacturing Services.

### Breakdown of workforce by age group

The structure of the Group's age pyramid was stable year on year, with the proportion of employees under the age of 40 still corresponding to 54% of the total permanent workforce (25% of whom are under 30).

This breakdown illustrates that the Group still has a good balance between the experience it needs for the highly competitive environments in which its divisions operate and the contribution of young employees.

## • Breakdown of permanent workforce by age group and division

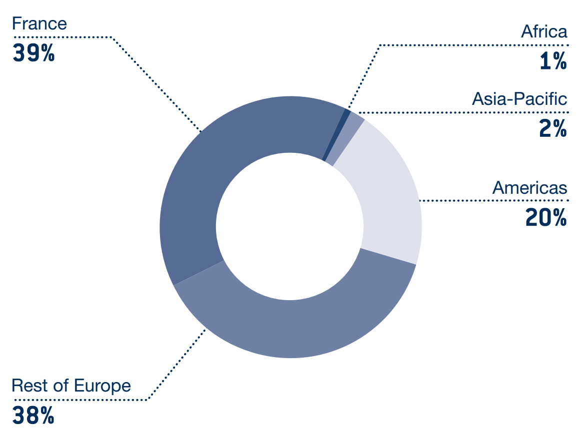


## Breakdown of workforce by geographic area

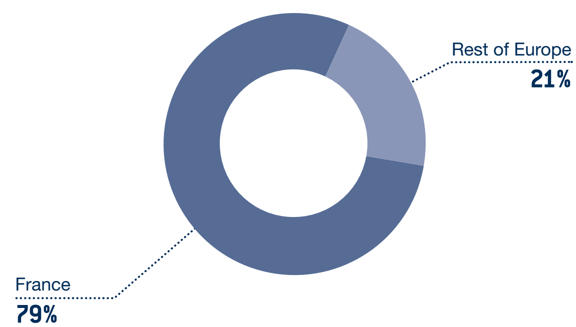
### • Breakdown of workforce by geographic area and division at 31 December 2012

| DIVISION | Africa | Asia-Pacific | Americas | Rest of Europe | France | Total |
|---|---|---|---|---|---|---|
| Lagardère Publishing | 76 | 136 | 1,301 | 2,445 | 2,483 | 6,441 |
| Lagardère Active | 0 | 0 | 0 | 784 | 2,926 | 3,710 |
| Lagardère Services | 0 | 1,419 | 1,878 | 4,131 | 3,567 | 10,995 |
| Lagardère Unlimited | 0 | 218 | 70 | 522 | 337 | 1,147 |
| Other Activities | 0 | 0 | 0 | 0 | 248 | 248 |
| **Group total** | **76 ↘** | **1,773 ↗** | **3,249 ↘** | **7,882 ↗** | **9,561 ↗** | **22,541** |

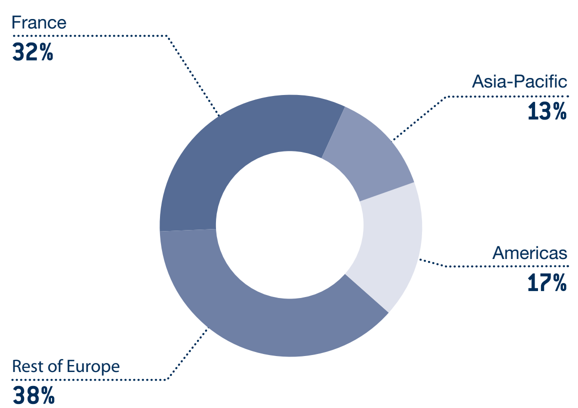
**Lagardère Publishing**



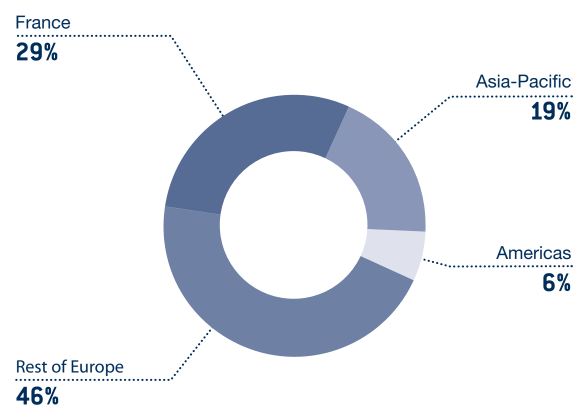

**Lagardère Active**




**Lagardère Services**




**Lagardère Unlimited**




The breakdown of employees by geographic area shows that the Lagardère group remains highly international, with over 57% of its permanent workforce based outside France (stable versus 2011).

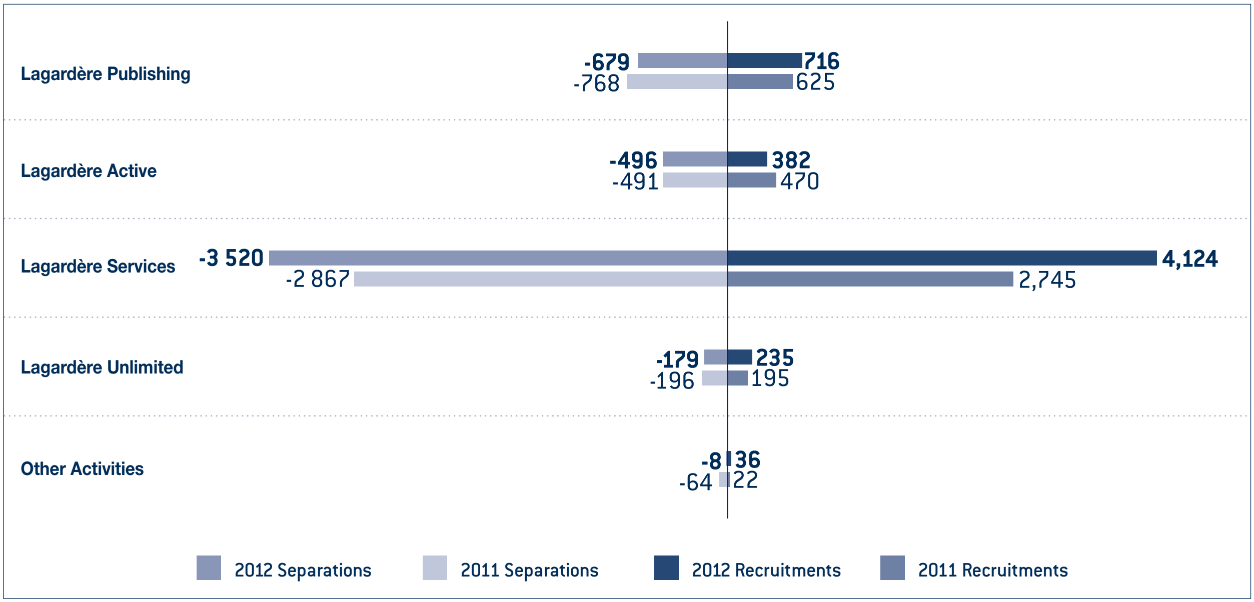
Apart from Lagardère Active and Other Activities, all of the Group's divisions have less staff in France than abroad. In 2012, the geographic area with the highest proportion of employees overall was once again Europe.

With a headcount of 9,561, France had the highest number of employees within the Group, up 3.2% on 2011. Outside France, the countries with the highest headcounts were Spain (1,831), Canada (1,700), the United Kingdom (1,618) and the United States (1,169).

## A.2 WORKFORCE MOVEMENTS

### Movements by division

#### • Changes in the breakdown of recruitments/separations by division[1]




(1) Recruitment figures are presented differently here than in the 2011 Reference Document, where the figure for mobility between Group companies was dealt with separately from that for promotions. Here, the two figures have been combined as the Lagardère group considers that both of these cases correspond to internal mobility. The 2011 figures shown in the graph have therefore been restated to reflect this change.
In addition, a specific paragraph on mobility and the breakdown of mobility by gender is provided in the section on equality in the workplace.

The recruitments/separations data for 2012 show that there were more employee movements than in 2011 (5,493 recruitments and 4,882 separations, representing year-on-year increases of more than 35% and 11% respectively).

This sharp rise in employee movements was particularly marked in the Lagardère Services division. In Asia (Shanghai and Singapore) and North America, the figures reflect the reality of the business context, i.e., frequent acquisitions or losses of concessions and a high turnover in the type of jobs carried out within the division.

Conversely, Lagardère Active and Lagardère Publishing saw fewer employee movements in 2012, reflecting more or less unchanged business volumes for Lagardère Publishing compared with 2011 and a more stable organisational structure following the sale of the PMI and the Russian Radio businesses which had a strong impact on the workforce in 2011.

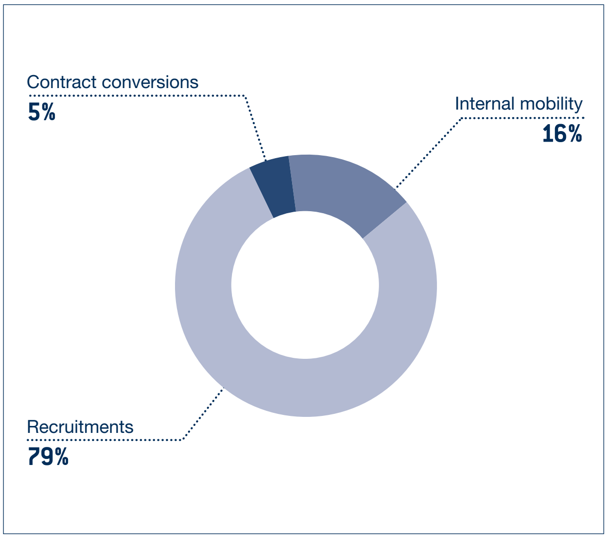
The steep decline in separations within Other Activities in 2012 was due to the fact that 2011 was marked by a downsizing plan within Matra Manufacturing Services.

At Lagardère Unlimited, the higher number of recruitments and lower number of separations was due to the division's growth and acquisition policy.

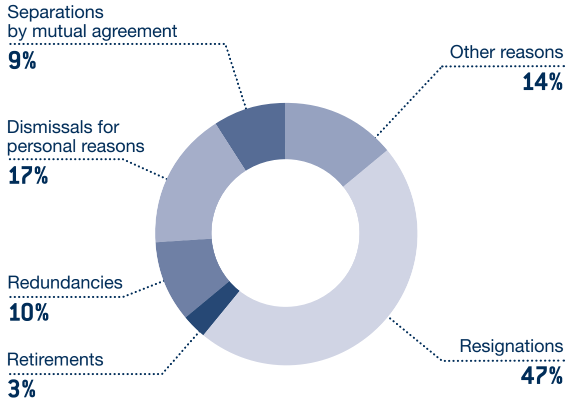
### Breakdown by type of recruitment/separation

#### • Breakdown by type of recruitment in 2012

The breakdown by type of recruitment for 2012 shows that the relative proportion of new hires was up by 3 points on 2011, the proportion of fixed-term contracts converted into permanent contracts was stable year on year, and there was a 1-point decrease in the relative proportion of internal mobility moves. However, despite a decrease in the relative proportion of internal mobility moves, in absolute value terms, the number of moves increased by more than 27% year on year, from 695 to 888.



## • Breakdown by type of separation in 2012




The breakdown of staff separations in 2012 shows a sharp rise in the relative proportion of resignations. This is attributable to Lagardère Services' extremely high staff turnover (and particularly in 2012 due to major changes in structure), as the businesses of this division experience strong fluctuations in employee numbers in line with sales and purchases of sales outlets. However, this situation also had the effect of pushing up the number of Lagardère Services' recruitments by 57% in 2012.

The total proportion of layoffs (dismissals for personal reasons and redundancies) was on a par with 2011, representing around 27% of separations, while the number of separations due to retirement was significantly lower than in the previous year, down by 35%.

Based on all the above elements, the Group's total staff turnover rat [1] for 2012 was higher than in 2011 (22.7% versus 19%), as was the "unexpected turnover" rate [2] which stood at 14.7%, up by more than 2 points.

### A.3 REMUNERATION AND SALARY INCREASES

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

The Group's objective is to control its labour costs while maintaining its employees' purchasing power and encouraging their commitment and performance.

#### Remuneration policy

The Lagardère group's remuneration policy follows fair, equitable and consistent practices.

Remuneration 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 wage and general pay increase scales).

In countries where the minimum wage is far lower than market practice, or where there is no minimum wage, salaries are defined according to local market levels. Nearly 85% of the Group's employees work in a company which has defined a minimum wage (83% in 2011 and 78% in 2010).

(1) Calculation of staff turnover: the half-sum of the number of employees leaving plus the number of employees recruited over a given period, divided by the initial number of employees.
(2) The unexpected turnover indicator corresponds to the calculation of staff turnover based on departures not initiated by Lagardère (resignations, deaths, retirement and other).

## • Average gross salary in euros for permanent workforce, by occupational group and geographic area [3]

| | Executives | | Managers | | Journalists and Photographers | | Other employees | |
|---|---|---|---|---|---|---|---|---|
| AREA | Women | Men | Women | Men | Women | Men | Women | Men |
| Africa | - | €81,067.96 | €33,536.00 | €43,408.20 | - | - | €6,312.24 | €8,107.89 |
| Asia-Pacific | €52,969.57 | €179,573.67 | €53,523.08 | €71,323.26 | - | €21,866.00 | €25,894.73 | €26,881.77 |
| Americas | €227,141.00 | €223,887.07 | €69,216.50 | €82,048.44 | - | - | €25,765.14 | €25,051.30 |
| Rest of Europe | €95,514.37 | €137,077.37 | €42,449.72 | €50,964.64 | €9,552.36 | €9,280.80 | €22,473.60 | €29,518.72 |
| France | €155,847.76 | €214,548.50 | €50,059.52 | €60,626.03 | €56,326.85 | €63,483.09 | €23,499.91 | €28,117.71 |
| **Group total** | **€114,027.24** | **€179,009.88** | **€49,823.99** | **€59,447.75** | **€50,803.83** | **€51,678.50** | **€23,764.31** | **€27,956.38** |

(3) Behind these salary averages – which are provided for information purposes – lie widely varying situations (due to the nature of the activities and their location, with lifestyles and the cost of living varying greatly from country to country), and no general conclusions or comparisons should be drawn from them.

The average annual salary worldwide for all socio-professional categories combined (including bonuses and variable remuneration) was €39,141 in 2012 compared with €40,489 in 2011.

The differences observed in the table above are due essentially to different kinds of job, different levels of responsibility, and differences in age, length of service and level of qualifications.

The Lagardère group promotes equal pay for women and men, for equal work and qualifications.

The salary scales put in place in the Group's subsidiaries are one means of achieving this. In 2012, more than 73% of all employees worked in an entity which has defined salary ranges for each job level (compared with 63% in 2011 and 61% in 2010), demonstrating the significant progress the Group has already made in this area.

**Pay rise policy: rewarding progress in the contribution made by employees and maintaining purchasing power**

It is Group policy to encourage pay rises 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 work in, individual pay rises are therefore increasingly common.

In return for these individually tailored pay measures, to ensure optimum transparency between staff and their management on remuneration, the Group encourages annual interviews, which give employees a better perception of their fulfilment of the requirements of their job.

Each entity is largely free to award individual and/or collective pay rises appropriate to its business line and operating environment.

## • Proportion of permanent workforce who received a pay rise, by occupational group, gender and division

| | Executives | | Managers | | Journalists and Photographers | | Other employees | | All occupational groups combined | | All occupational groups combined |
|---|---|---|---|---|---|---|---|---|---|---|---|
| DIVISION | Women | Men | Women | Men | Women | Men | Women | Men | Women | Men | |
| Lagardère Publishing | 92% | 79% | 85% | 80% | - | - | 88% | 91% | 87% | 86% | 86% |
| Lagardère Active | 43% | 28% | 65% | 63% | 69% | 50% | 44% | 30% | 59% | 49% | 55% |
| Lagardère Services | 51% | 63% | 73% | 77% | - | - | 60% | 71% | 62% | 72% | 66% |
| Lagardère Unlimited | 50% | 38% | 45% | 51% | - | 100% | 61% | 69% | 59% | 62% | 61% |
| Other Activities | 67% | 76% | 73% | 85% | - | - | 96% | 96% | 85% | 88% | 87% |
| **Group total** | **78%** | **62%** | **76%** | **74%** | **69%** | **50%** | **65%** | **73%** | **68%** | **72%** | **70%** |

The proportion of permanent employees that receive a pay rise in 2012 was significantly lower than in 2011 (down by 12 points). The decrease was particularly pronounced within Lagardère Services and Lagardère Active (down by 16 points and 19 points respectively), as these two divisions are highly affected by economic trends (advertising revenues for Lagardère Active and consumer spending and purchasing power for Lagardère Services).

In the other divisions the proportion was stable year on year.

**Individual variable remuneration: encouraging individual performance**

In addition to basic salary, most of the Group's entities make use of individual and collective performance incentives such as bonuses and variable pay.

These practices allow an employee's remuneration to be linked to the achievement of personal targets and collective objectives at the level of the subsidiary concerned.

Nearly **44%** of the Group's workforce had some form of variable remuneration in 2012. However, a certain disparity is emerging between different businesses and geographic areas, particularly due to local market practices.

Wherever variable remuneration or equivalent systems apply, the Group encourages use of target-based pay systems involving annual performance interviews to provide employees with full visibility and transparency.

## • Proportion of employees receiving variable remuneration, by occupational group, gender and division

| | Executives | | Managers | | Journalists and Photographers | | Other employees | | All occupational groups combined | | All occupational groups combined |
|---|---|---|---|---|---|---|---|---|---|---|---|
| DIVISION | Women | Men | Women | Men | Women | Men | Women | Men | Women | Men | |
| Lagardère Publishing | 75% | 80% | 65% | 73% | - | - | 32% | 41% | 49% | 57% | 52% |
| Lagardère Active | 79% | 81% | 75% | 64% | 40% | 42% | 46% | 41% | 56% | 52% | 54% |
| Lagardère Services | 49% | 77% | 90% | 91% | - | - | 26% | 27% | 34% | 42% | 37% |
| Lagardère Unlimited | 75% | 67% | 74% | 74% | - | 0% | 38% | 39% | 44% | 50% | 48% |
| Other Activities | 83% | 80% | 25% | 29% | - | - | 0% | 0% | 15% | 28% | 22% |
| **Group total** | **71%** | **78%** | **73%** | **76%** | **40%** | **42%** | **29%** | **33%** | **42%** | **48%** | **44%** |

**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 local legislation and the local context as well as to the specific nature of its business.

In 2012, just under 36% of Group companies worldwide had a profit sharing scheme in place, with this figure coming in at over 42% for France.

**Employee savings schemes: encouraging savings**

## • Proportion of workforce belonging to a savings scheme

| DIVISION | Proportion of workforce |
|---|---:|
| Lagardère Publishing | 42% |
| Lagardère Active | 72% |
| Lagardère Services | 31% |
| Lagardère Unlimited | 52% |
| Other Activities | 100% |
| **Group total** | **43%** |

Overall, 43% of the Group's employees belong to an employee savings scheme.

In France the percentage is almost 40%.

In addition to this, 1.74% of the shares issued by the Group are held by employees, including 0.42% held through mutual funds.

**Free shares: retaining fast-track employees**

The Group has a specific policy of sharing profit with employees according to their level of responsibility, performance and results, and seeks to build loyalty among fast-track employees with the regular allocation of shares in the parent company, Lagardère SCA.

Until 2006, this allocation took the form of stock options but since 2007 the Group has used free share awards (see "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 enjoy supplementary health and social welfare plans partially funded by the employer. Some 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 offered to employees in other countries, depending on the state systems in place and local practices.

Each entity pays payroll taxes depending on the obligations and practices in force in its country.

## • Payroll taxes, in thousands of euros, by division

| DIVISION | **2012** | 2011 | Change |
|---|---:|---:|---:|
| Lagardère Publishing | **81,734** | 80,061 | 1,673 |
| Lagardère Active | **123,368** | 136,234 | -12,865 |
| Lagardère Services | **64,710** | 67,706 | -2,996 |
| Lagardère Unlimited | **12,995** | 11,568 | 1,427 |
| Other Activities | **8,645** | 9,823 | -1,178 |
| **Group total** | **291,452** | **305,392** | **-13,940** |

## • Payroll taxes, in thousands of euros, by geographic area

| AREA | **2012** | 2011 | Variation |
|---|---:|---:|---:|
| France | 230,156 | 231,764 | -1,608 |
| European Union | 38,113 | 44,858 | -6,745 |
| Rest of Europe | 8,373 | 10,877 | -2,504 |
| USA and Canada | 13,872 | 15,717 | -1,845 |
| Asia-Pacific | 354 | 1,717 | -1,363 |
| Other (Middle East, Africa, Latin America) | 584 | 459 | 125 |
| **Group total** | **291,452** | **305,392** | **-13,940** |

The above payroll taxes also include contributions to social welfare organisations paid to staff representative bodies in accordance with local practices.

## B) ORGANISATION OF WORKING HOURS

### B.1 ORGANISATION OF WORKING HOURS

**Working hours**

The maximum working hours by geographic area were as follows in 2012:

#### • Working hours by geographic area

| AREA | Maximum number of hours worked per day | Maximum number of days worked per year |
|---|---|---|
| France | 7 | 216 |
| Rest of Europe | 7 | 239 |
| The Americas | 7 | 249 |
| Asia-Pacific | 7 | 249 |
| Africa | 8 | 286 |

Group entities have put in place work organisation schemes that provide the flexibility to meet the specific requirements of their operations, with overtime hours, fixed-term contracts and temporary employment.

This flexibility – which is required for the organisation of working time – does not, however, jeopardise the Group's compliance with legal regulations specific to each country, particularly in terms of working hours and overtime.

**Non-permanent employees (temporary staff and employees on fixed-term contracts)** (1)

The use of non-permanent employees (employees on fixed-term contracts and temporary staff) is inherent in some activities, e.g. for seasonal peaks in business at Lagardère Publishing (literary releases, generally scheduled from September to November in France, school orders and Christmas).

The work organisation scheme also enables the Group to cope with the constraints related to the Distribution activity at Lagardère Services (replacing store managers on leave, extensive opening hours, training of store managers, etc.) and the organisation of sporting events at Lagardère Unlimited.

Changes in the number of employees on fixed-term contracts and temporary staff between 2011 and 2012 were as follows:

(1) The number of non-permanent employees is calculated on a full-time equivalent (FTE) basis. The FTE figure is obtained by adding together all the employees who worked for the Group during 2012, based on their standard working hours and the hours they actually worked over the twelve months concerned. For example, an employee who works half a week for six months of the calendar year is counted as 0.25 FTE (0.50 x 0.50). This measure is particularly relevant for analysing the non-permanent workforce, given that reporting a figure as at 31 December would not reflect the actual situation for this employee category.

#### • Changes in employees on fixed-term contract (fte-basis)

| DIVISION | 2012 | 2011 | 2011-2012 change |
|---|---|---|---|
| Lagardère Publishing | **381.78** | 341.79 | 12% ↗ |
| Lagardère Active | **217.16** | 231.43 | -6% ↘ |
| Lagardère Services | **1,024.51** | 716.80 | 43% ↗ |
| Lagardère Unlimited | **94.94** | 89.80 | 6% ↗ |
| Other Activities | **2.08** | 3.33 | -38% ↘ |
| **Group total** | **1,720.47** | **1,383.15** | **24%** ↗ |

## • Changes in temporary staff (FTE-basis) and number of hours worked during the year

| DIVISION | 2012 Number of hours | 2012 FTE | 2011 Number of hours | 2011 FTE | 2011-2012 change |
|---|---|---|---|---|---|
| Lagardère Publishing | **826,897.35** | **476.60** | 921,101.20 | 530.89 | -10% ↘ |
| Lagardère Active | **47,079.00** | **27.13** | 40,906.68 | 23.58 | 15% ↗ |
| Lagardère Services | **422,587.00** | **243.57** | 426,636.23 | 245.90 | -1% ↘ |
| Lagardère Unlimited | **69,027.60** | **39.79** | 77,428.33 | 44.63 | -11% ↘ |
| Other Activities | **4,143.00** | **2.39** | 1,319.00 | 0.76 | 214% ↗ |
| **Group total** | **1,369,733.95** | **789.47** | **1,467,391.44** | **845.76** | **-7% ↘** |

### Overtime (1)

Companies within the Lagardère group also use overtime as a means of achieving work flexibility, especially for distribution activities (Lagardère Services and Lagardère Publishing).

(1) The conversion of overtime hours and hours worked by temporary staff into FTE employees is obtained by dividing the total number of hours by the average number of hours worked during the year within the Lagardère group.

This solution has the twofold advantage of optimising salary costs for the company while raising purchasing power for employees who agree to take on the overtime hours.

## • Changes in overtime hours (FTE-basis) and number of overtime hours worked during the year

| DIVISION | 2012 Number of hours | 2012 FTE | 2011 Number of hours | 2011 FTE | 2011-2012 change |
|---|---|---|---|---|---|
| Lagardère Publishing | **87,392** | **50.37** | 91,050 | 52.48 | -4% ↘ |
| Lagardère Active | **9,236** | **5.32** | 16,642 | 9.59 | -45% ↘ |
| Lagardère Services | **270,296** | **155.79** | 249,791 | 143.97 | 8% ↗ |
| Lagardère Unlimited | **15,940** | **9.19** | 16,544 | 9.54 | -4% ↘ |
| Other Activities | **406** | **0.23** | 363 | 0.21 | 10% ↗ |
| **Group total** | **383,271** | **220.91** | **374,390** | **215.79** | **2% ↗** |

### Analysis of work flexibility arrangements

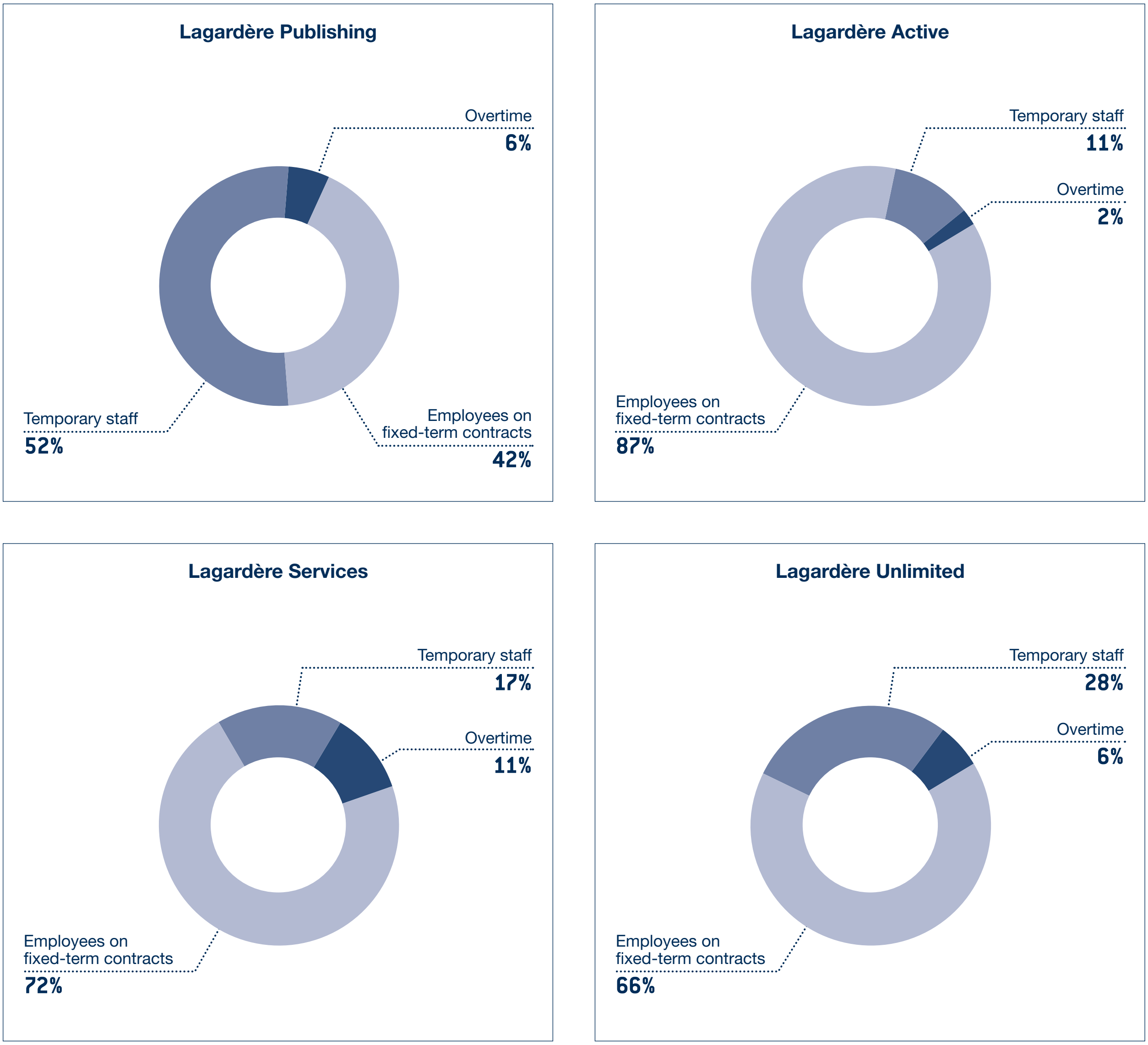
Overall, the 2012 data on work flexibility show that once again, the two divisions that drew most on measures to adapt the workforce to their business needs were Lagardère Publishing and Lagardère Services, which together employ more than 83% of the Group's employees on fixed-term contracts and over 90% of its temporary staff.

This is because these two divisions are the most subject to fluctuations in business levels (distribution and publishing) for a number of reasons, including seasonal peaks of activity (e.g. Christmas and the September back-to-school period for Lagardère Publishing, and the summer holiday period for Lagardère Services).

From a general perspective, the data show that the use of fixed-term contracts is the preferred method of flexibly managing staffing levels for the divisions as they represented 65% of the overall flexible working arrangements used in 2012. The number of employees on fixed-term contracts was up on 2011 whereas the use of temporary staff edged down year on year.

However, it is important to note that the total number of employees on fixed-term contracts and temporary staff only accounted for 10.5% of the Lagardère group's total workforce, which is in line with the 12% ceiling it has set itself as an objective.

## • Work flexibility by division in 2012[(1)]




(1) The breakdown of flexible human resources by division is obtained by converting into an FTE figure hours worked by temporary staff and employees on fixed-term contracts as well as overtime hours. This total FTE figure is then broken down.

A closer analysis by division shows that Lagardère Publishing favours the use of temporary staff to provide the work flexibility it needs. This reflects the highly seasonal nature of the division's business and its very short peak periods, notably Christmas and the September back-to-school period.

However, in 2012 the proportion of temporary workers used by Lagardère Publishing was down by 12 points compared with 2011, whereas the proportion of employees on fixed-term contracts was up by 20 points, which suggests that the gap between these two types of employment is beginning to close.

Lagardère Services reported a sharp 43% increase in employees on fixed-term contracts, reflecting additional labour requirements in 2012 due to the opening of new sales outlets, whereas its use of overtime and temporary staff remained relatively stable.

Lagardère Active's use of employees on fixed-term contracts, temporary staff and overtime is lower than for the other divisions, as Lagardère Active uses more "occasional" employees in the press, audiovisual and production sectors.

In 2012, Lagardère Active reported a slight contraction in the use of overtime hours (down by 4 FTE) – which is not the division's preferred work flexibility method – as well as a slight 6% decrease in employees on fixed-term contracts, but temporary staff numbers were up by 4 FTE.

Lastly, in 2012 Lagardère Unlimited saw a rise in employees on fixed-term contracts that was almost equivalent to the decrease in temporary workers (around 5 FTE) and its level of overtime hours was on a par with 2011.

Overall, Lagardère Unlimited's use of employees on fixed-term contracts, temporary staff and overtime hours was very low compared with the Group's other divisions.

### Occasional employees

In France, due to the nature of its press and audiovisual production activities the Lagardère group calls on the services of specific types of employees, namely freelance journalists and entertainment workers.

These employees have a special status and the Group is involved in high-level discussions of changes affecting them, participating in the various sector-specific negotiations over social security coverage, unemployment benefits and occupational training.

In 2012, the number of occasional employees (1) rose by a sharp 39%. Lagardère Active was the main contributor to the overall increase as this division's entertainment workers – which account for almost 98% of the Group's total – were up 50% year on year, primarily due to the numerous audiovisual works Lagardère Active produced in 2012, including Les Borgia and Caïn.

At the same time, the number of entertainment workers more than doubled in 2012 for Lagardère Unlimited (15 versus 7.3 in 2011), chiefly as a result of the launch of the musical Salut Les Copains by Lagardère Unlimited Live Entertainment.

(1) Occasional employees cover two main categories:
- freelance journalists, who are paid on a piece-work basis (for example per character or page for an editor, by length of the work in the audio-visual field, by number of pictures for a photographer, etc.) They do not therefore form part of the editorial staff.
- entertainment workers: employees who alternate between periods when they are in and out of work. An entertainment worker is an employee (or registered under the status of an employee) of a performing arts, cinema and/or audio-visual company who is employed under successive fixed-term contracts.

#### Part-time work

### • Part-time workforce at 31 December 2012

| DIVISION | Female | % female part-time total female workforce | Male | % male part-time total male workforce | Total part-time workforce | % part-time total workforce |
|---|---|---|---|---|---|---|
| Lagardère Publishing | 448 → | 12.15% | 64 ↗ | 2.32% | 512 → | 7.95% |
| Lagardère Active | 272 ↘ | 12.62% | 137 ↘ | 8.81% | 409 ↘ | 11.02% |
| Lagardère Services | 1,527 ↗ | 22.88% | 533 ↘ | 12.33% | 2,060 ↘ | 18.73% |
| Lagardère Unlimited | 58 → | 13.94% | 56 ↘ | 7.66% | 114 → | 9.94% |
| Other Activities | 8 → | 7.77% | 2 → | 1.38% | 10 → | 4.03% |
| **Group total** | **2,313 →** | **17.74%** | **792 ↘** | **8.33%** | **3,105 ↘** | **13.77%** |

The number of part-time employees decreased slightly in 2012 (down by 3.6%), reducing the proportion of this employee category within the Group's total workforce to 13.8%. Women once again accounted for the largest proportion of part-time employees, at just under 75% of the total.

Lagardère Services had the highest proportion of part-time employees within the Group in 2012, representing nearly 19% of the division's total workforce, well ahead of the division with the second-largest proportion, Lagardère Active. Lagardère Services' part-time employees represented over 66% of the Group's total for this category of workers.

## B.2 LOST TIME

#### Lost time due to work-related accidents and sick leave (2) for permanent employees

(2) Lost time is calculated by dividing the total number of days of absence by the number of permanent FTE employees.

| DIVISION | Sick leave | Work-related accidents |
|---|---|---|
| Lagardère Publishing | 4.73 ↘ | 0.59 ↘ |
| Lagardère Active | 6.65 ↘ | 0.12 ↘ |
| Lagardère Services | 6.80 ↗ | 0.99 ↘ |
| Lagardère Unlimited | 4.75 ↗ | 0.42 ↗ |
| Other Activities | 3.27 ↘ | 0.00 ↘ |
| **Group total 2012** | **6.03 ↗** | **0.69 ↘** |
| 2011 | 5.80 | 0.79 |
| 2010 | 5.53 | 0.46 |

The lost time data for 2012 shows that for the first time in three years, the average number of days of absence due to work-related accidents was down on the previous twelve months (12.6% decrease).

The decrease was particularly marked both for Lagardère Publishing – which reported an overall reduction of 25% compared with 2011, with its distribution and returns centres at Maurepas and Longjumeau recording a 20% decrease – and for Lagardère Services (down 11.66%).

This is excellent news as, due to the nature of their businesses, Lagardère Publishing and Lagardère Services are the two divisions within the Group that are the most exposed to the risk of work-related accidents.

Lagardère Active and Other Activities (which are less exposed to this risk) also reported a decrease in lost time due to work-related accidents, whereas Lagardère Unlimited reported a sharp increase of 396 days of absence compared with 2011 (see explanations below in the section on health and safety).

At the same time, the rise in absence due to sick leave that was recorded in 2011 unfortunately continued in 2012, albeit at a lower rate (up 4%).

The main contributors to the year-on-year increase were Lagardère Unlimited and Lagardère Services.

## C) LABOUR RELATIONS

### C.1 ORGANISATION OF LABOUR RELATIONS, NOTABLY PROCEDURES FOR INFORMING, CONSULTING AND NEGOTIATING WITH EMPLOYEES

Labour relations are an essential part of the Lagardère group's human resources policy, based on the acknowledged principle of maintaining a balance between economic and labour issues, at all levels of the organisation (entities, divisions and Group).

#### Representation at Group level

Although it practices a policy of independence for its divisions, the Group also promotes cooperation and dialogue with employee representative bodies and between the various subsidiaries in France and the rest of the world.

Two 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 Management about the key issues and changes 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. Following elections that took place on 1 July 2012, France currently holds 15 seats and the remaining 15 seats are held by representatives from eight other European countries – Belgium, the Czech Republic, Germany, Hungary, Poland, Romania, Spain and the United Kingdom.

The articles of association of the Group Employees' Committee and the European Works Committee stipulate that each of these bodies must hold an annual ordinary meeting.

In addition to these annual meetings, extraordinary meetings or meetings between committee members and union representatives may be held if the current situation so requires.

In 2012, the Group Employees' Committee met twice. The first meeting – held on 25 July – was an extraordinary meeting called at the request of employee representatives in order to question Lagardère Active's management team on the division's intended strategy for dealing with the digital revolution.

The annual ordinary meeting took place on 18 October. During this meeting, the chartered accountant appointed by the Committee reviewed Lagardère SCA's 2011 financial statements, and the CEO of each division gave a presentation on the business results and outlook for their respective divisions.

The European Works Committee met once in 2012, at its annual ordinary meeting held on 5 April. During this meeting employee representatives and Group Management discussed the project for the new Code of Conduct, based on a constructive exchange of opinions which enabled certain potential misunderstandings about the content of the Code to be cleared up and various aspects of it to be amended.

#### Local employee representation

| GEOGRAPHIC AREA | Percentage of the workforce covered by employee representation |
|---|---|
| Africa | 100% |
| Asia-Pacific | 46% |
| The Americas | 62% |
| France | 71% |
| Rest of Europe | 97% |
| Group total | 79% |

### C.2 SUMMARY OF COLLECTIVE AGREEMENTS

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

| GEOGRAPHIC AREA | % of employees covered by collective agreements on health, safety and working conditions | % of employees covered by collective agreements on the integration of people with a disability | % of permanent employees covered by collective agreements on remuneration | % of permanent employees covered by collective agreements on gender equality in the work place | % of permanent employees covered by collective agreements on working hours | % of permanent employees covered by collective agreements on training | % of permanent employees covered by collective agreements on employee welfare |
|---|---|---|---|---|---|---|---|
| Africa | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Asia-Pacific | 51% | 0% | 53% | 0% | 51% | 46% | 52% |
| Americas | 59% | 12% | 59% | 12% | 12% | 57% | 12% |
| Rest of Europe | 56% | 30% | 61% | 39% | 60% | 25% | 49% |
| France | 78% | 13% | 88% | 69% | 97% | 40% | 73% |
| **Group total** | **65%** | **18%** | **71%** | **44%** | **68%** | **38%** | **54%** |

At 31 December 2012, there were 651 collective agreements in force within the Group, representing a 15% increase on 2011. A total of 121 agreements were signed in 2012, versus 100 in 2011. Of these additional agreements, 18 were signed in France, as a result of new requirements for employees to hold negotiations with employee representatives bodies on equal opportunities and strenuous working conditions.

A range of different areas are covered by company-level agreements within the Group, notably remuneration (particularly in Europe), working hours and working conditions.

Almost 30% of the Group's employees in Europe (excluding France) are covered by an agreement on the integration of disabled employees, the majority of whom work in Spain (the Anaya group within the Lagardère Publishing division).

Labour relations are therefore strongly embedded in local operating contexts.

## D) HEALTH AND SAFETY

### D.1 HEALTH AND SAFETY CONDITIONS AT WORK

The Group's business activities are mainly concentrated in the services sector, which has **low exposure to health and safety risks.**

Entities with logistics and distribution activities, however, have a greater "safety culture".

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

In 2012, over 17,000 health and safety training hours were given, representing a year-on-year increase of more than 27%. The majority of this training took place within Lagardère Services, where over 10,000 training hours were organised in 2012.

The proportion of employees covered by an agreement on health, safety and working conditions is relatively high (over 65% worldwide and 78% in France). In addition, more than 53% of the Group's entities have a specific body in charge of health and safety at work and 74% of entities organise regular medical check-ups for their employees.

### D.2 WORK-RELATED ACCIDENTS: FREQUENCY AND SEVERITY RATES (1)

• Work-related accidents

| DIVISION | Number of accidents | Frequency rate | Severity rate |
|---|---|---|---|
| Lagardère Publishing | 135 ↘ | 12.35 ↘ | 0.34 ↘ |
| Lagardère Active | 21 ↘ | 3.48 ↘ | 0.08 ↘ |
| Lagardère Services | 317 ↗ | 17.45 ↗ | 0.56 ↘ |
| Lagardère Unlimited | 8 → | 4.07 ↘ | 0.23 ↗ |
| **Group total** | **481 ↗** | | |

(1) Frequency rate = (number of work-related accidents resulting in lost time x 1,000,000)/number of hours worked. Severity rate = (number of days of lost time x 1,000)/number or hours worked.

The efforts that the Group has made over a number of years now seem to be paying off, although there is still some room for improvement.

For Lagardère Publishing, the frequency and severity rates of work-related accidents were both down in 2012 (by 17% and 24% respectively).

The picture was more mixed for Lagardère Services, however. While the division's severity rate decreased by 13% in 2012 – which is excellent news as this was the first decrease in three years – the frequency rate rose, with an increase in the number of work-related accidents for entities involved in airport operations which are particularly exposed to the risk of accidents.

The situation was positive for the Group's other two divisions, notably for Lagardère Active which saw a decrease in both of the indicators, although the severity rate for Lagardère Unlimited was higher than in 2011 due to two work-related accidents (of which one was journey-related) that led to long absences within Lagardère Paris Racing Ressources.

### D.3 SUMMARY OF COLLECTIVE AGREEMENTS RELATED TO HEALTH AND SAFETY

• Summary of collective agreements on health, safety and working conditions

| DIVISION | % of employees covered by collective agreements currently in force |
|---|---|
| Lagardère Publishing | 46% |
| Lagardère Active | 72% |
| Lagardère Services | 81% |
| Lagardère Unlimited | 9% |

Lagardère Services – whose business is particularly exposed to health and safety risks – is the Group's division that has the most employees covered by a workplace safety agreement (81%).

The lower coverage rate at Lagardère Publishing (46%) reflects the fact that the "Industry and Services" business – which covers logistics and distribution activities is at 100%.

## E) TRAINING

### E.1 TRAINING AND SKILLS DEVELOPMENT POLICIES

In keeping with the policy of independence of the Group's individual divisions, skills development and internal mobility are managed by each entity.

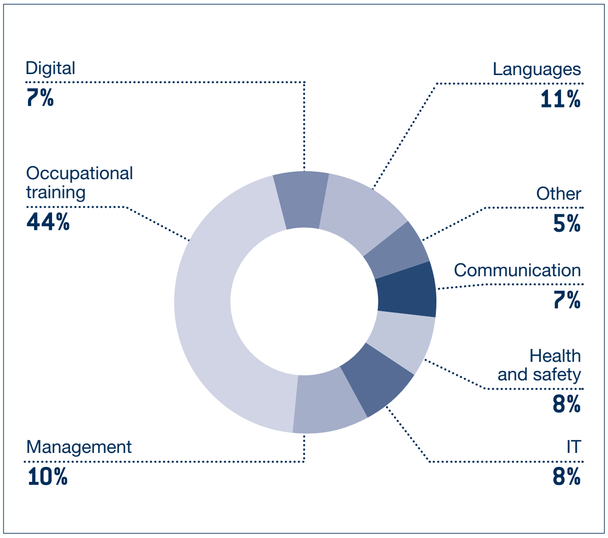
However, all reflect the Lagardère group's commitment to invest in the development of the professional skills and individual responsibilities of staff, and to foster fulfilling career development by increasing internal mobility.

In 2012, the Lagardère group invested €8,963,613 in training, up nearly 7% on 2011.

At €417, the average training budget per employee in 2012 was on a par with the previous year's figure of €410.

In France, the 2012 figure was €675, more or less unchanged from the €680 average per employee in 2011.

### • Breakdown of training hours by type




The breakdown of training hours by type once again illustrates the importance accorded to occupational training in order to respond as closely as possible to the divisions' business needs.

As previously mentioned, 2012 saw a greater number of safety training programmes. There was also a sharp 60% rise in training on digital technologies in line with the strategy shift begun three years ago, particularly within Lagardère Active and Lagardère Publishing (which together represented over 88% of the Group's total training hours devoted to digital technologies).

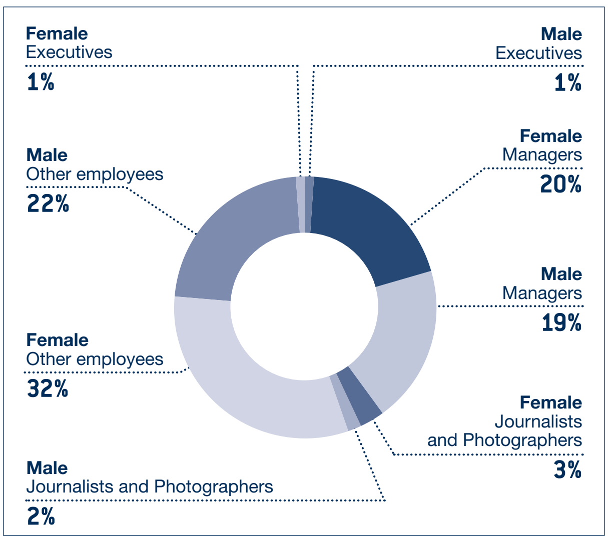
The Group also strives to establish a corporate culture among its managers, and foster development of the key values of creativity, independence, courage and entrepreneurship.

These values are presented in a specific course offered by the in-house university "Media Campus".

Two programmes – "Leadership" and "Integration" – provide support to managers and serve to strengthen their management skills.

## E.2 TOTAL NUMBER OF TRAINING HOURS AND BREAKDOWN

### • Breakdown of training hours by occupational group and gender




The total number of training hours edged up 4.9% year on year to just under 230,000.

The gender balance was once again respected in 2012, with female employees accounting for 56% of the total number of training hours received during the year.

In addition to training programmes, the Group uses internal mobility as a tool for developing skills.

Career management, promotion and in-house career opportunities involve each entity's management and human resources teams and are essentially the responsibility of each division, but annual interviews for assessment and promotion are being introduced systematically throughout the Group.

To help employees define their career plans, information and guidance on mobility is available on the Group's Intranet, which also lists vacant positions within the Group.

Employees can set up personalised alerts for new vacancies of potential interest.

More specific data on internal mobility and a breakdown by gender is provided in the following section on equal opportunities.

## F) EQUAL OPPORTUNITIES

The Lagardère group adheres to two major principles: equal opportunity and respect for everybody [1].

The Group's divisions are highly diverse, as reflected in their wide range of business activities and their employees' broad array of expertise. As media operators and distributors, they have a particular obligation to reflect the society to which they belong.

Lagardère endeavours to promote and develop cross-divisional action for diversity, particularly by identifying best practices in its entities and sharing them throughout the Group.

In line with this, three aspects are focused on:

- the place of women in the Group;
- people with a disability;
- the integration of young people from inner cities.

(1) As stated in the introduction section of this Reference Document, diversity was a major area of reflection within the Group in 2012. The Sustainable Development Report describes the areas addressed – which have impacts for both the Group and society at large – and sets out three focal points illustrating the measures taken.

## F.1 MEASURES TAKEN TO PROMOTE GENDER EQUALITY

Women accounted for almost 58% of the total workforce in 2012, slightly up on 2011 (56%), demonstrating how equality between men and women is particularly important to the Lagardère group.

Women represented almost 65% of the Group's new hires during the year (up by 5 points on 2011).

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 how to ensure equal treatment in appointments to positions of responsibility.

In 2012, women made up 37% of executive positions, reflecting an upward year-on-year trend since 2009 (up 2 points in 2010 and 2011 and 1 point in 2012).

This shows that the situation is gradually improving and the number of women promoted to executive positions increased at a higher rate in 2012 than for men (9% versus 4%).

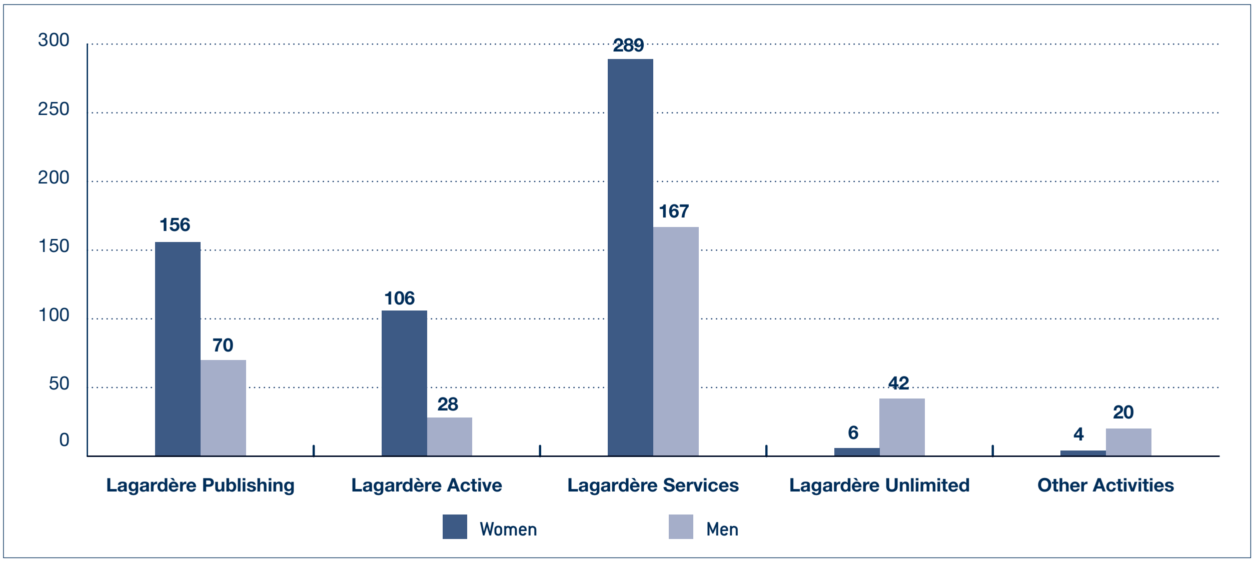
Moreover, women accounted for over 54% of the Group's managerial staff (on a par with 2011 and 2010), and almost 57% of its journalists (more or less unchanged from 2011). At close to 61%, the proportion of women in the "Other employees" category returned to a similar level as in 2010.

While these breakdowns by gender provide interesting data on numbers of female employees they only give a snapshot view.

Internal mobility data, on the other hand, provides a more dynamic vision of women's career development within the Lagardère group.

### Internal mobility by gender[1]

### • Breakdown of internal mobility moves by gender




During 2012, 63% of the Group's internal mobility moves concerned women, up 6 points on 2011.

(1) The notion of internal mobility covers (i) promotions (i.e., a change in status from the category of "Other employees" to "Managers" or from "Managers" to "Executives"), and (ii) transfers between divisions.

### Collective agreements on gender equality in the workplace

### • Collective agreements on gender equality in the workplace

| DIVISION | % of employees covered by collective agreements currently in force |
|---|---|
| Lagardère Publishing | 46% |
| Lagardère Active | 44% |
| Lagardère Services | 48% |
| Lagardère Unlimited | 13% |

## F.2 MEASURES TAKEN TO PROMOTE THE EMPLOYMENT AND INTEGRATION OF PEOPLE WITH A DISABILITY

### Integration of people with a disability

• **Proportion of employees with a disability per one thousand permanent employees**

| DIVISION | Americas | Rest of Europe | France | Asia-Pacific | Total |
|---|---|---|---|---|---|
| Lagardère Publishing | 0.77 ↗ | 9.00 ↗ | 18.53 ↘ | 0 → | 10.71 ↗ |
| Lagardère Active | - | 5.10 ↗ | 9.91 ↗ | - | 8.89 ↗ |
| Lagardère Services | 1.06 → | 5.45 ↘ | 7.57 ↘ | 0 ↘ | 4.68 ↘ |
| Lagardère Unlimited | 0 → | 5.75 ↗ | 23.74 ↗ | 0 → | 9.59 ↗ |
| Other Activities | - | - | 48.39 ↗ | - | 48.39 ↗ |
| **Group total 2012** | **0.92 ↗** | **6.53 ↘** | **12.76 ↘** | **0 ↘** | **7.83 ↘** |
| Group total 2011 | 0.61 | 6.82 | 13.06 | 1.97 | 8.32 |

In 2012, the overall number of employees with a disability was stable compared with 2011 (177 versus 178). However, the proportion of disabled employees per one thousand permanent employees decreased mathematically due to the rise in the total number of employees in the Lagardère group.

Once again, France had the highest proportion of employees with a disability (despite a slight 2.3% year-on-year decrease), reflecting the country's legislation which requires companies to put in place a policy for integrating disabled workers.

### Actions undertaken by the Group

In order to help effectively integrate disabled employees into its various entities, the Lagardère group commissioned Michaël Jérémiasz to carry out a disability audit in its divisions.

Details on this project and its underlying objectives are provided in the 2012 Sustainable Development Report.

In addition, in keeping with previous years, the Lagardère Active division worked on setting up sponsoring and mentoring initiatives with a number of associations as part of its disability initiative called Mission Handicap.

At the same time, the passenger and service lifts at the Europa site in Levallois, France, were renovated and modernised in order to improve their safety and working conditions and bring them into line with standards on disabled access.

The role of the disability initiative is to:

1. integrate disabled people via permanent contracts, work-study contracts and work experience programmes.

   In 2012, five people were recruited (on permanent, fixed-term and work-study contracts) and 25 placement students were taken on. A total of 42 employees and 103 placement students have been hired since 2007;
2. take part in forums specialised in the recruitment of disabled employees;
3. raise employees' awareness about disability issues through targeted communications campaigns.

   A few examples of the initiatives put in place in 2012 were sign language classes, workshops on hearing and visual impairments, an event called 1 jour 1 métier with the Agefiph association, and a comic strip called Handi'Bulles;
4. adopt measures to keep disabled people in work and improve disabled access in buildings;
5. promote purchasing and the secondment of employees from companies that employ disabled staff.

### Collective agreements

• **Collective agreement on integration of people with disability**

| DIVISION | % of employees covered by collective agreements currently in force |
|---|---|
| Lagardère Publishing | 20% |
| Lagardère Active | 39% |
| Lagardère Services | 12% |
| Lagardère Unlimited | 1% |

## F.3 OUTREACH TO YOUNG PEOPLE IN INNER CITIES

In 2012, the Lagardère group continued the partnership initiated in 2006 with the non-profit organisation Nos quartiers ont des talents (Our neighbourhoods have talent). The organisation was founded in Seine Saint-Denis (north of Paris) in 2005, and operates throughout the Greater Paris Region (where most of the Group's French operations are located).

It organises forums where employers can meet young people from inner cities (thereby facilitating their access to the labour market) and sets up mentoring programmes with HR departments to provide advice for job seekers.

Under this partnership, during the year the Group once again participated in the Rencontres Nationales event – held on 13 and 14 December at the Palais des Congrès in Paris – and set up around twenty mentoring programmes.

### F.4 ANTI-DISCRIMINATION POLICY

**Formal discrimination litigation**

Only two cases of formal litigation were recorded in 2012, of which only one was new.

Out of the nine cases identified since 2010 none have resulted in any sanctions against the Lagardère group.

**The Lagardère Group Code of Conduct**

Chapter 2 of the Lagardère Code of Conduct, entitled "Relations within the Group" summarises the Group's commitments to combating discrimination as follows:

"The Lagardère group is committed to treating all its Employees equally, and to maintaining fair employment practices. The Group is opposed to all forms of discrimination based on a person's origin, lifestyle, age, sex, political or religious opinions, trade union affiliation or disability.

The Group believes that companies should be secular entities, and so is neutral with respect to all religions. The Group respects its Employees' beliefs, opinions and religious practices provided that these do not adversely affect the Group's internal organisation or operations. As regards the observance of religious holidays, the Group bases its policy on the legal framework in its various countries of operation.

Discrimination by any Employee against any other Employee, for any reason, will not be tolerated."

## G) PROMOTING AND COMPLYING WITH THE FUNDAMENTAL PRINCIPLES OF THE INTERNATIONAL LABOUR ORGANISATION (ILO)

As described in the first chapter of its Code of Conduct entitled "Upholding fundamental rights", covering human rights and working conditions, the Group fully adheres to the stated objectives of the ILO's declaration on fundamental principles and rights at work. It also complies with article 225 of France's Grenelle 2 law on corporate social responsibility, which notably refers to the following rights and freedoms:

- upholding freedom of association and recognising the right to collective bargaining;
- eliminating discrimination in respect of employment and occupation;
- eliminating forced or compulsory labour; and
- effectively abolishing child labour.

The principle of upholding freedom of association (and notably the right to set up an employee representative body within the Lagardère group) is dealt with in section C above on labour relations. As explained in that section Lagardère has a very pro-active labour relations policy both at Group and local level.

The Group's policy on eliminating discrimination is described in section F above. Notable practical examples of this policy include measures put in place to ensure gender equality within the Group, outreach programmes aimed at helping young people from inner cities find a job and initiatives to promote the employment of disabled people.

Concerning the elimination of forced or compulsory labour and the effective abolition of child labour, in 2012 the Lagardère group decided to put in place a system for identifying any cases of formal litigation related to these issues, as part of its HR reporting process carried out each year. No official claims were filed in 2012.

# 5.3.2.2 ENVIRONMENTAL INFORMATION

Lagardère is a media corporation, with a highly diversified range of activities focused on the services sector, and this tends to moderate its direct industrial and environmental risks. A presentation of the management of industrial and environmental risks related to the Group's business activities is given in Chapter 3, section 3.5.1 of this Reference Document.

However, Lagardère is well aware that its status as a media corporation in no way exempts it from important environmental requirements related to its business sector and it strives to extend these requirements to all its foreign subsidiaries.

This Reference Document provides the environmental disclosures required under the French Commercial Code – in the prescribed order – but as the majority of Lagardère's activities are carried out in the services sector not all of the data concerned is considered relevant to the Group, particularly data relating to the primary and secondary sectors of the economy.

This notably concerns:

- data relating to land use and measures taken to prevent, reduce and clean up discharges into the air, water and soil that seriously affect the environment;
- data on the use and supply of water in line with local constraints. This data is not really relevant as the vast majority of the water consumed by the Group is domestic water used in its offices. However, water consumption at the Croix Catelan site (1) owned by Lagardère Paris Racing Ressources (LPRR) – which is part of the Lagardère Unlimited division – is strictly monitored in connection with its ISO 14001 certification;
- data on the mitigation of noise and other forms of pollution related to a business activity. However, when Lagardère Unlimited Live Entertainment carried out renovation works at the Folies Bergères theatre during 2012 it took into account concerns expressed by local residents and improved the venue's soundproofing (2).

## A) GENERAL ENVIRONMENTAL POLICY

### A.1 INTRODUCING ENVIRONMENTAL CONCERNS INTO THE ORGANISATION OF THE GROUP'S BUSINESSES AND ENVIRONMENTAL ASSESSMENT AND CERTIFICATION PROCESSES

Each of the Group's divisions operates autonomously and independently and each of the Group's various businesses need to take into account different environmental factors. Consequently each division manages the environmental components of the Group's CSR policy at an operational level.

Certain divisions – such as Lagardère Publishing in France, the United States and the United Kingdom – have set up internal environmental steering committees, and generally, each division draws on the relevant departments for the environmental matter concerned (e.g., use of paper, energy consumption, etc.), including the purchasing, technical, office management, financial, legal and human resources departments.

At Lagardère Active, the Sustainable Development Department forms part of the Human Resources Department, whereas at Lagardère Publishing it is the Communications Department that is responsible for sustainable development issues.

At Lagardère Services, at headquarters level sustainable development issues are handled by the Strategy and Innovation Department and each country has a sustainable development officer responsible for sustainable development initiatives at local level.

At Relay France, the "Sites Department" has changed its name to the "Architecture and Sustainable Development Department",

(1) Notably the water used for the site's two swimming pools and watering of landscaped areas. In 2012, 320 cubic metres of dechlorinated swimming pool water was used to water landscaped areas at the site.
(2) Detailed information on this project is provided in the Group's online Sustainable Development Report.

demonstrating the increasing importance that Lagardère Services places on this issue.

Concerning environmental certifications, the ISO 14001 certification obtained by LPRR's Croix Catelan site (part of Lagardère Unlimited) was renewed in December 2012.

In 2011, the Matra Manufacturing & Services (1) electric vehicle manufacturing site at Romorantin in central France received two ISO certification renewals – ISO 9001 (version 2008) and ISO 14001 covering the eco-design, assembly and distribution of light electric vehicles.

Certifications concerning paper suppliers and printers are referred to in the section concerning supplier relations.

### A.2 TRAINING AND INFORMATION PROVIDED TO EMPLOYEES ON ENVIRONMENTAL PROTECTION

Each of the Group's divisions also organises and manages its own training courses and awareness-raising campaigns on environmental protection. For several years now, each of the divisions has organised a number of different seminars, e-learning sessions, workshops and forums with a view to helping employees understand the environmental concerns specific to their particular business and the tools and measures available for managing them.

An apt example is the climate change training that Lagardère Active offered all its employees in 2011 when it drew up its second greenhouse gas emissions report.

In June 2012, for the second year running Lagardère Active held a sustainable development forum during which the division presented the projects it has implemented, and showcased the work carried out by the employees involved in these projects. As part of this event a photography competition was organised for employees, called Flashez sur le développement durable (Focus on Sustainable Development) (2).

(1) The operations conducted by Matra Manufacturing Services – which are included in the "Other Activities" segment and described in Chapter 5, section 5.2.2 of this Reference Document – are very different from the activities of the Lagardère group's four media divisions and account for an extremely small proportion of consolidated net sales.

(2) See the Sustainable Development Report for further details

Within Lagardère Publishing, as part of Hachette Livre's five-year plan to reduce its greenhouse gas emissions, the Sustainable Development Steering Committee introduced an executive training and information programme in early 2012. Comprising four half-day training sessions on sustainable development techniques, over one hundred people from Hachette Livre's various businesses participated in the programme.

In November 2012 the Committee also organised an information session for managers, particularly those involved in compiling and analysing the information to be used for Hachette Livre's 2012 carbon footprint audit. The session was attended by around fifty participants from Hachette Livre's various business units.

At Hachette UK, the induction process for new hires includes information on sustainable development practices and particularly FSC (Forest Stewardship Council) accreditation.

In 2012, the Group's production departments were given training on a new measurement tool – the book carbon footprinting tool. In addition, sustainable development training sessions are now provided to warehouse staff and all Hachette UK employees are required to take sustainable development tests.

In 2012, in connection with the renewal of its ISO 14001 certification, LPRR's Croix Catelan site organised a number of awareness-raising sessions for employees on its Environmental Management System (3).

### A.3 MEASURES TAKEN TO PREVENT ENVIRONMENTAL RISKS AND POLLUTION

A presentation of the management of industrial and environmental risks related to the Group's business activities is given in Chapter 3, section 3.5.1 of this Reference Document.

### A.4 AMOUNT OF PROVISIONS AND GUARANTEES SET ASIDE FOR ENVIRONMENTAL RISKS

No provisions or guarantees were set aside for environmental risks in 2012.

(3) See the Sustainable Development Report for further details.

## B) POLLUTION AND WASTE MANAGEMENT

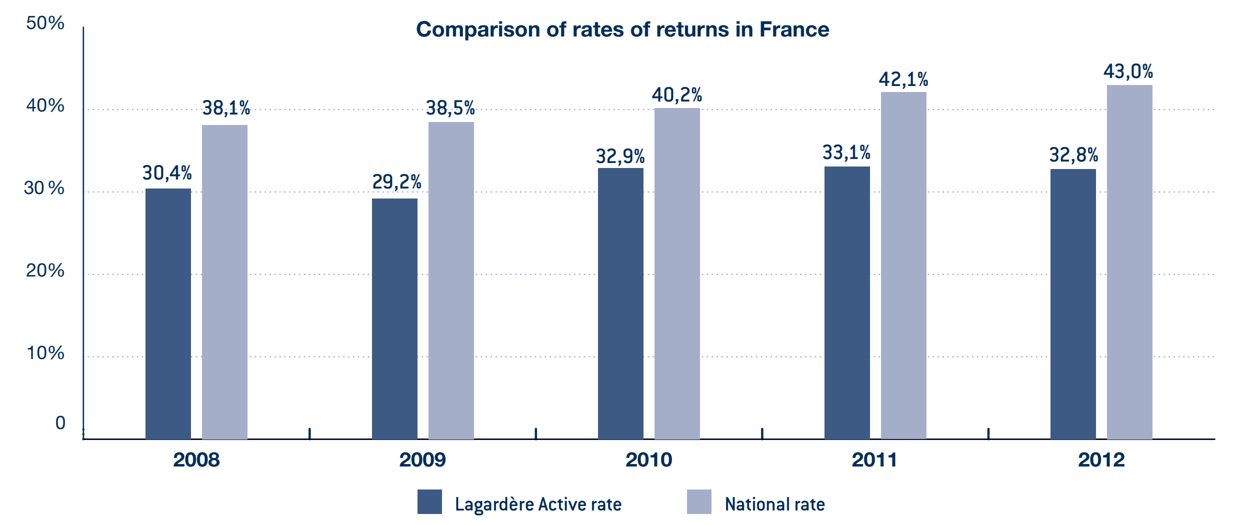
### B.1 MEASURES TAKEN TO PREVENT, RECYCLE AND ELIMINATE WASTE

The Lagardère group's various entities strive to limit and recycle their different types of waste (office paper, waste electrical and electronic equipment [WEEE], etc.). The main waste management challenge faced by the Group relates to book and magazine returns. Lagardère Publishing, Lagardère Active and Lagardère Services pay particular attention to reducing and recycling this waste.

#### Managing returns

Managing returns forms an integral part of the Group's responsible paper management policy that it implements throughout the paper life cycle (see below).

In 2012, the average rate of returns for magazines in France was 43.0%. The rate of returns at Lagardère Active during the year was 10 points lower, at 32.8%.




Source: Presstalis survey, December 2012. The rate of returns for newsstand sales varies substantially between title categories and sub-categories. For example, the estimated national rates of returns for January to December 2012 in France were:
- 40.2% for news and current affairs titles;
- 40.9% for women's magazines;
- 59.1% for the home category;
- 51.6% for the motor category;
- 22% for TV magazines.

On average, 86% of returns generated by the French press distribution system for newsstand sales are recycled and the remaining 14% are recovered and returned to the publishers at their request and then re-marketed.

**Lagardère Active**'s recycling rate is higher than the national average as nearly 94% of unsold magazines are recycled and only 6% returned to the publishers (97% and 3% respectively excluding magazines sold with cover mounts).

In view of the extremely important economic, environmental and social impacts of waste management and particularly the issue of recovering and recycling press titles that are either sold or distributed free of charge, a group of professional bodies from the press industry in France (including the SEPM) have agreed on the wording of a "Voluntary Agreement to Raise Awareness on Sorting, Recovering and Recycling Paper in the Press Industry", in conjunction with the French Ministry of Ecology, Sustainable Development and Energy, the Ministry of Culture and Communication, and EcoFolio (an eco-organisation accredited by the French government that promotes the recovery and recycling of graphic paper).

The aim of the agreement is to provide a three-year framework on how press publishers can contribute to raising the public's awareness by providing free advertising space and including in their publications information related to the campaign to promote waste sorting. The initial campaigns covered by the agreement are expected to be launched in 2013 once the agreement has been signed and rolled out to the different sectors of the press industry.

For **Lagardère Publishing**, the rate of returns for books in volume terms was 23.6% in 2012. Out of these total returns, 58.9% are pulped and recycled. Returns that are not pulped are added back to inventories.

The above rates relate to operations managed by Hachette Livre Distribution, i.e., all distribution activities in France, Belgium, Switzerland and Canada as well as global export.

For **Lagardère Services**' magazine distribution operations outside France, 100% of unsold copies not returned to the publishers by Lagardère Services' distribution companies are recycled.

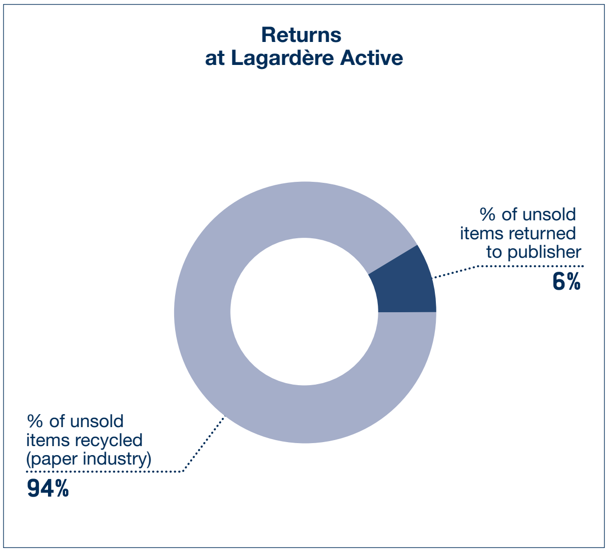
#### Other types of waste

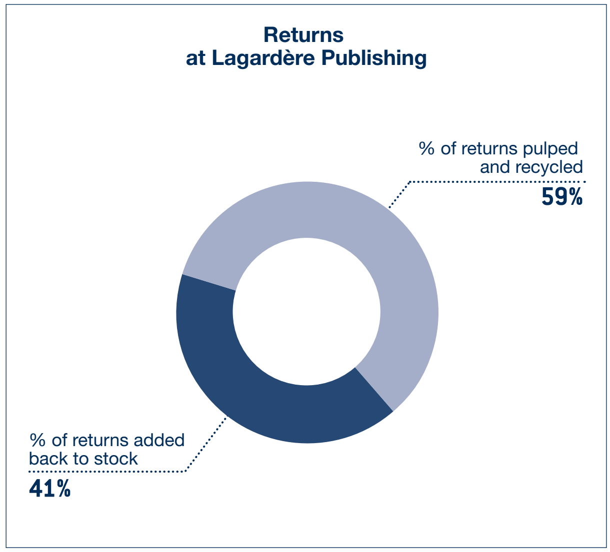
Although the issue of managing other types of waste is much less relevant to the Group's operations, certain entities still measure their waste and strive to reduce it.

Because of widely differing circumstances and local constraints, the divisions conduct improvement operations locally, while making use of the Group's best practices [1].

In early 2011, Lagardère Active rolled out a waste sorting system for its main sites in the Paris area. In 2012, this system enabled 344 tonnes of waste (cardboard, paper, WEEE, furniture etc.) out of a total 646 tonnes (excluding food waste) collected to be recov-

(1) The main types of waste identified as potentially significant within the Group other than book and magazine returns are packaging waste and food waste.




ered and then either recycled or turned into energy through incineration. The tonnage of sorted waste accounted for 53% of the total tonnage of waste collected in 2012. Residual waste is also turned into energy through incineration.

At Lagardère Services, Relay France minimises its waste production thanks to a waste sorting system at head office and the Garonor warehouse's use of recycled cardboard for its business. In addition, Relay's cashiers have been instructed to only give out bags when requested by customers.

In August 2012, as part of a programme jointly organised at Hong Kong airport by the Hong Kong Airport Authority, the Environmental Protection Department and Green Power, the Relay stores at the airport won a gold award for their sustainable development initiatives. These initiatives included reducing waste, encouraging recycling, promoting education and supporting charities [1].

Specific efforts concerning waste sorting have also been made at the Croix Catelan site in connection with its ISO 14001 certification process. Waste is sorted into organic waste, hazardous waste, non-hazardous industrial waste (NHIW) and WEEE and is collected by the appropriate organisation. The waste collected from the Croix Catelan site breaks down as follows for 2012:

- 345 m³ of NHIW;
- 810kg of WEEE;
- 3.4 tonnes of hazardous waste (varnishes, glue, hydrocarbons, paint cans, etc.);
- 240 m³ of organic waste;
- 7,680 tennis balls.

(1) See the Sustainable Development Report for further information on this programme.

## C) SUSTAINABLE USE OF RESOURCES

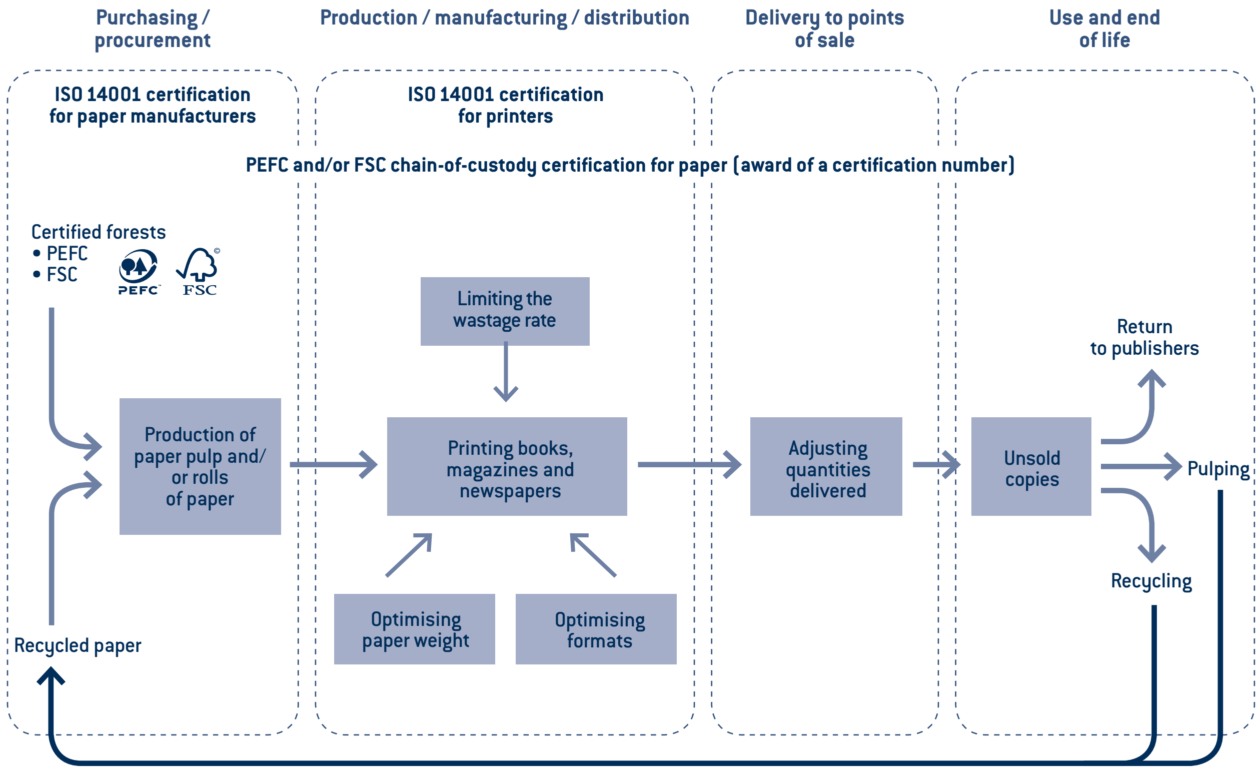
### C.1 CONSUMPTION OF RAW MATERIALS AND MEASURES TAKEN TO IMPROVE EFFICIENCY OF USE

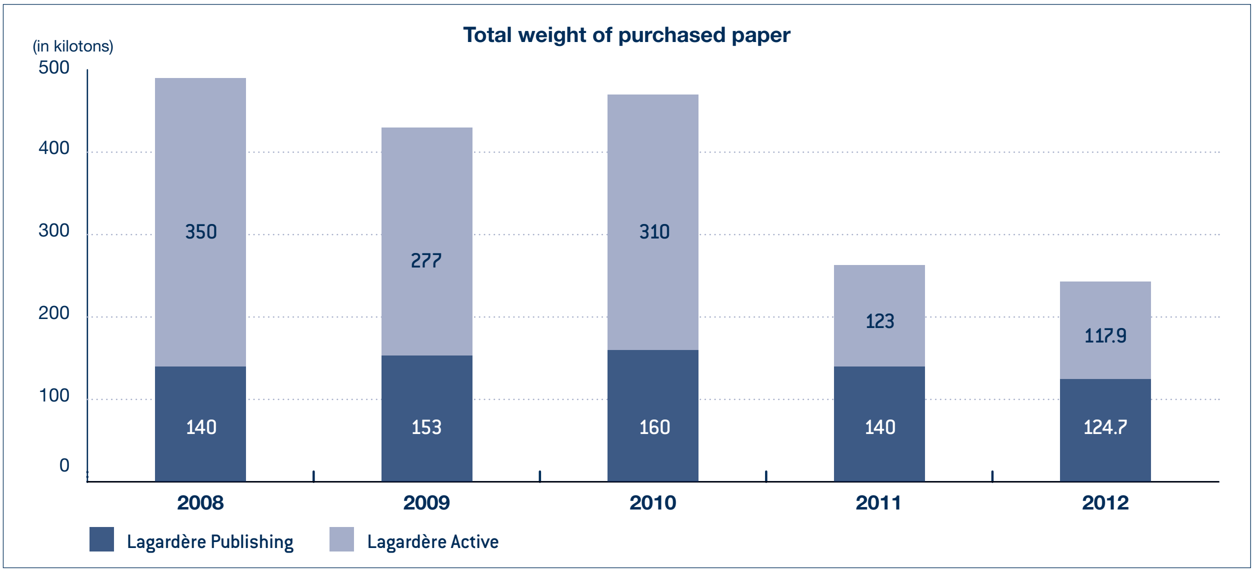
The Lagardère group is keenly aware that responsible paper management plays a key role in preserving natural resources and has made this one of its environmental priorities. It is a responsibility that lasts throughout the paper life cycle, from supply to production and ending with the management of returns (see above).

The main raw material used to make paper is wood, which is a renewable resource. Wood arrives at paper pulp plants or paper mills in the form of trunks or sawmill waste. It is then processed into a pulp which is used to make reels of paper. The reels are then shipped to the printer to be made into books, magazines and newspapers. Once used, these products can begin a new life when they are collected and recycled to be used as a raw material for the production of recycled paper pulp (see diagram below).

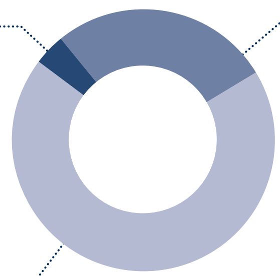
In 2012, the Group bought 242,634 tonnes of paper for the Lagardère Publishing and Lagardère Active divisions. The sharp decrease in this figure since 2010 is due to the sale in 2011 sale of the PMI business.

- The paper cycle

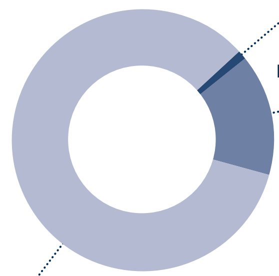


**Proportion of fibres contained in the paper purchased directly by Lagardère Publishing** (%)




**Proportion of fibres contained in the paper purchased directly by Lagardère Active** (%)




At Lagardère Active, the percentages of certified fibres and fibres from non-controversial sources are based on estimates (see Chapter 5, section 5.3.3, CSR methodology and indicators).

### Paper from sustainably managed forests and recycled paper

Lagardère's goal is to increase the proportion of certified paper (paper from sustainably managed forests) it purchases every year, and to use recycled paper whenever possible [1].

At **Lagardère Publishing**, the proportion of FSC or PEFC-certified fibres and recycled fibres contained in the paper it purchases directly has steadily increased over recent years, from 65% in 2008 to 67% in 2009, then 70% in 2010 and 72.5% in 2011.

In 2012, certified and recycled fibres together accounted for 73% of total paper purchased directly by Lagardère Publishing [2].

At the beginning of 2010, **Lagardère Active** launched a PEFC chain-of-custody certification process for paper. Since late 2011, all of the paper purchased by Lagardère Active for its magazines is certified (which guarantees that at least 70% of the fibres contained in the paper are certified and that the remaining 30% or less comes from non-controversial sources). At end-2012, 99.8% of Lagardère Active's paper inventories were certified. In early 2011, HFA, Lagardère Active's magazine publishing company, received authorisation to include the certification logo in magazine mastheads or credits. This PEFC chain-of-custody certification process is audited annually by an accredited independent firm. At end-2012, around twenty magazines were certified and the certification process will be rolled out to the division's other magazines in 2013.

In 2011, Lagardère Publicité, a subsidiary of Lagardère Active, carried out research into the sourcing of paper used for advertising inserts provided by its advertisers. Inserts produced by Lagardère Publicité are printed on recycled or PEFC-certified paper and particular attention is paid to their production (notably in terms of wastage rates). For the inserts produced by the advertisers used by Lagardère Publicité, based on the reports provided by these advertisers, almost 80% of their inserts were printed on recycled or PEFC/FSC-certified paper in 2012, on a par with 2011.

At Lagardère Active, recycled paper is very well suited to the production of newsprint. The Journal du Dimanche is printed entirely on recycled paper. On the other hand, the supply of recycled paper for magazines is still limited because of the volumes required and the number of suppliers in the market. As a result Lagardère mainly uses certified paper for its magazines.

(1) Paper is classified as certified when at least 70% of the fibres used to manufacture it are certified.
(2) Until 2009 the proportion of recycled pulp used by Lagardère Publishing was close to zero but since 2011 it has reached 4% thanks to the measures put in place as part of the carbon audit.

### Efficient management of book and magazine production

A range of different methods are used to reduce paper consumption during the manufacturing process.

#### Managing wastage rates

As part of their strategy to limit paper wastage, Lagardère Active and Lagardère Publishing have adopted a number of initiatives.

Special attention is given to reducing paper wastage rates in the production of books and magazines. The wastage rate – which corresponds to the percentage of paper wasted during the manufacturing process – is calculated by comparing the quantity of paper used in the printing process with the quantity of paper delivered in the form of books or magazines. This wastage, which is inevitable in the manufacturing process, corresponds to the paper wasted during the printing phase (and in particular calibration, involving settings for ink, positioning etc.) and the after-press stage (format adjustments, binding and assembly) of the books and magazines. The wastage rates vary greatly depending on the printing technology used (type of machine, colours) and the number of books and magazines produced (print-run).

For the Production and Purchasing Departments in the Magazine Publishing business, improving wastage rates is a key factor in negotiations with printers. To limit the wastage rate as much as possible at the printing phase of each magazine print-run, the Magazine Publishing business determines the optimal technical parameters and calculates the number of copies to print according to sales statistics. On the basis of this data, precise print-run instructions are given to the printer. This policy to limit paper wastage is primarily carried out through rigorous printing press control procedures and optimised machine calibration (inking, size of paper cuts, unwrapping the paper reels on the unwinders, etc.).

At Lagardère Publicité, the production of advertising inserts for French magazines, which represents significant volumes of paper (around 6,000 tonnes per year) is the focus of particular attention. Between 2008 and 2010, the wastage rate for these items halved, and in 2011 the modernisation of machines reduced the binder surplus rate [3] from 3% to 2%. This level was maintained in 2012.

As part of the policy for reducing the division's paper wastage rate, teams at **Lagardère Publishing** determine the best techni-

(3) Paper wasted during the binding phase (attaching the cover to the text-block with sewn or glued binding).

cal parameters and carry out detailed calculations of the amount of paper to be allocated to the printer.

Paper consumption and wastage rates are regularly monitored in France and abroad. This monitoring makes it possible to:

- validate the choices of printers, printing techniques and paper (optimisation of reel width and paper size);
- identify new technologies that could be used (rotating rapid-calibration tools, automatic setting of ink devices);
- inform editorial managers of the most economical formats to help them best meet market requirements.

**Optimising formats**

In both 2011 and 2012, **Lagardère Publishing** explored new approaches such as reducing page numbers, paper weight and paper size. In the Harlequin collection for example, an experimental print-run of three million copies was carried out in 2011 with a 10% reduction in the number of pages. This not only saved money but also reduced the books' carbon footprint. Similarly compact-version text books offered by publishers in the education sector were well received by teachers, buyers and pupils, who saw a reduction in the weight of their school bags.

By regularly monitoring its paper consumption levels and using new technical possibilities, **Lagardère Active** has also been able to propose optimised formats to editorial managers. These new formats not only meet market demand but also reduce the weight of paper consumed and transported. For example, since December 2012, the weekly TV magazine, Télé7Jours has been published in a compact format.

Digital technology can also be used to reduce paper consumption.

With the resources of the Technologies Department, **Lagardère Active** has transformed the main physical flows required in its business operations into digital flows, using electronic transfer and validation circuits. This has helped the division to reduce the transportation of documents and physical media, streamline validation circuits and increase the efficiency of these operations.

Digitisation has been adopted for financial and purchasing applications, for press and multimedia editorial flows (electronic flatplan, integration of digital pre-press), for advertising sales brokerage (digital transfer of advertising materials for press and audiovisual media, portal for adverts appearing in the press, electronic data interchange) and for TV channels (tape-free sending of productions and advertisements).

The division is looking to further reduce its paper consumption by optimising its subscription renewal processes, creating an increasingly paperless customer relations environment and using the web to win customers, notably through its subscription site jemabonne.fr, which is currently being streamlined.

At **Lagardère Publishing**, print-on-demand (POD) technology – which limits greenhouse gas emissions arising from production, storage and transport – is used for certain works to enable the division to only print the volume of books that are actually sold.

The Group has increased its use of this technology:

- in France, where Hachette Livre had more than 4,500 POD titles available at end-2012, and where several thousand new titles are likely to be added to the catalogue in 2013;

  The Group is also using this technology as part of a large-scale project launched by Hachette Livre in conjunction with France's national library (Bibliothèque Nationale de France). As part of this project an initial 17,000 copyright free titles will be marketed via Hachette Livre's bookstore network, selected from the 200,000 digitised books available through Gallica, the Bibliothèque Nationale de France's digital library;
- in the USA, where Hachette Book Group had more than 1,784 POD titles available at the end of 2012, the average print-run of which is 46 copies. This catalogue is expected to increase in 2013;
- in the United Kingdom, where Hachette UK had around 300 POD titles at end-2012. This catalogue is also set to increase in 2013.

**Managing returns**

Effectively managing returns is a key priority for **Lagardère Active**. Lagardère Active's Magazine Publishing business takes action upstream to reduce the rate of returns through adjustments in terms of the number of copies of each title sent to sales outlets. Returns are an inevitable part of newsstand sales, but to manage them as effectively as possible, the business regularly adjusts quantities printed and delivered via specialised software used by the sales managers of each title.

These actions have reduced rates of returns to levels well below the average national rate for around ten years (see section B1 above).

### C.2 ENERGY CONSUMPTION, MEASURES TAKEN TO IMPROVE ENERGY EFFICIENCY, AND USE OF RENEWABLE ENERGY

In 2012, the Lagardère group launched a project to enhance its environmental reporting with the two-fold objective of redefining the Group's environmental priorities and making the calculation and reporting of its environmental data more reliable. This project is underpinned by a continuous improvement approach aimed at enabling the Group to improve its panel of indicators and reporting scope year on year. This continuous improvement process is also planned for the reporting phase dedicated to actual production of the data.

During the year, France – which represents 185 [(1)] companies and 43% [(2)] of the Group's workforce – was the first area to be covered by the project. As a result, in 2012 the Group's French entities were able to draw on an environmental reporting system that clearly sets out the calculation methods to be used and the processes to be applied for reporting indicators (see the section on methodology for further details).

The data on energy consumption disclosed below therefore concerns the energy used to produce and supply the goods and services related to the Group's activities in France as well as that used to heat and light the premises and sites where the Group's employees work in France (offices, storage warehouses and retail outlets).

Data on Lagardère Active's electricity consumption also includes electricity used by the radio broadcasting sites that are directly managed by the Group.

(1) Source: financial reporting
(2) Source: HR reporting

## • The Group's energy consumption in France in 2012

| DIVISION | Gas (kWh) | Oil (litres) | Electricity (kWh) | District heating system |
|---|---|---|---|---|
| Lagardère Publishing | 11,187,264 | 310,071 | 15,998,808 | 2,794,826 |
| Lagardère Active | 5,780,256 | 0 | 15,630,544 | 1,955,000 |
| Lagardère Services | 744,754 | 214,679 | 39,329,544 | 0 |
| Lagardère Unlimited | 6,655,652 | 500 | 2,939,857 | 1,730,287 |
| Other Activities | 2,392,141 | 3,957 | 3,598,965 | 410,400 |
| **Total** | **26,760,067** | **529,207** | **77,497,718** | **6,890,513** |

In line with the Group's objective of increasing its use of low-carbon energy sources, the head office of Lagardère Publishing in Paris is heated by a district heating system supplied by Compagnie Parisienne de Chauffage Urbain (CPCU). Out of the energy supplied by CPCU, 72% comes from natural gas or gas produced by cogeneration (29%) and recycled domestic waste (43%). The remaining 28% comes from coal (20%) and ultra-low sulphur heating oil.

Similarly, the head office of the Lagardère group opted for the same energy mix several years ago to heat one of its two sites in Paris. At Lagardère Unlimited, one of Lagardère Paris Racing's two sites also uses this type of district heating system.

Lagardère Active's Europa building in Levallois is heated by Levallois Energie Maintenance (LEM), which is comparable to the above-described Paris district heating system.

At the same time, as part of its renovation of the Folies Bergère theatre, Lagardère Unlimited Live Entertainment carried out thermal insulation works on the building in order to reduce energy loss. Lagardère Unlimited has chosen low-energy lighting for its Boulogne head office by replacing the halogen bulbs in its entrance lobby by LED bulbs.

At Lagardère Services, when Aelia's new warehouse was built, a number of measures were taken to limit the building's energy consumption, including selecting low-density insulation, installing a centralised technical management system and using high-performing low-energy external lighting. This warehouse is currently undergoing the BREEAM (BRE Environmental Assessment Method) certification process [(1)].

## D) CLIMATE CHANGE

### D.1 GREENHOUSE GAS EMISSIONS

The emissions factors used by the Group in its calculations of greenhouse gas emissions and conversion into $CO_2$ equivalents are determined by reference to the Base Carbone, which is a French national public database containing a set of emissions factors and source data. The emissions factors used include all "upstream and combustion" factors.

The greenhouse gas emissions data shown in the table below only concern the previously mentioned energy consumption.

The emissions are specified for each type of energy consumed (gas, oil, electricity, district heating) and then grouped together by "Scope", i.e. by category of emissions.

Scope 1 includes direct greenhouse gas emissions, and notably direct emissions from fixed sources of combustion (gas and oil). Scope 2 comprises indirect emissions related to purchases of energy, and notably consumption of electricity and district heating.

(1) See the Sustainable Development Report for further details.

## • $CO_2$ equivalents of the Group's tertiary energy consumption in France in 2012 (in eq. t $CO_2$)

| | Scope 1 | | | Scope 2 | | | |
|---|---|---|---|---|---|---|---|
| DIVISION | Gas | Oil | Total | Electricity | District heating system | Total | Total Scope 1 + Scope 2 |
| Lagardère Publishing | 2,618 | 992 | 3,610 | 1,152 | 542 | 1,694 | 5,304 |
| Lagardère Active | 1,353 | 0 | 1,353 | 1,125 | 508 | 1,634 | 2,986 |
| Lagardère Services | 174 | 687 | 861 | 2,832 | 0 | 2,832 | 3,693 |
| Lagardère Unlimited | 1,557 | 2 | 1,559 | 212 | 336 | 547 | 2,106 |
| Other Activities | 560 | 13 | 572 | 259 | 80 | 339 | 912 |
| **Total** | **6,262** | **1,693** | **7,955** | **5,580** | **1,466** | **7,046** | **15,001** |

**Bilans Carbone® audits on the divisions' operations**

At Lagardère Publishing, in line with the action plan approved following the carbon audit of Hachette Livre France, two new measures were implemented in 2012 that directly impact employees:

- the Technical Department is now required to indicate cost in both euros and $CO_2$ on each quote so that publishers can factor in this criterion;
- Group publications are now labelled with a symbol showing whether the fibres they are made from are certified or recycled, along with the individual carbon cost of their manufacture and transport. The sticker on each book will include a link to a website that explains to customers in a clear and detailed way the overall approach to sustainable development adopted by Hachette and its publishers [(2)].

Within Lagardère Publishing, in 2012 Hachette Livre carried out its second carbon audit for its operations in French-speaking countries.

At Lagardère Active, in accordance with article 75 of French Act 2010-788 of 12 July 2010, Hachette Filipacchi Associés sent

(2) See the Sustainable Development Report for further details.

its greenhouse gas emissions report for the year to the Préfet of the Greater Paris Area. This report will be published on the Préfet's website in line with the stipulation in the aforementioned Act that such reports must be made available to the public.

Although this greenhouse gas emissions report only concerned HFA, in 2011 Lagardère Active carried out its second full carbon audit in conjunction with the firm Carbone 4, which covered the entire division (France and abroad). Within this audit, each of the division's media categories – Magazine Publishing, Radio, Television and Digital – was broken down by managerial responsibility to make results easier to apply.

At Lagardère Services, Relay France – which carried out its first carbon audit with Veritas in 2011 – published the results of this audit on its website in 2012 (www.relay.fr).

### D.2 ADAPTING TO THE CONSEQUENCES OF CLIMATE CHANGE

The Lagardère group has elected to disclose in this section of the report the various measures it takes to limit greenhouse gas emissions.

#### Streamlining transport

In addition to helping reduce forestry greenhouse gas emissions – which, as described above, the Group achieves by purchasing certified and recycled paper – another key priority for Lagardère is limiting transportation emissions, notably by being more fuel-efficient.

Transport generates high levels of greenhouse gas emissions and is a critical environmental concern for the Group as it is used both for the manufacturing and distribution of newspapers, magazines and books.

**Lagardère Active** constantly seeks to optimise transport in the manufacturing cycle by working with closely situated paper suppliers, printers, binders and transporters and opting for transport methods that emit less $CO_2$ (by train or boat where possible).

An example of Lagardère Active's initiatives is a project launched with one of its paper suppliers in 2012 aimed at increasing the use of multi-modal transport (train plus lorry rather than lorries alone) with a view to reducing the $CO_2$ emitted as a result of transporting paper from production sites outside France to the printers. This new solution will be rolled out in 2013.

Other initiatives launched by Lagardère Active in 2012 include:

- training on environmentally friendly behaviour given to nine technicians in the Group's Radio and Television businesses in regions outside Paris;
- prioritizing low-emissions vehicles when replacing company cars provided to Lagardère Active's employees;
- looking into ways of introducing small electric or low-emissions vehicles into the Europe 1 fleet.

**Lagardère Publishing** outsources the distribution of books to transport firms that can plan the most efficient and shortest routes in accordance with the constraints imposed by customers.

At **Lagardère Services**, LS distribution' four European subsidiaries (AMP, SGEL, Lapker and Naville) operate an intense logistics activity and cover several tens of millions of kilometres a year to transport print media from the printers to the vast network of sales outlets. Most of this distance is covered by lorries.

Transport is a major concern for LS distribution. There are several ways of streamlining transport: optimising delivery routes, reducing fuel consumption through environmentally friendly driving, and using green vehicles. LS distribution regularly adjusts its routes to reduce total distance. In Switzerland, Naville Presse estimates that environmentally friendly driving lessons like those given to its drivers in 2011 will enable it to save around 13,000 litres of fuel per year. In Belgium, AMP has introduced green energy cars and vans, and in Spain, some of the vans used by SGEL for its press distribution activities in Madrid are EURO 4 certified.

#### Reducing greenhouse gas emissions during the filming of dramas

In 2012, Lagardère Entertainment's subsidiary, Atlantique Productions, took a highly innovative environmental step by filming the first ever carbon-neutral international drama. This TV series – a police drama called "Jo" starring Jean Reno – was produced in line with the recommendations of Ecoprod [(1)] concerning the reduction of $CO_2$ emissions. Thanks to the environmental measures adopted, the carbon footprint for the series' eight episodes was reduced by a total of 580 tonnes of $CO_2$ equivalent. Atlantique Productions decided to offset the residual emissions from the shoot by buying carbon credits certified as "Gold Standard", which were generated using a strict methodological approach by projects proposed by Ecoact and selected by Ecoprod. The series will be broadcast in 2013 by the French mainstream channel, TF1.

#### Monitoring the environmental footprint of magazines

As a member of the Sustainable Development Commission of the French national magazine publishers union (SEPM), Lagardère Active participated in the process for designing a system to assess the overall environmental impact of magazines, which was officially launched in June 2012. This system is aimed at measuring all of the environmental impacts related to the magazine publishing business and encouraging the industry to improve its practices.

The resulting ecological indicator [(2)] is not intended to compare different magazines but to enable publishers to see how they stand compared with the industry average and to action plans in place to improve their results.

#### Ecological initiatives taken by Matra Manufacturing & Services [(3)]

For more than five years now, the Lagardère group has been involved in developing and distributing new urban mobility solutions in Europe (primarily electric bicycles and scooters) through its subsidiary Matra Manufacturing & Services (MMS).

In 2012, MMS opened its first self service battery swap station (Bat'lib) in Paris for the Class' Croute foodservices company. This company's fleet of electric delivery scooters are both more economical and environmentally friendly than their petrol equivalents [(4)]. In 2012, MMS relocated the assembly chain for its MMS range of urban electric bicycles from Asia to its traditional production site in Romorantin in central France, and obtained renewals of its ISO 9001 quality certification and ISO 14001 environmental certification.

## E) PROTECTING BIODIVERSITY

The Lagardère group's activities do not have a significant impact on biodiversity. The only aspects of its operations for which the protection of biodiversity could potentially be relevant are the Croix Catelan site (see below) and the use of wood and paper (see the section above on natural resources and responsible forestry management).

(1) An ecological production group whose main members are the ADEME (France's environmental agency), the Audiens group, France TV, TF1 and the local authority of the PACA region in France.
(2) See the Sustainable Development Report for further information on this system.
(3) See the note in A1) above concerning Matra Manufacturing & Services' activities.
(4) Thanks to the use of a new generation of Matra HD batteries (high-density lithium ion batteries) developed in conjunction with Matra M&S's US partner, AllCell Technologies LLC.

### E.1 MEASURES TAKEN TO PRESERVE AND DEVELOP BIODIVERSITY

- The ISO 14001 certification awarded to the Croix Catelan site was renewed in December 2012.
- In addition to the measures adopted in relation to this certification, as described above, the Croix Catelan site has also taken steps to safeguard diversity, notably by gradually increasing the number of trees and planted areas at the site. In the same way as for water conservation, for Lagardère the issue of preserving biodiversity is only meaningful for this specific entity, as the Group's other businesses are purely services-related.

  Twelve trees were planted at the site in 2011 but none were planted in 2012 because a new planting programme is planned for March 2013.

## 5.3.2.3 SOCIAL INFORMATION

Lagardère Publishing's corporate mission is to publish, sell and distribute innovative high-quality works (books and e-books) that meet reader expectations in terms of knowledge, information, culture and entertainment.

In the aim of meeting the expectations of all of its audiences, Lagardère Active is committed to producing varied content (political, historical, sports-related, environment, social, etc.) through various modes of production, distribution and consumption (magazines, newspapers, websites, radio stations, television networks, production companies, mobile devices and tablet computers). In this way, it promotes access to culture, information and a diverse range of opinions and ideas.

The autonomy and independence of publishing houses at Lagardère Publishing and Lagardère Active contribute to the extensive array of editorial content produced by these two divisions.

Lagardère Services, which operates an international network of more than 4,000 stores, distributes and sells newspapers and magazines in over 20 countries.

The nature of the Group's media activities means that we play a central role in the changes and technological advances that are fundamentally transforming our society. Against this constantly-evolving backdrop we have a specific responsibility that comes with our deep involvement in the worlds of culture, knowledge, information, entertainment, sport and travel, in which we have built up close relations with numerous stakeholders. These stakeholders fully expect the Group to deliver on the responsibilities it bears as a global media corporation.

The increasing importance of digital technology (and notably social networks) brings with it new challenges for the Group, both in terms of new financial models that need to be created and jobs that need to be rethought (such as for journalists), as well as new forms of public relations that need to be managed.

The most important corporate social responsibility issues for the Lagardère group include promoting creativity in all its forms, ensuring that writers can continue to produce their work in all types of media, defending authors across the globe, respecting intellectual property, promoting cultural diversity, combating piracy and protecting personal data, championing young talent in sport and culture, and helping internet users to understand the new digital world.

These issues underpin two of Lagardère's four CSR priorities – Promoting access to information and knowledge and Being a media group that fosters social cohesion (both of which are described in the online Sustainable Development Report) – as well as the six related commitments:

- defending information pluralism and ensuring content diversity;
- facilitating access to content and listening to various audiences;
- supporting the digital transformation of society;
- fuelling dialogue about sustainable development and key social issues;
- making a commitment to promote culture and sport;
- showing solidarity and promoting the emergence of young talent.

In addition to these specific areas of corporate social responsibility, the Lagardère group also has responsibilities to its suppliers and subcontractors and society at large.

Sections A, B and C below set out – in the order required by the French Commercial Code – the CSR disclosures required for all companies, with the majority of the more specific disclosures for media groups included in sections D and E.

### A) *TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF THE COMPANY'S ACTIVITIES*

#### A.1 REGIONAL EMPLOYMENT AND DEVELOPMENT

Wherever they are located, the divisions take account of the local impact of their activities on jobs and regional development.

For example, Lagardère Services' dense network (more than 4,000 stores) is highly integrated into the transport infrastructures used by numerous people on a daily basis and plays an important role in the development of the surrounding areas.

More generally, the proportion of executives hired locally amounts to 92.87% across the whole Group.

#### A.2 RESIDENT AND LOCAL POPULATIONS

In view of the fact that its operations are mainly services-related – including outside France – the Group does not consider that its business adversely affects local residents and populations. However, the CSR commitments made by certain Group entities outside France (see section B2) have had a positive impact on the local people.

### B) *RELATIONS WITH PEOPLE OR ORGANISATIONS WITH AN INTEREST IN THE COMPANY'S ACTIVITIES*

#### B.1 RELATIONS WITH THESE PEOPLE OR ORGANISATIONS

Lagardère has chosen to present below the relations it fosters in particular with educational institutions and students, in line with its CSR commitment of "promoting the emergence of young talent".

In addition to the close relations that it enjoys with the Institut d'Études Politiques (IEP) in Paris, the Lagardère group partners several universities to hire young people on work-study contracts.

Each entity has an extensive exchange programme with schools and universities, involving work placements and work-study programmes.

These contracts are particularly advantageous for both the Group and the trainees. They allow young people to gain experience in 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. In 2012, the Lagardère group welcomed 871 work-study students (492 in 2011), primarily within Lagardère Services and Lagardère Publishing. In 2012, a total of 1,508 students were on work placement (1,455 in 2011) throughout the Group's various divisions in 2012.

In addition to arranging work placements and work-study programmes, certain entities within the Group are involved in Lagardère's commitment toward young talent, and organise special contests for students.

For example, in 2012 the Sunday newspaper Le Journal du Dimanche and the school of journalism at the IEP – in partnership with Presses Universitaires de France – organised the third contest for the best feature article. The student whose article wins receives a four-month work placement in the newspaper's editorial department, and his/her article is published on the newspaper's website. The Grand Prix Paris Match for photojournalism is awarded to four students, with the winner's work published in the magazine. For several years now, Europe 1 has awarded the Lauga-Delmas scholarship, which gives the best journalism students a fixed-term contract in the editorial department.

The Lagardère group also signed a new partnership with the non-profit organisation Alter'Actions, which enables students from prestigious higher-education establishments and universities to receive special CSR training and take part in non-profit or NGO projects. In addition to financial support, the companies that partner Alter'Actions offer their employees the opportunity to mentor these students and offer them support so they can complete their project. Several mentors from Lagardère will start working with students in March 2013.

## B.2 PARTNERSHIP OR SPONSORSHIP OPERATIONS

In addition to the work of the Jean-Luc Lagardère Foundation and the Elle Foundation, all Group subsidiaries and brands once again committed themselves to community and partnership initiatives in 2012, as described in the Sustainable Development Report.

Facilities were provided free of charge by Lagardère Active's media to support important causes, representing the equivalent of a little more than €3.5 million in 2012.

### The foundations' sponsorship operations

The **Jean-Luc Lagardère Foundation, which was created in 1989**, is central to the Group's relations with the wider community. It was set up to implement Lagardère's commitment to culture, community and sport and it aims to boost confidence, promote excellence and foster social cohesion.

Every year since 1989, the Foundation has awarded culture and media scholarships to talented young people under the age of 30 (under 35 for the Television Scriptwriter and Bookseller categories). Scholarships are awarded by prestigious juries in ten categories: Writer, Film Producer, Television Scriptwriter, Musician, Bookseller, Print Journalist, Photographer, Documentary Film-maker, Animated Film-maker and Digital Artist.

Since it was created, 220 beneficiaries (fourteen in 2012) have received a total of €4,885,000, including €255,000 in 2012. A report published by the Foundation in 2012 traces the path of all these talented young people, many of whom have gone on to successful careers.

The Jean-Luc Lagardère Foundation also focuses on encouraging sport as a way to promote a sense of community and solidarity. Since 2007, thanks in particular to the support of the Jean-Luc Lagardère Foundation, Sciences Po Formation continues to offer a training programme for high-level athletes. In 2012, this programme was renamed the Certificats pour les Sportifs de Haut-Niveau (Certificates for High-level Athletes). This programme is designed to help top athletes move into a new career.

The Sustainable Development Report covers all the Lagardère group's CSR commitments. However, two other initiatives undertaken by the Foundation in 2012 are presented in this Reference Document.

In 2012, the Jean-Luc Lagardère Foundation supported the first Jules-Rimet prize, which awards €5,000 to the author of a novel, news piece, short story or story published between 1 January and 31 August 2012. As well as celebrating sport literature of all kinds and from all countries, this prize seeks to help young players on the Red Star Football Club – a Paris-based football club started by Jules Rimet in 1897 – to develop a taste for reading and writing.

The Jean-Luc Lagardère Foundation also chose to support the non-profit organisation Les Amis de Mikhy, which was created in February 2012 to provide support to any projects that seek to alleviate the mental and physical suffering of children with cancer.

Furthermore, the Foundation opened up more to Lagardère's employees in 2012, and events were organised with some of its prizewinners for employees of Lagardère Ressources (Other Activities). Further details on these initiatives, which will be pursued in 2013, are provided in the Sustainable Development Report.

The **Elle Foundation** 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 its creation in December 2004, it has sponsored some 50 projects promoting women's education in France and other countries worldwide. Six new projects were initiated in 2012: four in France and two in other countries (Mali and Haiti).

In November 2012, the Elle Foundation received the Oscar du Mécénat d'entreprise 2012, awarded by Admical in partnership with the Fondation de France. This Grand Prix des Oscars 2012 was awarded unanimously by the jury for the exceptional work that the Foundation has carried out for eight years for the emancipation of women.

Among the initiatives carried out in France, the Foundation sponsored the first class of the Institut du Service Civique which builds on the French National Civic Service by helping volunteers who have high potential to assume responsibility and complete an original project.

The Foundation also took part in a number of events in 2012, including the Women's Forum, where it gave out the Women for Education Award in partnership with the Orange and Sanofi Espoir Foundations, and led a session on female journalists in war zones in partnership with Human Rights Watch and AFP.

In liaison with the Elle Foundation, Lagardère Active set up a Solidarity Department that enables employees to volunteer for charitable projects. A total of 150 employees took part in these projects, either on a one-off or a long-term basis, particularly with journalism or under-privileged students.

The Solidarity Department also offers its expertise to the Group's brands which want to initiate partnership initiatives for social causes. In 2012, it helped Europe 1 create and implement the Grand Prix Europe 1 Solidarité which helps small non-profit organisations to gain exposure on the radio.

### Partnerships with non-profit organisations

The Group's divisions are involved in numerous partnerships, many of which are discussed in the Sustainable Development Report. This Reference Document provides a few examples.

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

### Vocational integration organisations

In 2012, the Lagardère group furthered its partnership with the non-profit organisation *Nos quartiers ont des talents* (Our neighbourhoods have talent), helping young people from underprivileged backgrounds to gain a foothold in the job market.

At Lagardère Publishing, a new partnership was put in place in December 2012 with the Fresnes prison to encourage prisoners to read.

Hachette Livre's Charitable Action Committee, which was created in 2010, supported many initiatives in 2012 including a dozen charitable projects proposed by employees. The Committee supported a non-profit organisation proposed by an Hachette Distribution employee. The project involves setting up an attractive mobile comics library from March to October 2013 at the foot of the buildings and near public areas in inner cities (Aubervilliers and Pantin).

At Lagardère Active, the *Les femmes Version Femina* prize demonstrates the division's commitment to working closely with local non-profit organisations. It is awarded to remarkable women, who by their action in areas such as community, education and commitment to cultural heritage, have an impact on their region and help improve the human condition. Readers – and Internet users – of each regional daily competing vote for their local candidate to represent their region in the final competition. Three winners are then selected from among the 15 finalists by a distinguished panel of judges. The 12th annual award was given to Sophie Dupont, founder of the non-profit Insertvest, a women's thrift store promoting vocational integration for unemployed women.

#### Environmental protection organisations

Gulli took part in Earth Day for the fourth time on 22 April 2012 by organising its big annual event for the planet in Montpellier, in conjunction with the Surfrider Foundation which is dedicated to protecting oceans, beaches, lakes and rivers.

In Canada, Lagardère Services travel retail North America took part in an employee awareness campaign on energy conservation through a Sweater Day initiative with the WWF.

#### Children's aid organisations

In spring 2012, sales teams from nearly 150 Aelia sales outlets in France, Spain and the United Kingdom took part in the Time for Action campaign alongside volunteers from Action Against Hunger to promote awareness and encourage passengers to donate €2 or more at the checkout counter. A cheque for €80,387 was given to the Executive Director of ACF and will be used to treat 2,115 children suffering from acute malnutrition. The campaign will be extended in 2013.

LS travel retail Deutschland pursued an initiative to raise money for the Bärenherz Foundation which manages palliative care facilities and provides services for children who have a terminal illness, and their families.

In Germany, Upsolut (Lagardère Unlimited) participates in the organisation of some of its sporting events in Hamburg (e.g. the Triathlon or the Vattenfall cycling race) and Berlin (Vélothon) in conjunction with initiatives to support or collect donations for children who are sick or under-privileged, or for the disabled.

## C) SUBCONTRACTORS AND SUPPLIERS

### C.1 RECOGNITION OF SOCIAL AND ENVIRONMENTAL ISSUES IN THE PROCUREMENT POLICY

The Lagardère group, which has long taken social and environmental challenges into account for its purchasing, decided to start a special sustainable procurement project in 2012 for all its divisions. This project is overseen by the Procurement Department and the Sustainable Development Department. It is designed to take into account the growing importance, complexity and diversity of procurement for all the Group's entities. Today, more than ever, the Group seeks to manage procurement in line with its sustainable development strategy.

An audit was conducted throughout the four divisions based on the seven core subjects of ISO 26000. An action plan then set out four new key projects. The first project, on governance for sustainable procurement(1), which will be pursued in 2013 started with the drafting of a new Sustainable Procurement Policy to replace the Procurement Policy the Group has been using since 2008. The purpose of this new policy is to increase the overall performance of procurement.

It offers the Group's procurement specialists information on respect for the environment, diversity and social inclusion, the quality of governance, easier access for VSEs and SMEs, as well as taking into account the cash flow of small suppliers and selecting sustainable suppliers.

Other documents are also being updated, including the Sustainable Development Charter (see below) which has governed relations with the Group's main suppliers since 2005, and new tools will be created such as questionnaires, manuals and directories. The environment, easier access for VSEs and SMEs, and diversity and social inclusion are also part of the key projects for the Group in 2013.

### C.2 IMPORTANCE OF SUBCONTRACTING AND THE RECOGNITION OF SUBCONTRACTORS' AND SUPPLIERS' CORPORATE SOCIAL RESPONSIBILITY IN RELATIONS WITH THEM

#### Drafting principles

The charter drafted in 2005 was rewritten within the scope of the work conducted on governance to reflect the Lagardère group's diverse activities which involve a large number of suppliers and subcontractors. The charter makes it possible to draw upon good practices that have been tried and tested in various divisions.

This new charter, which should take effect in 2013, is based on a certain number of international standards, such as the OECD Guidelines, the International Labour Organisation Conventions and the Global Compact.

The criteria set out under the new charter, which applies to all foreign subsidiaries will mainly concern:

- the prohibition of child labour and the elimination of all forms of forced or compulsory labour;
- the prohibition of all forms of discrimination;
- compliance with labour regulations applicable to labour relations;
- the application of standards for health and safety in the workplace;
- respect for the fundamental principles of environmental protection;
- the rational use of natural resources and raw materials;
- compliance with environmental legislation in force particularly regarding public health and safety;
- respect for intellectual property;
- anti-corruption measures;
- promotion of the above principles to business partners;

While the divisions wait for these new tools to take effect, they continued their respective efforts in 2012 with regard to their relations with suppliers and subcontractors.

**Lagardère Active** has gradually introduced several procedures to integrate sustainable development objectives into its supplier relations. The calls for tenders launched by the Procurement Department include social and environmental requirements. Companies bidding for contracts also receive a copy of Lagardère Active's Sustainable Development Charter (adapted from the Group's 2005 charter). The selected supplier must adhere to the Charter, which is systematically included in new contracts. And in the magazine manufacturing sector, for example, (paper suppliers, printers, binders and transporters), contracts contain market-specific sustainable development clauses.

At **Lagardère Publishing**, a charter was drawn up in 2007, covering the three components of sustainable development. In the same division, the publishers of Hachette Collections have also provided all their suppliers and subcontractors with a specific Code of Ethics restating the fundamental principles of human rights and children's rights.

(1) Governance is one of the seven cove subjects of ISO 26000 and covers all of the policies and tools used in the implementation and communication of the sustainable procurement policy.

This document asserts the right of the publishing houses to verify that these principles are applied by their suppliers and subcontractors and may consequently initiate compliance audits during the term of the contracts on the suppliers' and subcontractors' premises or on any of their production sites. If the Code has been breached, the contract may be terminated and financial penalties levied against the defaulting party.

At **Lagardère Services**, some suppliers manufacturing in Asia have also signed an undertaking to follow the same rules. Regular audits are carried out to check that the plants are compliant.

Sustainable development is one of the eight commitments in Relay France's Procurement Policy, which covers the products used and sold by its sales outlets. Relay stores are currently standardising the use of printers with the Imprim'Vert® label and the sale of organic and fair trade products, as sustainable development is now a factor in the choice of suppliers.

This information is also contained in the Sustainable Development Report in the section devoted to stakeholders.

#### Supplier-partner awareness raising and performance tracking

Lagardère Active set up a working group (comprising the Procurement Department, Mission Handicap, the Sustainable Development Department, and the firm Handiréseau) to develop sustainable procurement with specialised centres for people with disabilities (ESAT, EA). The working group is responsible for identifying the procurement categories that can be handled by these specialised centres, drawing up lists of services providers that are specialised centres, communicating and promoting awareness with procurement specialists and those placing orders, and sharing experience and good practices.

As a matter of policy, Lagardère Publishing promotes environmental and labour issues with its paper suppliers and printers, both in and outside France, by encouraging certification.

As regards paper, initiatives focusing on traceability and monitoring the quality of paper purchased by printers have made it possible to significantly reduce the proportion of fibres used for publications whose origin cannot be traced and/or to ensure that no fibres are used from forests that are not replanted.

Hachette Livre asks its suppliers in Asia to ban certain qualities of paper that do not meet the requirements set (traceability, fibres from sustainably managed forests, etc.). As regards the environmental management system, 97% of the paper suppliers from which Lagardère Publishing bought paper are ISO 14001 certified, and almost all Lagardère Active's paper suppliers also are ISO 14001 certified.

Each new supplier is also required to answer a questionnaire with some 50 questions relating to labour, health, quality and environmental issues.

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

Most of Lagardère Publishing's printers in Asia have already obtained OHSAS 18001 certification (a universally recognised standard for health, safety and working conditions) or have signed a framework agreement including a labour clause. As regards production in Asia of books published in French, 90% of the printers Hachette Livre works with have signed the Code of Ethics or obtained OHSAS 18001 certification. These awareness-raising operations apply to both subcontractors outside Europe and to Lagardère Publishing's European printers which currently handle over 80% of the division's printing work. As a result, an increasing number of Lagardère Publishing's French and European printers have signed framework agreements including a labour clause or have obtained labour-related certification.

In line with its Code of Ethics (see above), Hachette Collections carried out five compliance audits in 2012. Two confirmed plant compliance, while three detected anomalies. Following corrective action, two plants were confirmed compliant by a second audit. For the third plant, a second audit should be carried out in February 2013 to confirm compliance of the corrective action required by the first audit in December 2012.

## D) FAIR BUSINESS PRACTICES

### D.1 ACTION UNDERTAKEN TO PREVENT CORRUPTION

The Lagardère Group Code of Conduct, which was updated in 2012, includes provisions on the prohibition of corruption in France and abroad in the chapter entitled "Relations with external partners and competitors".

Furthermore, within the scope of the analysis on the implementation of a compliance procedure within the Group, the Managing Partners made it a priority to prepare a pilot anti-corruption programme to be rolled out within the Lagardère Unlimited division. This programme is ready and will be implemented in 2013 – first in the Europe-Africa region and then in the US and Asia regions of the division.

### D.2 MEASURES TAKEN TO ENSURE CONSUMER HEALTH AND SAFETY

This topic can be addressed from different angles, for example looking at physical products such as Hachette Livre's box sets or analysing the intangible impact of Lagardère Active's content.

At **Lagardère Publishing**, suppliers that produce box sets and accessories go through a listing procedure, and all production is checked to ensure that products comply with safety regulatory requirements. Since the end of 2012, Hachette Livre provides compliance certificates on both a systematic and intermittent basis on a dedicated portal to French retailers and booksellers for products that require such certificates (toys, items in contact with food, etc.).

At Lagardère Active, similar measures are taken to monitor cover mounts that are included with certain magazines.

**Lagardère Active**

The topics presented below are part of the first commitment "defining information pluralism and ensuring content diversity" of Lagardère's third CSR priority "Promoting access to information and knowledge".

All four commitments are presented in the Sustainable Development Report. Only the information relating to "measures taken to ensure consumer health and safety" and "other action undertaken to promote human rights" is presented in this Reference Document.

**Vigilance with respect to advertising**

Like all players in the sector, Lagardère Publicité supports the Advertisers' Commitment Charter which is aimed at achieving more responsible communications. It monitors the content of advertising messages and condemns practices such as greenwashing. Lagardère Publicité also follows the recommendations of the French advertising self-regulatory agency (Autorité de Régulation Professionnelle de la Publicité – ARPP, formerly BVP) and regularly submits the content of advertising messages for prior verification that the messages comply with the standards. As an advertising sales brokerage, Lagardère Publicité therefore provides advice to agencies and advertisers to ensure that their advertising messages comply with the ARPP's recommendations.

In general, Lagardère Publicité has self-regulation procedures concerning the advertisements it sells. It ensures compliance with advertising regulations with the support of Lagardère Active's

Legal Department. The Legal Department answers any specific questions operational staff may have about the content of advertising messages broadcast through all media (television, radio, magazines and the Internet).

**Child protection**

The Group's broadcasters ensure compliance with legislation and regulations in force, and with conventions signed with the French broadcasting authority (Conseil supérieur de l'audiovisuel – CSA). The Group's television channels are rigorous in applying the provisions of the CSA concerning the protection of minors.

Each of the Group's channels has signed an agreement with the CSA stipulating the permitted broadcasting times of programmes depending on their classification.

Considering the age of their audiences, the Group's youth channels are particularly attentive to ethics in journalism and measures to protect children. All the programmes pre-purchased and co-produced for Lagardère Active's youth channels are closely monitored by the division's General Management and teams. These efforts are performed upstream, for example when characters, scripts, dialogue and graphics are selected.

At Gulli, all pre-purchased programmes are previewed by the Acquisitions Department's teams. There is also a viewing committee made up of several people from the channel. Certain programmes are also aimed at informing and protecting minors.

The heads of youth channels have set up two ethics committees:

- one produces an annual performance report, in particular concerning diet and the environment, and also focuses on the quality of communication with children;
- the other is made up of psychologists and paediatricians specialising in child-related matters.

  Lagardère Active's youth and family channels rely on the expertise of the Gulli Observatory, a monitoring unit created in 2007 that is dedicated to studying the behaviour and habits of children and families [(1)].

In their programming, the Group's music radio stations RFM and Virgin Radio ensure compliance with principles of respect for human dignity and the protection of children and teenagers. They take particular care to prevent any slips that could shock young listeners.

Radio stations and advertising sales brokerages are also involved in efforts to protect children by broadcasting advertisements and displaying online banner ads for organisations dedicated to child protection.

In 2007, the Doctissimo.fr website appointed a moderator dedicated to the protection of minors.

**Obesity protection**

The Youth Department of Lagardère Active broke new ground with the production of a diet charter (a "Charter to promote healthy eating and physical activity in television programmes and advertising") that was signed by both the division and the public authorities in February 2009.

Lagardère Active's three youth channels (Gulli, Canal J and TiJi) have since focused on rolling out many initiatives on television, online and for non-media activities (cooking and food shows, short formats, presentations by figures who are well known with young audiences, sport programmes, etc.) in order to help fight obesity, a condition that is caused by a combination of factors and whose numbers are starting to stabilize. In four years, the three channels have broadcast over 860 hours of prevention programmes which refer to the website of the French Ministry of Health (www.mangerbouger.fr).

(1) The 2012 initiatives of this Observatory are presented in the Sustainable Development Report.

The messages conveyed by these programmes seek to promote a balanced, varied diet. Certain channels also target parents to help them teach their children good eating habits.

The recent TNS-SOFRES study commissioned by the CSA highlights the impact these prevention messages have on audiences, as well as the positive role of collaboration among the channels, advertising sales brokerages, advertisers and animation producers.

### E) OTHER ACTION UNDERTAKEN TO PROMOTE HUMAN RIGHTS

Several human rights conventions, declarations and international charters cover issues that are particularly relevant to media groups, such as freedom of expression, the right to education, respecting and promoting cultural diversity, child protection and women's rights. These include the Unesco Convention on the Protection and Promotion of the Diversity of Cultural Expressions of 2005, the Charter of Fundamental Rights of the European Union of 2000, the United Nations Millennium Development Goals of 2000 and the UN Convention on the Rights of the Child of 1989.

For this reason, Lagardère has chosen to present below certain social information related to its activities as a producer, publisher and broadcaster of media content. Such social information includes making content accessible to the underprivileged, freedom of the press, and the protection of personal data. It can also be found in the Sustainable Development Report, within the third priority on social information.

**Making content accessible to the underprivileged**

**Lagardère Publishing** offers fiction and non-fiction content – including personal development titles to the visually impaired – via Audiolib, its audiobook brand which was created in 2008. The Audiolib catalogue had 255 titles at the end of 2012, including 53 published during that year. These audio books help improve access for the visually impaired, as well as people with reading difficulties, such as young dyslexic people. Audiolib has also made its website more accessible to blind and partially-sighted people[(2)].

At **Lagardère Active**, all of the Group's channels are responsible for meeting commitments made to assist the deaf and hearing impaired, but the obligations for youth channels go further. A description of these obligations and the different programmes broadcast on TiJi, Canal J and Gulli for the deaf and hearing impaired are presented in the Sustainable Development Report.

**Ethics in journalism, freedom of the press, freedom of expression**

Lagardère's operations are geared towards the publication of content, and as such the Group attaches special importance to freedom of the press and takes active measures to support the right to inform and be informed.

For over ten years, the Relay stores have strived to support the cause of "Reporters Sans Frontières" to uphold freedom of information, in accordance with article 19 of the Universal Declaration of Human Rights.

The 39th edition of the book 100 Photos for Press Freedom – which just celebrated the 20th anniversary of its collection – dedicated to the British photographer Martin Parr went on sale in May 2012 at Relay stores.

The entire price of the photo book – €9.90 – is donated to "Reporters Sans Frontières" for its initiatives that focus on freedom of the press: providing assistance to journalists and their families, to media in need, etc. Other subsidiaries of the Group support RSF

(2) Audiolib also set up partnerships and sponsorship initiatives in 2012, donating audio books to several non-profit organisations such as Bibliothèques pour tous and Confluences.

by offering donations, providing distribution networks to promote its books, and giving advertising space.

At Lagardère Publishing, efforts to defend freedom of expression include Hachette Livre's involvement (as a founder member) in the PEN Club's publishers' circle. The PEN Club is an NGO formed in 1921 to protect freedom of expression, particularly that of persecuted writers, and to promote literature worldwide.

**Personal data protection**

Personal data protection is the responsibility of the divisions, and of their IT and legal departments.

The Group Risk and Internal Control Department, in collaboration with the IT and Legal Departments, oversees the system for personal data protection. It does this partly through a self-assessment questionnaire, which is intended to raise awareness among the people concerned and ensure that best practices are being used in the Group's digital activities. The system focuses on three main areas:

- regulatory compliance;
- the implementation of technical protection resources (encryption, electronic signatures, the right to know);
- the creation of IT guidelines.

The Group applies regulatory and statutory provisions in force in France (the French Data Protection Act, CNIL reporting) and equivalent provisions in other countries in which it operates.

At Lagardère Active, these include rules relating to:

- the sending of marketing materials based on files compiled from magazine subscription forms on an "opt-out" basis;
- the sending of marketing materials to Internet users who have "opted in", i.e. ticked the box saying they wish to receive such information;
- database marketing;
- the protection of personal data, particularly regarding minors.

Lagardère Active's technology department ensures data security through all technical resources at its disposal, as regards both accessing data, and tracking and backing up data. Resources include the plan for backing up data, for example in the event of an incident, and the business continuity plan.

In 2012, Lagardère Publicité also signed a pan-European charter on extremely targeted advertising [(1)], allowing Internet users to have more control over how their personal data is collected, used, stored and shared by websites and online advertising sales brokerages.

(1) Charter of IAB (Interactive Advertising Bureau) Europe of good practices and Internet-user rights. See Sustainable Development Report for further details.

## 5.3.3 CSR METHODOLOGY AND INDICATORS

In 2012, labour and environmental reporting guidelines were drawn up jointly by the Group's Human Resources Department and the Sustainable Development Department. These guidelines will be used for the first time for the 2013 reporting process (for 2012 data). They are exhaustive documents that cover all labour and environmental reporting procedures and indicators applied by Lagardère, and they serve as a support tool for reporting. Reporting is an annual process carried out over the twelve months of the calendar year.

The guidelines provide a description of the reporting procedures (summarised in the paragraphs below), as well as a detailed information sheet for each indicator in the reference base. These information sheets help reporting contributors understand how each indicator is defined and its relevance. They also explain the method of calculation and the basic documents needed for the reporting of each indicator.

These guidelines are to be distributed to each Group employee involved in the reporting process (contributors and validators) at the beginning of the reporting periods.

For the 2013 reporting process (for 2012 data), the labour guidelines, which are available in French, English and Spanish, were distributed to all contributors throughout the scope of reporting. The environmental guidelines were only distributed for the first year to the French entities, exclusively in French. Next year, information will be added to these guidelines which will cover a larger scope.

### 5.3.3.1 SCOPE OF CONSOLIDATION

The reporting system used to collect labour and environmental information is deployed in all the consolidated subsidiaries whose operations are managed by the Group, with the exception of:

- entities that were disposed of or deconsolidated during the fiscal year;
- entities acquired during the year, for which the reporting system will be implemented gradually as they are integrated into the Group (provided that the division wants to immediately include the newly-acquired companies in the reporting system);
- and entities with fewer than five employees.

Labour information presented in this document is reported using a dedicated software package, which covered 148 companies in the Group in 2012 (compared with 142 in 2011).

Environmental information presented in this document is reported using two processes. Data on energy consumption are integrated into the Group's financial data consolidation system. For France, this information relates to 185 companies in the Lagardère group.

Greenhouse gas emissions are calculated directly by the Sustainable Development Department based on the energy data mentioned above and in accordance with the methodology set out in the environmental guidelines.

Other environmental data that are not integrated into the financial consolidation system is consolidated, verified and calculated directly at division level, based on the information provided by the subsidiaries, and then it is sent to the Group's Sustainable Development Department which performs a final consistency check.

The social information presented in this Reference Document is not yet covered by specific guidelines. However, some of this information is reported using the reporting systems mentioned above.

Most social information is reported through a formal process involving e-mail exchanges between the Group's Sustainable Development Department and the divisions' sustainable development departments which collect and consolidate a certain amount of information from their subsidiaries.

**Changes in scope**

Changes in the scope of labour and environmental reporting arise from changes in the scope of fully consolidated companies. The list is presented in note 37 to the consolidated financial statements.

In general the scope of reporting may change depending on two parameters:

- disposals and/or acquisitions of new entities;
- new activities and/or termination of activities.

Beyond these two parameters, the decision to include or not include entities in the reporting system are left, to a certain extent, to the discretion of the divisions which are better placed to assess whether it is relevant from an operating perspective to include or not include an entity.

### 5.3.3.2 REFERENCE BASE FOR INDICATORS AND REPORTING METHODS

Labour reporting follows the Group's Human Resources policy, taking the specific needs of each business line and/or geographic area into account. After an initial update in 2006, the reference base was revised again in 2010, to redefine the reporting base for indicators. This redefinition, which was more in line with the spirit of the GRI, provided an opportunity to streamline the reference base and make it more accessible to contributors. The reference base for social indicators was reviewed again in 2012, in order to make it easier to understand for the contributors and more relevant as regards the Group's business lines and activities, and to take into account the provisions of the implementing order of article 225 of France's Grenelle 2 law.

Environmental reporting follows the Group's sustainable development policy, also taking the specific needs of each business line and/or geographic area into account. In 2006, the Group incorporated environmental data concerning water and energy consumption (electricity, gas, oil and cogeneration), and paper procurement, into its financial data consolidation system. In 2012, specific work was carried out on the reference base for environmental indicators in order to simplify the reference base, make it more reliable, and most importantly to help it become more relevant in view the Group's many activities.

Regardless of the software used, overall, the reporting method for labour and environmental data follows the same process. Data is entered by a contributor for each Group subsidiary within the scope of reporting. This information is then validated/verified by the division's Management (human resources department or finance department). A second level of validation/verification is in place in each division before data is sent to the Central Departments concerned (Human Resources Department and Sustainable Development Department).

Consistency checks aim to ensure the quality and fair presentation of the data reported and include a comparison with the data for previous periods, contributing to the reliability of the IT system.

Although the Group seeks to make contributors' work as easy as possible, to define parameters well for the reporting process and to reconcile the international nature of its operations and activities (objectives that are even more feasible since the reporting guidelines were put in place), certain difficulties, which can create uncertainty, may arise during the reporting process:

- inaccurate assessments;
- calculation errors;
- poorly understood questions;
- data entry errors;
- problems defining an indicator;
- problems responding because of legal and/or political reasons.

**Methodological information for data related to paper procurement**

Based on the data available in their IT systems, Lagardère Publishing and Lagardère Active used different methods to estimate the number of tonnes of certified fibre purchased.

- Lagardère Publishing calculates tonnage of certified fibres based on the percentage of certified fibres found in the paper (e.g., for 100 tonnes of paper certified as containing 90% certified fibres, Lagardère Publishing counted a purchase of 90 tonnes of certified fibres purchased).
- Lagardère Active's IT system counts the amount of tonnes of certified paper and not the percentage of certified fibres, and the division estimated the weight of certified fibres purchased by using an average percentage of 85% for the total tonnage of certified paper purchased (e.g., for 100 tonnes of certified paper purchased, containing 70% to 100% certified fibres, Lagardère Active estimated the weight of certified fibres purchased to be 85 tonnes). It is important to note that since 100% of Lagardère's paper comes from PEFC-certified sources, the portion of fibres not certified is always from non-controversial sources.

## 5.3.3.3 CROSS-REFERENCE INDEX

- **Cross reference index with article R. 225-105-1 of French Commercial Code**

| Information | Subject | Paragraph | Section | Page |
|---|---|---|---|---|
| **Labour** | Employment | Total workforce and breakdown of employees | 5.3.2.1 - A1 | 54 |
| | | Recruitments and redundancies/dismissals | 5.3.2.1 - A2 | 59 |
| | | Remuneration and salary increases | 5.3.2.1 - A3 | 60 |
| | Organisation of working hours | Organisation of working hours | 5.3.2.1 - B1 | 63 |
| | | Lost time | 5.3.2.1 - B2 | 66 |
| | Labour relations | Organisation of labour relations | 5.3.2.1 - C1 | 67 |
| | | Summary of collective agreements | 5.3.2.1 - C2 | 67 |
| | Health and safety | Health and safety conditions at work | 5.3.2.1 - D1 | 68 |
| | | Summary of health and safety agreements | 5.3.2.1 - D3 | 68 |
| | | Frequency and severity of work-related accidents and sick leave | 5.3.2.1 - D2 | 68 |
| | Training | Policies implemented | 5.3.2.1 - E1 | 68 |
| | | Total number of training hours | 5.3.2.1 - E2 | 69 |
| | Equal opportunities | Measures taken to promote gender equality | 5.3.2.1 - F1 | 70 |
| | | Measures taken to promote the employment and integration of people with a disability | 5.3.2.1 - F2 | 71 |
| | | Anti-discrimination policy | 5.3.2.1 - F3.F4 | 71-72 |
| | Promotion of and compliance with the fundamental principles of the ILO | Compliance and freedom of association and right to collective bargaining | 5.3.2.1 - G | 72 |
| | | Elimination of discrimination in respect of employment and occupation | | |
| | | Elimination of forced or compulsory labour | | |
| | | Effective abolition of child labour | | |
| **Environmental** | General policy | Organisation of the company and assessment and certification processes | 5.3.2.2 - A1 | 72 |
| | | Employee information and training initiatives | 5.3.2.2 - A2 | 73 |
| | | Measures taken to prevent environmental risks and pollution | 5.3.2.2 - A3 | 73 |
| | | Provisions and guarantees set aside for environmental risks | 5.3.2.2 - A4 | 73 |
| | Pollution and waste management | Measures taken to prevent, reduce and clean up discharges into the air, water and soil | Not relevant | |
| | | Measures taken to prevent, recycle and eliminate waste | 5.3.2.2 - B1 | 74 |
| | | Mitigation of noise or other forms of pollution related to a business activity | Not relevant | |
| | Sustainable use of resources | Water consumption and supply in accordance with local constraints | Not relevant | |
| | | Consumption of raw materials and measures taken to improve efficiency of use | 5.3.2.2 - C1 | 76 |
| | | Energy consumption, measures taken to improve energy efficiency, and use of renewable energy | 5.3.2.2 - C2 | 78 |
| | | Land use | Not relevant | |
| | Climate change | Greenhouse gas emissions | 5.3.2.2 - D1 | 79 |
| | | Adaptation to the consequences of climate change | 5.3.2.2 - D2 | 80 |
| | Preservation of biodiversity | Measures taken to preserve and develop biodiversity | 5.3.2.2 - E1 | 81 |

| Information | Subject | Paragraph | Section | Page |
|---|---|---|---|---|
| **Social** | Territorial, economic and social impact of the company's activities | Regional employment and development | 5.3.2.3 - A1 | 81 |
| | | Resident and local populations | Not relevant | |
| | Relations with people or organisations with an interest in the company's activities | Relations with people or organisations | 5.3.2.3 - B1 | 81 |
| | | Partnership or sponsorship operations | 5.3.2.3 - B2 | 82 |
| | Subcontractors and suppliers | Recognition of social and environmental issues in the procurement policy | 5.3.2.3 - C1 | 83 |
| | | Importance of subcontracting and recognition of subcontractors' and suppliers' corporate social responsibility in relations with them | 5.3.2.3 - C2 | 83 |
| | Fair business practices | Action undertaken to prevent corruption | 5.3.2.3 - D1 | 84 |
| | | Measures taken to ensure consumer health and safety | 5.3.2.3 - D2 | 84 |
| | Other action undertaken to promote human rights | - | 5.3.2.3 - E | 85 |

## 5.3.4 REPORT BY THE INDEPENDENT AUDITOR

### ATTESTATION OF PRESENCE AND ASSURANCE REPORT ON SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION BY ONE STATUTORY AUDITOR

Pursuant to your request and in our capacity as statutory auditor of Lagardère, we hereby report to you on the consolidated social, environmental and societal information presented in the management report issued for the year ending December 31st 2012 in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

### MANAGEMENT'S RESPONSIBILITY

The managing partners are responsible for the preparation of the management report including the consolidated social, environmental and societal information (the "Information") in accordance with the requirements of Article R. 225-105-1 of the French Commercial Code, presented as required by the entity's internal reporting criteria (the "Reporting Criteria") available from the Group Sustainable Development Department.

### INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the profession's code of ethics as well as the provisions set forth in Article L. 822-11 of the French Commercial Code. Furthermore, we have set up a quality control system that includes the documented policies and procedures that aim to ensure compliance with rules of ethics, professional standards and the applicable legal texts and regulations.

### STATUTORY AUDITOR'S RESPONSIBILITY

It is our role, on the basis of our work:

- To attest whether the required Information is presented in the management report or, if not presented, whether an appropriate explanation is given in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code and Decree no. 2012-557 dated 24 April 2012 (Attestation of presence);
- To provide limited assurance on whether the Information is fairly presented, in all material aspects, in accordance with the Reporting Criteria (Limited assurance).

We called upon our Corporate Social Responsibility and Sustainable Development experts to assist us in the performance of our work.

## I ATTESTATION OF PRESENCE

Our engagement was performed in accordance with professional standards applicable in France:

- We compared the Information presented in the management report with the list provided in Article R. 225-105-1 of the French Commercial Code;
- We verified that the Information covers the consolidated perimeter, namely the entity and its subsidiaries within the meaning of Article L. 233-1 and the controlled entities within the meaning of Article L. 233-3 of the French Commercial Code and within the limits specified in the reporting methodology inserted in section 5.3.3 of the management report;
- In the event of the omission of some consolidated Information, we verified that an appropriate explanation was given in accordance with Decree no. 2012-557 dated 24 April 2012.

On the basis of our work, we attest that the required Information is presented in the management report.

## II LIMITED ASSURANCE REPORT

### NATURE AND SCOPE OF THE WORK

We conducted our engagement in accordance with ISAE 3000 (International Standard on Assurance Engagements) and French professional guidance. We performed the following procedures to obtain limited assurance that nothing has come to our attention that causes us to believe that the Information is not fairly presented, in all material aspects, in accordance with the Reporting Criteria. A higher level of assurance would have required more extensive work.

Our work consisted in the following:

- We assessed the appropriateness of the Reporting Criteria with respect to its relevance, completeness, neutrality, clarity and reliability, by taking into consideration, when relevant, the sector's best practices.
- We verified that the Group had set up a process for the collection, compilation, processing and control of the Information to ensure its completeness and consistency. We examined the internal control and risk management procedures relating to the preparation of the Information. We conducted interviews with those responsible for social and environmental reporting.
- We selected the consolidated Information to be tested[(1)] and determined the nature and scope of the tests, taking into consideration their importance with respect to the social and environmental consequences related to the Group's business and characteristics, as well as its societal commitments.

Concerning the quantitative consolidated information that we deemed to be the most important:

- at the consolidating entity level and the controlled entities level, we implemented analytical procedures and, based on sampling, verified the calculations and the consolidation of this information;
- at sites level that we selected[(2)] based on their activity, their contribution to the consolidated indicators, their location and a risk analysis:
  - we conducted interviews to verify that the procedures were correctly applied;
  - we performed tests of detail based on sampling, consisting in verifying the calculations made and reconciling the data with the supporting documents.

The sample thus selected represents on average 18% of consolidated headcount and between 39% and 79% of the consolidated value of Environment Indicators.

(1) Social indicators: permanent staff at December 31st, permanent staff at December 31st displayed by gender, age, and geographical area, number of overtime hours worked during the year, total part-time staff displayed by gender, working time, absenteeism rate, collective agreements in place at December 31st and signed during the year, training skills development policies, total number of training hours and display by themes.
Environment indicators: organization of the company to take into account environment and, when appropriate, environmental evaluation or certification, overall weight of paper purchased by the Group, proportion of fibers in the paper purchased by the Group, number of Print on Demand titles proposed by Hachette Livre, tertiary energy consumption of the Group in France : electricity, gas and district heating.
Societal indicators: conditions for dialogue with third people or organizations interested in company's activities, partnerships and sponsorship, actions in favor of health and safety of consumers.

(2) Entities selected for social indicators verification: Hachette Livre SA (France) ; HFA (France) ; Relay (France) ; Sportfive (France).
Entities selected for environment indicators verification: Hachette Livre SA (France) ; HFA (France) ; Relay (France).

Concerning the qualitative consolidated information that we deemed to be the most important, we conducted interviews and reviewed related documentary sources to corroborate these information and appreciate their sincerity.

As regards the other consolidated information published, we assessed its fairness and consistency according to our knowledge of the company and, where applicable, with interviews or the consultation of documentary sources.

Finally, we assessed the relevance of the explanations given in the event of the absence of certain information.

## CONCLUSION

Based on our work described in this report, nothing has come to our attention that causes us to believe that the Information is not fairly presented, in all material aspects, in accordance with the Reporting Criteria.

Paris La Défense, March 29th, 2013

**The statutory auditor**

| | |
|---|---|
| Mazars | Mazars |
| Bruno Balaire | Emmanuelle Rigaudias |
| *Associé* | *CSR and Sustainable Development Partner* |

This page is left intentionally blank.

# 6

# NET ASSETS, FINANCIAL POSITION AND RESULTS



Items appearing in the Annual Financial Report are cross-referenced with the following symbol AFR

# 6.1 PER SHARE DATA, DIVIDEND POLICY AND SHARE PERFORMANCE

AFR

## 6.1.1 PER SHARE DATA

| | 2012 | | 2011 | | 2010 | |
|---|---|---|---|---|---|---|
| (IN EUROS) | basic | diluted (1) | basic | diluted (1) | basic | diluted (1) |
| Profit (loss) attributable to owners of the Parent, per share | **0.70** | **0.69** | (5.56) | (5.56) | 1.29 | 1.27 |
| Equity attributable to owners of the Parent, per share | **22.79** | **22.51** | 23.18 | 22.94 | 30.61 | 30.32 |
| Cash flow from operations before change in working capital, per share | **4.32** | **4.27** | 4.69 | 4.64 | 4.65 | 4.60 |
| Share price at 31 December | **25.285** | | 20.40 | | 30.83 | |
| Dividend | **1.30** (2) | | 1.30 | | 1.30 | |

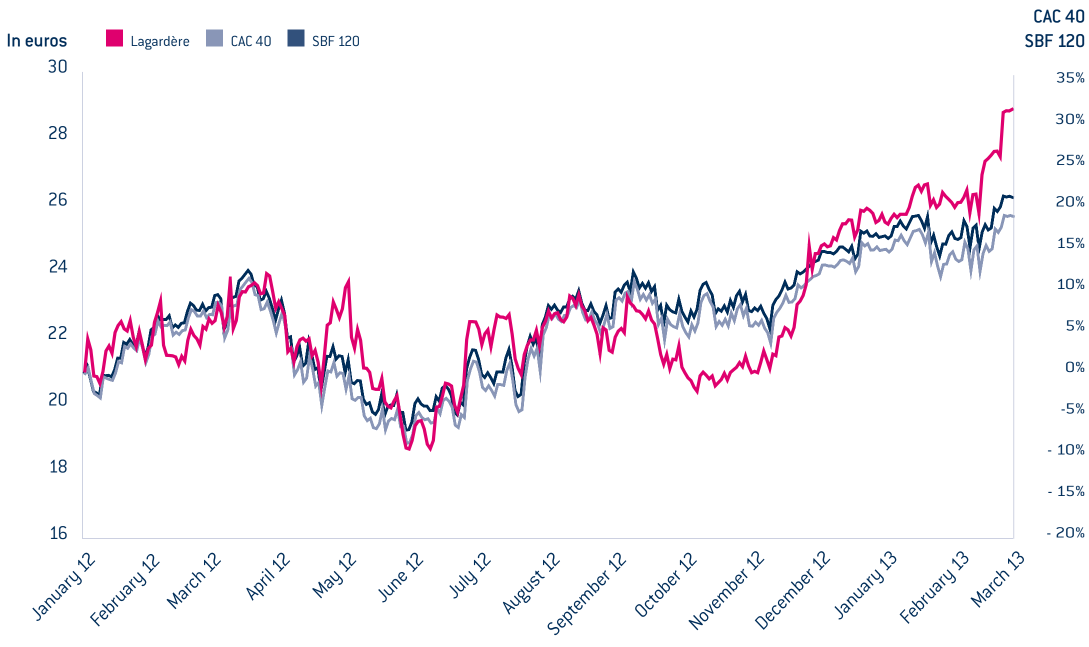
*(1) The method used to calculate diluted earnings per share is described in note 15 to the consolidated financial statements.*
*(2) Dividend to be approved by the Annual General Meeting on 3 May 2013.*

## 6.1.2 DIVIDEND POLICY

Total dividends paid for the years 2009, 2010, and 2011 amounted to €165.1 million, €165.1 million and €165.7 million respectively.

The dividend payouts represented 120.7% and 101.1% of profit attributable to owners of the Parent in 2009 and 2010. In 2011 the Group recorded a net loss.

## 6.1.3 SHARE PERFORMANCE SINCE JANUARY 2012




*Source: Nyse Euronext*

# 6.2 ANALYSIS OF THE LAGARDÈRE GROUP'S FINANCIAL POSITION AND RESULTS

AFR

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as described in Note 1 to the consolidated financial statements, "Accounting principles".

Lagardère's main businesses are carried out through Lagardère Media, which includes the divisions Lagardère Publishing, Lagardère Active, Lagardère Services and Lagardère Unlimited.

The Group also holds a 7.39% investment in EADS and a 20% interest in Canal+ France. Business is also carried out through "Other Activities", corresponding to activities not directly related to Lagardère Media's operating divisions.

The main changes in the scope of consolidation in 2012 and 2011 are described in Note 4 to the consolidated financial statements.

## 6.2.1 INCOME STATEMENT

| | **2012** | 2011 |
|---|---|---|
| **Net sales** | **7,370** | 7,657 |
| **Recurring operating profit before associates (*)** | **339** | 402 |
| Income from associates (**) | **105** | 112 |
| Non-recurring/non-operating items | **(216)** | (1,003) |
| **Profit (loss) before finance costs and tax** | **228** | (489) |
| Finance costs, net | **(82)** | (95) |
| Income tax expense | **(40)** | (105) |
| **Profit (loss) for the year** | **106** | (689) |
| Attributable to: | | |
| - Owners of the Parent | **89** | (707) |
| - Minority interests | **17** | 18 |

*(*) Recurring operating profit before associates corresponds to profit (loss) before finance costs and tax excluding the following income statement items:*
- *Income (loss) from associates;*
- *Gains (losses) on disposals of assets;*
- *Impairment losses on goodwill, property, plant and equipment and intangible assets;*
- *Restructuring costs;*
- *Items related to business combinations:*
  - *Acquisition-related expenses,*
  - *Gains and losses resulting from purchase price adjustments,*
  - *Amortisation of acquisition-related intangible assets.*

*(**) Before impairment losses.*

In 2012, the Lagardère group's businesses delivered an upbeat performance, in line with 2011 (like-for-like), reporting net sales at €7,370 million. The strategy of expanding fast-growing businesses (in particular Digital and Travel Retail segments) yielded results, making up for persistently difficult economic conditions and sluggish markets which weighed heavily on advertising and consumption, coupled by a sharp decline in print-media sales.

The difference between reported and like-for-like figures reflects a €392 million negative impact of changes in Group structure relating mainly to the sale in 2011 of the International Magazine Publishing (PMI) business and Russian Radio operations. It also reflects the use of the equity method to account for Relay's operations in Paris and Lyon airports. The negative impact of changes in Group structure was partially offset by a positive €119 million exchange rate impact, mainly due to the appreciation of the US dollar and pound sterling against the euro.

Lagardère Publishing's net sales contracted 1.2% based on constant group structure and exchange rates (like-for-like).

In France, net sales inched up 0.5% despite the 3.8% decline in Education as a result of stability in the school curricula. Changes in the school curricula had boosted net sales and profit in both 2010 and 2011. The decline in Education was offset by a good performance from General Literature (up 2%), buoyed by the publication of bestsellers from J.K. Rowling and E.L. James. Illustrated Books also performed well, up 0.9%.

Despite a string of commercial successes, net sales in the UK slipped 1.9% due to the sharp increase in Digital activities as a proportion of overall net sales (Digital activities generate a lower amount of net sales although this does not affect profitability), persistently tough international markets (Australia) and the sale of publisher's lists in Education.

In the US, the 3.4% decline in net sales reflects the growth in Digital sales as a proportion of overall net sales. In volume terms, the business reported a slight 1.2% rise.

The economic crisis continued to take its toll on operations in Spain.

However, business was brisk for Partworks (net sales up 3.1%), especially in Japan and the UK.

Lagardère Publishing saw further growth in digital book sales in 2012, which now represent 7.7% of overall net sales. While the UK continued to enjoy upbeat growth in digital books, with net sales increasing two-fold, growth in this segment slowed significantly in the US, which reported a 15% year-on-year rise in net sales. In both the UK and US, digital book sales represented 23% and 15%, respectively, of overall net sales in 2012 (and 21% of

Adult trade net sales in the UK). In France, and on other Lagardère Publishing markets, digital books continue to account for less than 2% of sales.

Lagardère Active's business continued to be hard hit by changes in Group structure in 2012 (negative impact of €386 million), due notably to the sale of International Magazine Publishing operations (deconsolidated in 13 countries at the end of May 2011, in the United Kingdom at the end of July 2011 and in China at the end of November 2011) and of the division's Russian Radio operations (at the end of December 2011). Net sales fell by 3.9% on a like-for-like basis.

Lagardère Active was affected by a contracting advertising market, with net sales from advertising operations down 5.9%. The sales decline was sharper for magazines (down 7.5%) than for radio (down 3.8%), buoyed by a good performance from RFM. Over the year as a whole, magazine circulation slumped 7%, hit by interruptions to distribution at news stands. However, the Group's titles fared better than products from competitors, leading to growth in market share.

Net sales for Television operations (audiovisual production and TV channels) edged up 0.7%. The same growth was also reported by Licensing operations on the division's brands, particularly Elle.

Lagardère Services delivered €3,809 million in net sales for 2012, up 2.3% on a reported basis and 2.2% like-for-like. Net sales growth was driven by a positive €33 million exchange rate impact, partially offset by a negative €27 million impact resulting from changes in Group structure. These changes chiefly stem from the use of the equity accounting method for Relay's operations in Paris airports and, to a lesser extent, for duty free operations in Lyon, and from the sale of Swiss book retailer OLF, which was deconsolidated as of 1 October 2012.

Strong momentum in Travel Retail (up 8.2% on a like-for-like basis) continued to boost the division's performance in 2012. The Travel Retail business saw bullish growth in duty free operations in France (Aelia up 15%) and Central Europe (a rise of 14.8% in Poland, 16% in Romania, and 22.5% in Bulgaria), but also in the UK (up 10.7%) and Germany (up 8.8%). Asia-Pacific delivered strong 7.2% net sales growth (including 32.5% in Asia) on the back of network development. North American operations posted a slight decline amid a sluggish economic climate.

Distribution retreated 4.5% on a like-for-like basis due to the sharp drop in the market for printed-media.

Lagardère Unlimited reported net sales of €470 million, up 3.5% on a reported basis but down 5.9% like-for-like. The difference in reported and like-for-like figures is primarily attributable to a positive €30 million impact from changes in Group structure following the acquisition of Gaylord in the US (talent management, particularly in golf) and Zaechel in Germany (hospitality). The impact of changes in exchange rates was also positive, at €14 million.

The downturn in net sales at Sportfive is due mainly to the unfavourable draw as regards the European qualifying matches for the 2014 FIFA World Cup, and to the expiry in the middle of the year of contracts for the sale of media rights to certain European football leagues. These known factors were partially offset by the Africa Cup of Nations and by the strong performances of German football clubs. At World Sport Group, the contract for the Asian Football Cup (AFC) changed from a buy-out arrangement to a commission-based agreement. The resulting reduction in the amount of net sales recognized (no impact on gross margin) was partially offset by the new contract with the Union of Arab Football Associations (UAFA).

Recurring operating profit before associates came in €63 million lower year-on-year, at €339 million. This decrease reflects the sale of the International Magazine Publishing and Russian Radio businesses, which had a negative impact of €39 million and €10 million, respectively.

Movements in recurring operating profit before associates can be analysed as follows for each division:

- Lagardère Publishing reported a slight €2 million rise in recurring operating profit before associates versus 2011, at €223 million. Growth in higher-margin digital sales in English-speaking countries and a strong performance from Partworks, particularly in Japan and the UK, offset negative trends in Spain. In France, the decline in Education was countered by a good performance from General Literature (see above).
- Excluding the International Magazine Publishing and Russian Radio businesses, Lagardère Active posted an €18 million increase in recurring operating profit before associates, which came in at €64 million in 2012. The drop in net sales from advertising and circulation (see above) was more than offset during the year by an improved performance from licensing activities and TV channels, and by strict control of costs.
- Recurring operating profit before associates for Lagardère Services was virtually stable (down €1 million) compared to 2011, at €104 million. This stability reflects the decline in the performance of distribution due to a drop in revenue, offset by strong momentum in Travel Retail (see above), particularly at Aelia in France and in Eastern Europe (Poland and the Czech Republic).
- Lagardère Unlimited reported a €33 million recurring operating loss before associates, €27 million more than the loss recorded in 2011. This reflects a non-recurring €22 million contingency provision relating to the International Olympic Committee (IOC) contract (sale of media rights in Europe for the 2014 Winter Olympics and the 2016 Summer Olympics), as well as an unfavourable draw as regards the European qualifying matches for the 2014 FIFA World Cup.
- Other Activities reported a recurring operating loss of €19 million before associates, €7 million more than the loss recorded in 2011. This reflects a decline in royalties billed to the Media divisions on account of lower net sales in 2012 due to disposals carried out in 2011, and the fall in recurring operating profit for the spare parts business (Matra Manufacturing Services).

Income from associates (before impairment losses) came in at €105 million for the year to 31 December 2012, compared to €112 million for 2011. EADS' contribution in 2012 was up €10 million to €89 million. The contribution of equity investments in the Media segment was €16 million in 2012 versus €33 million in 2011, due to the sale of Lagardère Active's International Magazine Publishing subsidiaries and the decline in income from Amaury.

Non-recurring/non-operating items included in profit before finance costs and tax represented a net expense of €216 million in 2012, comprising:

- €94 million in impairment losses taken against property, plant and equipment and intangible assets, including €49 million recorded by Lagardère Unlimited and €34 million by Lagardère Active (of which €27 million relating to digital assets). These impairment losses reflect the downward revision of the estimated future cash flows to be generated from these business and to a lesser extent, the rise in the discount rates on account of changes in expected market returns on plan assets in these segments;
- €43 million in impairment losses taken against the interest held in Canal+ France. At 31 December 2012, the value in use of this investment was estimated using the discounted cash flows method (see Note 19 to the consolidated financial statements). The value in use was €1,154 million, compared to a share value of €1,197 million at the beginning of the year;

- €40 million in restructuring costs, including €28 million incurred by Lagardère Active for the ongoing roll-out of its cost-cutting plans and €7 million incurred by Lagardère Services in respect of distribution activities;
- €35 million in amortisation of intangible assets and acquisition-related expenses for consolidated companies, including €16 million for Lagardère Unlimited and €15 million for Lagardère Services;
- €3 million in net disposal losses.

In 2011, non-recurring/non-operating items included in profit before finance costs and tax represented a net expense of €1,003 million, breaking down as €585 million in impairment losses taken against property, plant and equipment and intangible assets, of which €550 million related to Lagardère Unlimited and €27 million to digital assets at Lagardère Active; €310 million in write-downs taken against the interest in Canal+ France; €84 million in amortisation of intangible assets (including €36 million recorded by Lagardère Unlimited in respect of its disputed cricket agreement in India); €18 million in disposal gains, relating mainly to the sale of shares in Le Monde Interactif; and €41 million in restructuring costs.

As a result of the above items, consolidated profit before finance costs and tax for 2012 totalled €228 million, up €717 million on the prior-year period.

Net finance costs fell €13 million year-on-year to €82 million. The decrease reflects both the fall in average net debt in 2012 and year-specific factors such as the exchange rate impact, unwinding of hedging transactions (options), and the unwinding of amounts due on acquisitions of minority interests.

Consolidated income tax expense was €40 million in 2012. Compared to profit before tax and income from associates, income tax expense was affected by goodwill impairment losses which are not deductible for tax purposes, and by the recognition of a tax asset for €24 million representing the estimated portion of the tax loss arising on the tax group headed by Lagardère SCA that may be utilised against taxable income over the next three years.

Consolidated income tax expense in 2011 amounted to €105 million. Besides non-deductible goodwill impairment losses, income tax expense in 2011 included a €25 million tax charge due on the sale of the International Magazine Publishing business (which generated an accounting capital gain of close to zero) and the cancellation of a €13 million tax asset on losses for Lagardère Unlimited.

Profit attributable to minority interests came in at €17 million in 2012 compared to €18 million in 2011. The decrease is mainly attributable to Lagardère Active following the deconsolidation of International Magazine Publishing subsidiaries and the Radio business in Russia, and to an acquisition of minority interests in Société de Presse Féminine, offset by the upturn in earnings at WSG.

## 6.2.2 CONSOLIDATED STATEMENT OF CASH FLOWS

| | **2012** | 2011 |
|---|---|---|
| Cash flows from operations before changes in working capital | **552** | 597 |
| Changes in working capital | **(21)** | (170) |
| **Cash flows from operations** | **531** | 427 |
| Interest paid and received, and income taxes paid | **(140)** | (170) |
| **Net cash provided by operating activities** | **391** | 257 |
| Cash used in investing activities | **(648)** | (352) |
| *– Purchases of intangible assets and property, plant and equipment* | ***(264)*** | *(253)* |
| *– Purchases of investments* | ***(384)*** | *(99)* |
| Proceeds from disposals | **85** | 840 |
| *– Intangible assets and property, plant and equipment* | ***20*** | *26* |
| *– Investments* | ***65*** | *814* |
| (Increase) decrease in short-term investments | **28** | 21 |
| **Net cash provided by (used in) investing activities** | **(535)** | 509 |
| **Total cash provided by (used in) operating and investing activities** | **(144)** | 766 |
| **Cash flows provided by (used in) financing activities** | **162** | (770) |
| Other | **(13)** | 87 |
| **Change in cash and cash equivalents** | **5** | 83 |

### 6.2.2.1 CASH FLOWS PROVIDED BY (USED IN) OPERATING AND INVESTING ACTIVITIES

In 2012, cash flows from operations before changes in working capital totalled €552 million versus €597 million in 2011. This decrease reflects the decline in recurring operating profit and the rise in acquisition-related expenses. The fall in depreciation and amortisation was offset by the increase in provisions.

Changes in working capital represented a small €21 million cash outflow compared with a €170 million cash outflow in 2011. This is largely due to a favourable trend in trade receivables for both Lagardère Publishing and Lagardère Active, a marked improvement in this item for Lagardère Unlimited due to amounts collected on Sportfive International's IOC contract, and the positive impact resulting from the deconsolidation of Lagardère Active's International Magazine Publishing subsidiaries.

Interest paid (net of interest received) stood at €76 million versus €87 million for the previous year. Income taxes paid totalled €64 million compared with €83 million in the same prior-year period.

All of these items generated net cash from operating activities of €391 million in 2012 and €257 million in 2011.

Purchases of property, plant and equipment and intangible assets totalled €264 million in 2012, up €11 million on 2011, and in both years chiefly concerned Lagardère Services (sales outlet refurbishments) and Lagardère Unlimited (acquisition of sports rights).

Purchases of investments amounted to €384 million and related mainly to (i) the continued development of Lagardère Services' airport sales operations, with the acquisition of ADR Retail (Rome airports), UG-Air (Prague airport) and DFS Wellington (sales outlets in airports across Australia and New Zealand); (ii) Lagardère Active's acquisition of a 96% stake in Guide.com; and (iii) Lagardère Unlimited's acquisition of North American firm Gaylord Sports Management (a sports representation agency for golfers and baseball players) and Australian group SMAM (sports marketing and management).

Proceeds from disposals of property, plant and equipment and intangible assets amounted to €20 million in 2012.

Proceeds from disposals of investments came to €65 million and mainly concerned the sale of the joint venture with Marie-Claire in China to Hearst and the sale of Publications Groupe Loisirs, a publishing company owned in partnership with TV Magazine's Socpresse (Dassault group).

As a result, operating and investing activities represented a net outflow of €144 million in 2012, compared to a net inflow of €766 million in 2011. This change is mainly attributable to the cash generated in 2011 on the sale of the International Magazine Publishing business (€648 million) and Radio operations in Russia (€117 million).

### 6.2.2.2 CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES

Net cash provided by financing activities came to €162 million in 2012, primarily reflecting:

- €192 million in dividends paid;
- €64 million in expenses relating to the acquisition of minority interests, including €53 million relating to the 50% interest held by Socpresse in Société de Presse Féminine (SPF) under the agreement signed in 2007, and €8 million in the Services business (Empik Café, AIR);
- proceeds from new borrowings, breaking down as €500 million from the five-year bond issue carried out in October 2012 and an additional €238 million drawdown on the syndicated loan set up in 2011;
- €321 million in repayments of borrowings, including (i) €150 million (euro equivalent amount) for redeeming in advance of term the final tranche of the US Private Placement Notes issued in 2003 and due July 2013; (ii) €123 million for the partial buyback of the bonds issued in 2009 and due 2014; and (iii) €43 million in debt repayments at Lagardère Active.

After taking into account other movements (cash outflows of €13 million due chiefly to the impact of reclassifications on cash), recurring cash and cash equivalents increased by €5 million year-on-year, to €599 million at December 31, 2012.

## 6.2.3 NET DEBT

Net debt breaks down as follows:

| | 31 Dec. 2012 | 31 Dec. 2011 |
|---|---|---|
| Short-term investments and cash and cash equivalents | **703** | 737 |
| Non-current debt | **(2,165)** | (1,843) |
| Current debt | **(238)** | (163) |
| **Net debt** | **(1,700)** | (1,269) |

Changes in net debt during 2012 and 2011 were as follows:

| | 2012 | 2011 |
|---|---|---|
| **Net debt at 1 January** | **(1,269)** | (1,772) |
| Total cash provided by (used in) operating and investing activities | **(144)** | 766 |
| (Acquisitions) disposals of minority interests | **(64)** | (21) |
| (Acquisitions) disposals of treasury shares | **2** | (3) |
| Dividends | **(192)** | (195) |
| Increase (decrease) in short-term investments | **(28)** | (21) |
| Debt related to put options granted to minority shareholders | **2** | 2 |
| Change in financial liabilities following measurement at fair value | **4** | (82) |
| Reclassification of net cash of operations classified as assets held for sale | **-** | 99 |
| Reclassification of debt of operations classified as assets held for sale | **-** | (54) |
| Effect on cash of changes in exchange rates, changes in consolidation scope and other | **(11)** | 12 |
| **Net debt at 31 December** | **(1,700)** | (1,269) |

# 6.3 CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

AFR

## • Consolidated income statement

| (in millions of euros) | | 2012 | 2011 |
|---|---|---|---|
| Net sales | *(Notes 5 and 6)* | **7,370** | 7,657 |
| Other income from ordinary activities | | **352** | 391 |
| **Revenues** | | **7,722** | 8,048 |
| Purchases and changes in inventories | | **(3,629)** | (3,746) |
| Capitalised production | | **3** | (4) |
| Production transferred to inventories | | **144** | 145 |
| External charges | | **(2,132)** | (2,202) |
| Payroll costs | *(Note 7)* | **(1,531)** | (1,600) |
| Depreciation and amortisation other than on acquisition-related intangible assets | | **(220)** | (224) |
| Amortisation of acquisition-related intangible assets and other acquisition-related expenses | | **(35)** | (84) |
| Restructuring costs | *(Note 8)* | **(40)** | (41) |
| Gains (losses) on disposals of assets | *(Note 9)* | **(3)** | 17 |
| Impairment losses on goodwill, property, plant and equipment and intangible assets | *(Note 10)* | **(94)** | (585) |
| Other operating expenses | *(Note 11)* | **(44)** | (62) |
| Other operating income | *(Note 12)* | **26** | 47 |
| Income (loss) from associates | *(Note 19)* | **61** | (198) |
| **Profit (loss) before finance costs and tax** | *(Note 5)* | **228** | (489) |
| Financial income | *(Note 13)* | **11** | 21 |
| Financial expenses | *(Note 13)* | **(93)** | (116) |
| **Profit (loss) before tax** | | **146** | (584) |
| Income tax expense | *(Note 14)* | **(40)** | (105) |
| **Profit (loss) for the year** | | **106** | (689) |
| Attributable to: | | | |
| Owners of the Parent | | **89** | (707) |
| *Minority interests* | *(Note 26.5)* | ***17*** | *18* |
| *Earnings per share – Attributable to owners of the Parent:* | | | |
| *Basic earnings (loss) per share (in €)* | *(Note 15)* | ***0.70*** | *(5.56)* |
| *Diluted earnings (loss) per share (in €)* | *(Note 15)* | ***0.69*** | *(5.56)* |

## • Consolidated statement of comprehensive income

| (in millions of euros) | | **2012** | 2011 |
|---|---|---|---|
| **Profit (loss) for the year** | | **106** | **(689)** |
| Currency translation adjustments | | **9** | - |
| Change in fair value of: | | | |
| - derivative financial instruments | | **(1)** | 4 |
| - investments in non-consolidated companies | | **-** | (2) |
| Actuarial gains and losses on pensions and other post-employment benefit obligations | | **(25)** | (10) |
| Share of other comprehensive income (expense) of associates (net of tax) [(a)] | | **48** | (62) |
| Tax relating to components of other comprehensive income (expense) recognised in equity | | **7** | 2 |
| **Other comprehensive income (expense) for the year, net of tax** | *(Note 26.7)* | **38** | **(68)** |
| **Total comprehensive income (expense) for the year** | | **144** | **(757)** |
| Attributable to:<br>Owners of the Parent | | **126** | (775) |
| Minority interests | *(Note 26.5)* | **18** | 18 |

*(a) The €48 million in income recorded under this item in 2012 related to the EADS group and primarily included a €100 million positive impact from fair value remeasurements of currency hedging instruments and a negative €57 million effect of actuarial gains and losses on pension benefit obligations.*
*The €62 million expense recorded under this item in 2011 also related to the EADS group, and primarily included a €43 million negative impact of actuarial gains and losses on pension benefit obligations and a €30 million negative effect of fair value remeasurements of currency hedging instruments.*

## • Consolidated statement of cash flows

| (in millions of euros) | | 2012 | 2011 |
|---|---|---|---|
| **Profit (loss) for the year** | | **106** | (689) |
| Income tax expense | | **40** | 105 |
| Finance costs, net | | **82** | 95 |
| **Profit (loss) before finance costs and tax** | | **228** | (489) |
| Depreciation and amortisation expense | | **246** | 305 |
| Impairment losses, provision expense and other non-cash items | | **89** | 565 |
| (Gains) losses on disposals of assets | | **3** | (17) |
| Dividends received from associates | | **47** | 35 |
| (Income) loss from associates | | **(61)** | 198 |
| Changes in working capital | | **(21)** | (170) |
| **Cash flows from operations** | | **531** | 427 |
| Interest paid | | **(87)** | (103) |
| Interest received | | **11** | 16 |
| Income taxes paid | | **(64)** | (83) |
| **Net cash from operating activities** | *(A)* | **391** | 257 |
| **Cash used in investing activities** | | | |
| - Purchases of intangible assets and property, plant and equipment | | **(264)** | (253) |
| - Purchases of investments | | **(412)** | (66) |
| - Cash acquired through acquisitions | | **53** | 2 |
| - Purchases of other non-current assets | | **(25)** | (35) |
| **Total cash used in investing activities** | *(B)* | **(648)** | (352) |
| **Cash from investing activities** | | | |
| Proceeds from disposals of non-current assets | | | |
| - Intangible assets and property, plant and equipment | | **20** | 26 |
| - Purchases of investments | | **59** | 779 |
| - Cash transferred on disposals | | **-** | 22 |
| Decrease in other non-current assets | | **6** | 13 |
| **Total cash from investing activities** | *(C)* | **85** | 840 |
| Decrease in short-term investments | *(D)* | **28** | 21 |
| **Net cash from (used in) investing activities** | *(E) = (B) + (C) + (D)* | **(535)** | 509 |
| **Total cash from (used in) operating and investing activities** | *(F) = (A) + (E)* | **(144)** | 766 |
| **Capital transactions** | | | |
| - Proceeds from capital increase by the Parent | | **-** | - |
| - Minority interests' share in capital increases by subsidiaries | | **2** | - |
| - (Acquisitions) disposals of treasury shares | | **2** | (3) |
| - (Acquisitions) disposals of minority interests | | **(64)** | (21) |
| - Dividends paid to owners of the Parent (*) | | **(166)** | (167) |
| - Dividends paid to minority shareholders of subsidiaries | | **(26)** | (28) |
| **Financing transactions** | | | |
| - Increase in debt | | **735** | 553 |
| - Decrease in debt | | **(321)** | (1,104) |
| **Net cash from (used in) financing activities** | *(G)* | **162** | (770) |
| **Other movements** | | | |
| - Effect on cash of changes in exchange rates | | **(1)** | (8) |
| - Effect on cash of reclassification of net cash as assets held for sale and associated liabilities | | **-** | 99 |
| - Effect on cash of other movements | | **(12)** | (4) |
| **Total other movements** | *(H)* | **(13)** | 87 |
| Change in cash and cash equivalents | *(I) = (F) + (G) + (H)* | **5** | 83 |
| **Cash and cash equivalents at beginning of the year** | | **594** | 511 |
| **Cash and cash equivalents at end of the year** | *(Note 25)* | **599** | 594 |

*(*) Including the portion of profit for the year paid to the general partners.*

## • Consolidated balance sheet

| ASSETS (in millions of euros) | | **31.12.2012** | 31.12.2011 |
|---|---|---|---|
| Intangible assets | *(Note 17)* | **1,016** | 746 |
| Goodwill | *(Note 16)* | **1,799** | 1,837 |
| Property, plant and equipment | *(Note 18)* | **739** | 712 |
| Investments in associates | *(Note 19)* | **1,451** | 1,771 |
| Other non-current assets | *(Note 20)* | **132** | 147 |
| Deferred tax assets | *(Note 14)* | **236** | 184 |
| **Total non-current assets** | | **5,373** | 5,397 |
| Inventories | *(Note 21)* | **581** | 542 |
| Trade receivables | *(Note 22)* | **1,255** | 1,276 |
| Other current assets | *(Note 23)* | **1,011** | 963 |
| Short-term investments | *(Note 24)* | **55** | 83 |
| Cash and cash equivalents | *(Note 25)* | **648** | 654 |
| **Total current assets** | | **3,550** | 3,518 |
| | | | |
| **Assets held for sale** | *(Note 32)* | **437** | 13 |
| **Total assets** | | **9,360** | 8,928 |

## • Consolidated balance sheet

| EQUITY AND LIABILITIES (in millions of euros) | | 31.12.2012 | 31.12.2011 |
|---|---|---|---|
| Share capital | | **800** | 800 |
| Reserves | | **2,020** | 2,856 |
| Profit (loss) attributable to owners of the Parent | | **89** | (707) |
| **Equity attributable to owners of the Parent** | | **2,909** | 2,949 |
| Minority interests | *(Note 26.5)* | **82** | 75 |
| **Total equity** | | **2,991** | 3,024 |
| Provisions for pensions and other post-employment benefit obligations | *(Note 27)* | **119** | 101 |
| Non-current provisions for contingencies and losses | *(Note 27)* | **168** | 162 |
| Non-current debt | *(Note 28)* | **2,165** | 1,843 |
| Other non-current liabilities | *(Note 31)* | **93** | 147 |
| Deferred tax liabilities | *(Note 14)* | **290** | 143 |
| **Total non-current liabilities** | | **2,835** | 2,396 |
| Current provisions for contingencies and losses | *(Note 27)* | **293** | 317 |
| Current debt | *(Note 28)* | **238** | 163 |
| Trade payables | | **1,651** | 1,613 |
| Other current liabilities | *(Note 31)* | **1,352** | 1,415 |
| **Total current liabilities** | | **3,534** | 3,508 |
| **Liabilities associated with assets held for sale** | *(Note 32)* | **-** | - |
| **Total liabilities and shareholders' equity** | | **9,360** | 8,928 |

## • Consolidated statement of changes in equity

| (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 | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2011** | **800** | **888** | **2,511** | **(204)** | **55** | **(164)** | **3,886** | **132** | **4,018** |
| Profit (loss) for the year | | | (707) | | | | **(707)** | 18 | **(689)** |
| Other comprehensive income (expense) for the year [(a)] | | | (50) | | (3) | (12) | **(65)** | (3) | **(68)** |
| **Total comprehensive income (expense) for the year** | | | **(757)** | | **(3)** | **(12)** | **(772)** | **15** | **(757)** |
| Dividends paid | | | (167) | | | | **(167)** | (28) | **(195)** |
| Parent company capital reduction [(b)] | | (8) | (6) | 14 | | | **0** | | **0** |
| Minority interests' share in capital increases | | | | | | | **0** | | **0** |
| Changes in treasury shares | | | | (3) | | | **(3)** | | **(3)** |
| Share-based payments | | | 15 | | | | **15** | | **15** |
| Effect of transactions with minority interests | | | (10) | | | | **(10)** | (1) | **(11)** |
| Changes in consolidation scope and other | | | | | | | **0** | (43) | **(43)** |
| **At 31 December 2011** | **800** | **880** | **1,586** | **(193)** | **52** | **(176)** | **2,949** | **75** | **3,024** |
| Profit (loss) for the year | | | 89 | | | | **89** | 17 | **106** |
| Other comprehensive income (expense) for the year [(a)] | | | (75) | | 9 | 103 | **37** | 1 | **38** |
| **Total comprehensive income (expense) for the year** | | | **14** | | **9** | **103** | **126** | **18** | **144** |
| Dividends paid | | | (166) | | | | **(166)** | (26) | **(192)** |
| Parent company capital reduction [(b)] | | (10) | (2) | 12 | | | **0** | | **0** |
| Minority interests' share in capital increases | | | | | | | **0** | 2 | **2** |
| Changes in treasury shares | | | | 2 | | | **2** | | **2** |
| Share-based payments | | | 14 | | | | **14** | | **14** |
| Effect of transactions with minority interests | | | (16) | | | | **(16)** | 11 | **(5)** |
| Changes in consolidation scope and other | | | 1 | | (1) | | **0** | 2 | **2** |
| **At 31 December 2012** | **800** | **870** | **1,431** | **(179)** | **60** | **(73)** | **2,909** | **82** | **2,991** |

*(a) See Note 26.7 to the consolidated financial statements.*
*(b) Capital reduction carried out by cancelling treasury shares.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(All figures are expressed in millions of euros unless otherwise specified)

## NOTE 1 ACCOUNTING PRINCIPLES

In application of European Commission Regulation (EC) 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 at 31 December 2012 have been applied. They can be viewed on the European Commission website at: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

The only amendments to existing standards that were mandatory for the first time as from 1 January 2012 were amendments to IFRS 7 – Financial Instruments: Disclosures (Disclosures – Transfers of Financial Assets);

These amendments did not have a material impact on the consolidated financial statements for the year ended 31 December 2012.

In addition, the Group did not elect to early adopt the following new standards and amendments to existing standards which had been endorsed by the European Union at 31 December 2012 but which will only become mandatory subsequent to 2012:

Amendments to IAS 1: Presentation of Items of Other Comprehensive Income;

IAS 19 – Employee Benefits (as amended in 2011 concerning post-employment benefits);

The new standards and amendments to existing standards published by the IASB but not yet endorsed by the European Union at 31 December 2012 were as follows:

Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets;

Amendments to IFRS 1 – Severe hyperinflation;

IFRS 13 – Fair Value Measurement;

Amendments to IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities;

Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities;

IFRS 10 – Consolidated Financial Statements;

IFRS 11 – Joint Arrangements;

IFRS 12 – Disclosure of Interests in Other Entities;

Consequential amendments to IAS 27 (renamed IAS 27 – Separate Financial Statements) and IAS 28 (renamed IAS 28 – Investments in Associates and Joint Ventures), following the issue of IFRS 10, 11 and 12;

Amendments to IFRS 1: Government Loans;

Transition guidance amendments to IFRS 10, 11 and 12;

Amendments to IFRS 10 and 12 and IAS 27: Investment Entities;

Annual improvements to IFRS (published May 2012);

IFRS 9 – Financial Instruments (which will gradually replace IAS 39).

The Group does not expect application of these standards, amendments and interpretations to have a material impact on its financial statements.

These consolidated financial statements were approved for issue by the Managing Partners on 7 March 2013 and are subject to the approval of the General Meeting of Shareholders on 3 May 2013.

### MEASUREMENT PRINCIPLES

The financial statements have been prepared using the historical cost method, except for certain financial assets and liabilities which have been measured at fair value where applicable under IFRS.

### USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of estimates and assumptions to determine the value of assets and liabilities and contingent amounts at the year-end, as well as 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 circumstances.

## NOTE 2 SCOPE AND METHODS OF CONSOLIDATION

### 2.1 SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Parent company as well as those of entities controlled by the Parent company (subsidiaries), jointly-controlled entities (joint ventures) and entities in which the Group exercises significant influence over their management and financial policy decisions (associates). Significant influence is presumed to exist when the Group holds, directly or indirectly, 20% or more of the entity's capital. The methods used to consolidate these different types of entities are described below.

## 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 under the equity method. Under this 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 38.

## 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 (Magazine Publishing) and Partworks sales (Lagardère Publishing) are stated net of distribution fees.

For sales of advertising space, national press distribution (Curtis, subsidiary of 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**

*Excluding:*

- Gains (losses) on disposals of assets;
- Impairment losses on goodwill, property, plant and equipment and intangible assets;
- Restructuring costs;
- Items related to business combinations:
  - Acquisition-related expenses;
  - Gains and losses resulting from acquisition price adjustments;
  - Amortisation of acquisition-related intangible assets.

**= Recurring operating profit**

*Less:*

- Income (loss) from associates before amortisation of acquisition-related intangible assets and impairment losses.

**= Recurring operating profit before associates**

Profit before finance costs and tax includes amortisation of certain intangible assets with finite useful lives which resulted from allocation of the acquisition price of business combinations. The Group neutralises the effects of these items when calculating recurring operating profit and recurring operating profit before associates, so that book amortisation with no effect on cash generated by the businesses acquired is eliminated from the measurement of performance.

Application from 1 January 2010 of the revised versions of IFRS 3 and IAS 27 on business combinations resulted in the recognition in the income statement of the following items that were previously charged to goodwill: acquisition-related expenses and changes in liabilities corresponding to earn-out clauses when such changes occur more than 12 months after the acquisition date. These items are excluded from the calculation of recurring operating profit.

The reconciliation of recurring operating profit before associates to profit before finance costs and tax for 2012 and 2011 is presented in note 5.1

## 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 senior managers 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 grants, taking into account the plan's features (exercise price and period), market factors at the grant date (risk-free interest rate, share price, volatility, projected dividends) and behavioural assumptions relating to beneficiaries.

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 or share grants 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, and 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 in 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 credits and tax loss carryforwards 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. As a general rule, the amount of deferred tax assets recognised by tax entities that have tax loss carryforwards is capped at the equivalent of the estimated amount of taxes payable for the next three years, as determined based on the earnings forecasts contained in the budgets drawn up at the end of each year.

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 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 or loss 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

Since 1 January 2010, business combinations have been recorded in compliance with the revised versions of IFRS 3 and IAS 27.

Goodwill generally corresponds to the excess of the cost of an acquisition over the acquisition-date fair value of the acquirer's interest in the net identifiable assets acquired and liabilities assumed. This is defined as the "partial goodwill" method, as minority interests are measured based on their share in the assets and liabilities of the acquired entity.

However, it is also possible to measure minority interests at fair value, which results in the 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. In accordance with IFRS 3, the Group can opt to use either the partial or full goodwill method on a transaction by transaction basis for each business combination.

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 or loss.

Where there is a change in ownership interest in a subsidiary that does not result in loss of control, the transaction is accounted for as an equity transaction with owners, leading to a new allocation of equity between owners of the Parent and minority interests. Consequently the goodwill initially recognised when the Group took control of the subsidiary is not remeasured and the difference between the price paid/consideration received for the new transaction and the change in minority interests is recognised directly in equity.

Where a change in ownership interest results in a loss or gain of control of an entity, the Group's interest in the entity concerned prior to the disposal/acquisition is remeasured at fair value and the resulting gain or loss on the disposal/acquisition is recognised in profit or loss.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Acquisition-related expenses are recognised in the income statement in the year in which they are incurred. Any adjustments to the purchase price of a business combination – including earn-out payments – occurring more than 12 months after the acquisition date are recorded in profit or loss.

Goodwill is not amortised but is tested for impairment at each year-end or whenever there is an indication that its 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 disposal gain or loss.

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 amortisation and any accumulated impairment losses. They are amortised over their probable useful life. Intangible assets with an indefinite useful life are not amortised but are tested regularly for impairment in the same way as goodwill (see note 3.10).

No development costs are incurred in the Group's Media business that meet the capitalisation criteria 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 with its carrying amount. The recoverable amount of goodwill and intangible assets with an indefinite useful 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.

Recoverable amount corresponds to the higher of:

- value in use calculated using the discounted cash flows method, applied to the individual asset or to the cash-generating unit to which the asset belongs;
- fair value calculated using the market comparables method or a method based on 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 judgements to determine trends in the markets in which the Group operates, and actual future cash flows may differ from the estimates used to calculate value in use.

The discount rates used are post-tax rates determined separately for each business, applied to post-tax cash flows.

## 3.11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured using the historical cost method. The Group did not elect to apply the option available under IFRS 1 "First-Time Adoption of International Financial Reporting Standards" to measure items of property, plant and equipment at their fair value at the IFRS transition date (1 January 2004). Furthermore, as the Group's 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 Group 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 in 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.

Where it is possible to measure the fair value of these investments, and their fair value exceeds their 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 as follows:

- 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 with their 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 or loss.

### LOANS AND RECEIVABLES

Loans and receivables are measured at amortised cost, calculated using 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 or 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 amortised cost using 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 set 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 profit for the year is presented in two separate lines: profit attributable to owners of the Parent and profit attributable to minority interests, based on the legal rights effectively held.

For put options granted prior to 1 January 2010 – the effective date of IFRS 3 (revised) relating to business combinations – any change in the estimated amount of the debt is recognised 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 or loss.

However, certain derivative instruments are qualified as fair value hedges (mainly of currency and interest rate risks on debt) or cash flow hedges (on 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.

The accounting impacts of applying hedge accounting are as follows:

- 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 or loss 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 or loss.

The cumulative gains and losses recognised in equity are reclassified into profit or 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 PENSIONS AND OTHER POST-EMPLOYMENT 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 benefit 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, under which 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 categories of employees covered.

Since 1 January 2007, the Group has applied the option allowed by IAS 19 (revised) under which actuarial gains and losses arising from changes in the assumptions used in measuring obligations can be recognised directly in equity.

## 3.19 PROVISIONS FOR CONTINGENCIES AND LOSSES

A provision is recognised when (i) the Group has a present obligation as a result of a past event, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and (iii) 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 carrying amount will be recovered principally through a sale transaction rather than through continuing 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 and liabilities are stated at the lower of their carrying amount and estimated sale price, less costs to sell. 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

The main changes in the scope of consolidation in 2012, which did not have a material impact on the consolidated financial statements, are described below:

### Lagardère Active

- Sale on 1 February 2012 of the joint venture held with Marie Claire in China, completing the divestment process begun in 2011 of all of the Group's International Magazine Publishing (PMI) operations.

  In 2011 PMI operations – which were deconsolidated as from their respective sale dates – contributed €366 million to consolidated net sales and €39 million to recurring operating profit before associates. The Radio business in Russia (Europa Media Group), which was deconsolidated at end-2011, generated €47 million in net sales in 2011 and €10 million in recurring operating profit before associates.
- Acquisition of a 96% interest in LeGuide.com group, an online shopping guide operator, which has been fully consolidated since 1 July 2012.
- Sale in July 2012 of Publications Groupe Loisirs, a publishing company owned in partnership with TV Magazine (Socpresse).
- Sale and deconsolidation as from 1 October 2012 of the digital marketing agencies making up the Nextidea group.
- Acquisition at end-2012 of the online ticketing site Billetreduc.com whose balance sheet was consolidated at 31 December 2012 and whose income statement will be consolidated as from 1 January 2013.

### Lagardère Services

- Ongoing expansion in Lagardère Services' airport travel retail activities:
  - The acquisition of the following entities, which have been fully consolidated:
    - UG-Air (duty free – Prague airport), effective 1 January 2012;
    - Airport Fashion (fashion – Geneva airport), effective 1 March 2012;
    - Duty Free Stores Wellington Limited (duty free – airports in Australia and New Zealand), effective 1 July 2012;
    - AdR Retail (concession operator of duty free/duty paid stores in two airports in Rome), effective 1 October 2012.
  - The formation of Lyon Duty Free in partnership with Aéroport de Lyon, and taking over the Reunion Island airport retail concession operations under a partnership with Servair, with these businesses accounted for by the equity method since 1 January and 1 March 2012 respectively.
- Acquisition of a 60% interest in the Spanish company Celeritas, which specialises in logistics services for the e-commerce sector and has been fully consolidated since 1 September 2012.
- Sale of the Swiss book retailer, OLF, which has been deconsolidated since 1 October 2012.

### Lagardère Unlimited

- Acquisition of the following entities which have been fully consolidated:
  - The North American group Gaylord Sports Management (an 80% stake) – a sports representation agency for golf and baseball players (renamed LU Arizona) – effective 1 January 2012;
  - The Australian group SMAM – a consulting firm specialised in the marketing of sports rights – effective 13 September 2012.
- Acquisition of an additional stake in the German group Zaechel AG – an agency specialising in sports event promotion and hospitality services – raising Lagardère Unlimited's interest to 90% from 30%. Previously accounted for by the equity method, Zaechel AG has been fully consolidated since 1 May 2012.

### EADS

In 2012 EADS was accounted for by the equity method based on the Group's interest 7.39% interest at 31 December 2012. The decrease from 7.5% at the 2011 year-end was due to the dilutive impact of share issues carried out by EADS in 2012 in order to allocate newly-issued shares to employees following the exercise of stock options and in connection with the 2012 employee share ownership plan.

At 31 December 2012, Lagardère's shares in EADS were reclassified as assets held for sale in the consolidated balance sheet, based on their carrying amount at that date. See note 32 for details of the reasons for this reclassification.

## NOTE 5 SEGMENT INFORMATION

Lagardère's main businesses are carried out through Lagardère Media, which comprises the following divisions:

- Lagardère Publishing: publication of works in the General Literature, Education, Illustrated Books and Partworks markets;
- Lagardère Active, which comprises:
  - Audiovisual and Digital businesses including special interest television channels, Audiovisual Production and Distribution, and Radio and Advertising Sales Brokerage;
  - Press activities, principally mainstream Magazine Publishing.
- Lagardère Services: Travel Retail, Distribution;
- Lagardère Unlimited, which specialises in sports and Entertainment businesses: management of broadcasting rights; marketing of rights and associated products; organisation and management of events; consulting in the management and operation of stadiums and multipurpose venues; talent representation; management of sports training academies.

At 31 December 2012 the Group also held:

- A 7.39 % 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 a full range of services associated with these products;
- A 20% interest in the Canal+ France group which is no longer included within the scope of Lagardère Media.

In addition to the above 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, and 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

### • 2012 income statement

| | Lagardère Publishing | Lagardère Active | Lagardère Services | Lagardère Unlimited | Lagardère Media | Other Activities (*) | Total |
|---|---|---|---|---|---|---|---|
| Net sales | 2,106 | 1,016 | 3,809 | 472 | 7,403 | | 7,403 |
| Inter-segment sales | (29) | (2) | - | (2) | (33) | | (33) |
| **Consolidated net sales** | **2,077** | **1,014** | **3,809** | **470** | **7,370** | | **7,370** |
| **Recurring operating profit (loss) before associates** | **223** | **64** | **104** | **(33)** | **358** | **(19)** | **339** |
| Income from associates before impairment losses and amortisation of acquisition-related intangible assets | - | 8 | 7 | 1 | 16 | 89 | 105 |
| **Recurring operating profit (loss)** | **223** | **72** | **111** | **(32)** | **374** | **70** | **444** |
| Restructuring costs | (3) | (28) | (7) | (2) | (40) | | (40) |
| Gains (losses) on disposals of assets | 3 | (4) | (3) | 1 | (3) | | (3) |
| Impairment losses (**) | (6) | (34) | (6) | (49) | (95) | (43) | (138) |
| Fully consolidated companies | (6) | (33) | (6) | (49) | (94) | | (94) |
| Companies accounted for by the equity method | - | (1) | | | (1) | (43) | (44) |
| Amortisation of acquisition-related intangible assets and other acquisition-related expenses (***) | (1) | (3) | (15) | (16) | (35) | | (35) |
| **Profit (loss) before finance costs and tax (*)** | **216** | **3** | **80** | **(98)** | **201** | **27** | **228** |
| Finance costs, net | (1) | (4) | (4) | (16) | (25) | (57) | (82) |
| **Profit (loss) before tax (*)** | **215** | **(1)** | **76** | **(114)** | **176** | **(30)** | **146** |
| **Items included in recurring operating profit (loss)** | | | | | | | |
| Depreciation and amortisation of intangible assets and property, plant and equipment | (23) | (15) | (63) | (111) | (212) | (8) | (220) |
| Cost of stock option plans | (3) | (4) | (2) | (1) | (10) | (3) | (13) |

*(*) Including EADS: €89 million (income from associates) and Canal+ France: a negative €43 million (impairment losses on associates).*
*(**) Impairment losses on goodwill, property, plant and equipment and intangible assets.*
*(***) Including acquisition-related expenses: €9 million.*

## • 2011 income statement

| | Lagardère Publishing | Lagardère Active | Lagardère Services | Lagardère Unlimited | Lagardère Media | Other Activities (*) | Total |
|---|---|---|---|---|---|---|---|
| Net sales | 2,072 | 1,454 | 3,724 | 454 | 7,704 | - | 7,704 |
| Inter-segment sales | (34) | (13) | - | - | (47) | - | (47) |
| **Consolidated net sales** | **2,038** | **1,441** | **3,724** | **454** | **7,657** | **-** | **7,657** |
| **Recurring operating profit (loss) before associates** | **221** | **95** | **105** | **(6)** | **414** | **(12)** | **402** |
| Income from associates before impairment losses and amortisation of acquisition-related intangible assets | 1 | 21 | 9 | 1 | 33 | 79 | 112 |
| **Recurring operating profit (loss)** | **222** | **116** | **114** | **(5)** | **447** | **67** | **514** |
| Restructuring costs | (1) | (16) | (14) | (10) | (41) | - | (41) |
| Gains (losses) on disposals of assets | (4) | 22 | - | - | 18 | (1) | 17 |
| Impairment losses (**) | | | | | | | |
| Fully consolidated companies | (3) | (27) | (5) | (550) | (585) | - | (585) |
| Companies accounted for by the equity method | - | - | - | - | - | (310) | (310) |
| Amortisation of acquisition-related intangible assets and other acquisition-related expenses (***) | (1) | - | (9) | (74) | (84) | - | (84) |
| **Profit (loss) before finance costs and tax (*)** | 213 | 95 | 86 | (639) | (245) | (244) | (489) |
| Finance costs, net | - | (27) | (2) | (15) | (44) | (51) | (95) |
| **Profit (loss) before tax (*)** | **213** | **68** | **84** | **(654)** | **(289)** | **(295)** | **(584)** |
| **Items included in recurring operating profit (loss)** | | | | | | | |
| Depreciation and amortisation of intangible assets and property, plant and equipment | (24) | (21) | (60) | (112) | (217) | (7) | (224) |
| Cost of stock option plans | (3) | (4) | (2) | (1) | (10) | (4) | (14) |

*(*) Including EADS: €79 million (income from associates) and Canal+ France: a negative €310 million (impairment losses on associates).*
*(**) Impairment losses on goodwill, property, plant and equipment and intangible assets.*
*(***) Including acquisition-related expenses: €2 million.*

## • 2012 statement of cash flows

| | Lagardère Publishing | Lagardère Active | Lagardère Services | Lagardère Unlimited | Lagardère Media | Other Activities and eliminations | Total |
|---|---|---|---|---|---|---|---|
| Cash flows from operations | 196 | 73 | 127 | 121 | **517** | 14 | **531** |
| Interest paid and received, income taxes paid | (50) | (57) | (31) | (19) | **(157)** | 17 | **(140)** |
| **Net cash from operating activities** | **146** | **16** | **96** | **102** | **360** | **31** | **391** |
| Cash used in investing activities | (49) | (101) | (347) | (146) | **(643)** | (5) | **(648)** |
| *– Purchases of intangible assets and property, plant and equipment* | *(43)* | *(10)* | *(99)* | *(108)* | ***(260)*** | *(4)* | ***(264)*** |
| *– Purchases of investments* | *(6)* | *(91)* | *(248)* | *(38)* | ***(383)*** | *(1)* | ***(384)*** |
| Proceeds from disposals of non-current assets | 12 | 60 | 11 | 1 | **84** | 1 | **85** |
| *– Intangible assets and property, plant and equipment* | *11* | - | *8* | *1* | ***20*** | - | *20* |
| *– Investments* | *1* | *60* | *3* | - | ***64*** | *1* | *65* |
| (Increase) decrease in short-term investments | - | - | 28 | - | **28** | - | **28** |
| **Net cash used in investing activities** | **(37)** | **(41)** | **(308)** | **(145)** | **(531)** | **(4)** | **(535)** |
| **Total cash from (used in) operating and investing activities** | **109** | **(25)** | **(212)** | **(43)** | **(171)** | **27** | **(144)** |

## • Balance sheet at 31 December 2012

| | Lagardère Publishing | Lagardère Active | Lagardère Services | Lagardère Unlimited | Lagardère Media | Other Activities and eliminations | Total |
|---|---|---|---|---|---|---|---|
| Segment assets | 2,194 | 1,735 | 1,599 | 944 | **6,472** | 297 | **6,769** |
| Investments in associates | 20 | 260 | 13 | 4 | **297** | 1,154 | **1,451** |
| Segment liabilities | (1,155) | (1,064) | (1,128) | (625) | **(3,972)** | 6 | **(3,966)** |
| **Capital employed** | **1,059** | **931** | **484** | **323** | **2,797** | **1,457** | **4,254** |
| **Assets held for sale and associated liabilities** | | | | | | | **437** |
| **Net debt** | | | | | | | **(1,700)** |
| **Equity** | | | | | | | **2,991** |

## • 2011 statement of cash flows

| | Lagardère Publishing | Lagardère Active | Lagardère Services | Lagardère Unlimited | Lagardère Media | Other Activities and eliminations | Total |
|---|---|---|---|---|---|---|---|
| Cash flows from operations | 186 | 54 | 116 | 86 | **442** | (15) | **427** |
| Interest paid and received, income taxes paid | (56) | (75) | (30) | (30) | **(191)** | 21 | **(170)** |
| **Net cash from (used in) operating activities** | **130** | **(21)** | **86** | **56** | **251** | **6** | **257** |
| Cash used in investing activities | (45) | (33) | (106) | (151) | **(335)** | (17) | **(352)** |
| – *Purchases of intangible assets and property, plant and equipment* | *(29)* | *(15)* | *(80)* | *(113)* | ***(237)*** | *(16)* | ***(253)*** |
| – *Purchases of investments* | *(16)* | *(18)* | *(26)* | *(38)* | ***(98)*** | *(1)* | ***(99)*** |
| Proceeds from disposals of non-current assets | (5) | 816 | 19 | 10 | **840** | - | **840** |
| – *Intangible assets and property, plant and equipment* | - | *2* | *19* | *5* | ***26*** | - | *26* |
| – *Investments* | *(5)* | *814* | - | *5* | ***814*** | - | *814* |
| (Increase) decrease in short-term investments | - | - | 21 | - | **21** | - | **21** |
| **Net cash from (used in) investing activities** | **(50)** | **783** | **(66)** | **(141)** | **526** | **(17)** | **509** |
| **Total cash from (used in) operating and investing activities** | **80** | **762** | **20** | **(85)** | **777** | **(11)** | **766** |

## • Balance sheet at 31 December 2011

| | Lagardère Publishing | Lagardère Active | Lagardère Services | Lagardère Unlimited | Lagardère Media | Other Activities and eliminations | Total |
|---|---|---|---|---|---|---|---|
| Segment assets | 2,149 | 1,749 | 1,159 | 1,032 | **6,089** | 317 | **6,406** |
| Investments in associates | 18 | 259 | 15 | 5 | **297** | 1,474 | **1,771** |
| Segment liabilities | (1,139) | (1,136) | (987) | (639) | **(3,901)** | 4 | **(3,897)** |
| **Capital employed** | **1,028** | **872** | **187** | **398** | **2,485** | **1,795** | **4,280** |
| **Assets held for sale and associated liabilities** | | | | | | | **13** |
| **Net debt** | | | | | | | **(1,269)** |
| **Equity** | | | | | | | **3,024** |

## 5.2 INFORMATION BY GEOGRAPHICAL SEGMENT

### • Net sales

| | 2012 | 2011 |
|---|---|---|
| France | **2,687** | 2,754 |
| European Union (excl. France) | **2,723** | 2,748 |
| Other European countries | **502** | 619 |
| USA and Canada | **753** | 807 |
| Middle East | **33** | 36 |
| Asia-Pacific | **527** | 573 |
| Other (Africa, Latin America) | **145** | 120 |
| **Total** | **7,370** | 7,657 |

### • Segment assets

| | 31.12.2012 | 31.12.2011 |
|---|---|---|
| France | **3,098** | 3,149 |
| European Union (excl. France) | **2,113** | 1,759 |
| Other European countries | **254** | 243 |
| USA and Canada | **806** | 765 |
| Middle East | **-** | - |
| Asia-Pacific | **460** | 453 |
| Other (Africa, Latin America) | **38** | 37 |
| **Total** | **6,769** | 6,406 |

### • Purchases of intangible assets and property, plant and equipment

| | 2012 | 2011 |
|---|---|---|
| France | **66** | 66 |
| European Union (excl. France) | **106** | 100 |
| Other European countries | **29** | 25 |
| USA and Canada | **13** | 11 |
| Asia-Pacific | **49** | 50 |
| Other (Africa, Latin America) | **1** | 1 |
| **Total** | **264** | 253 |

## NOTE 6 NET SALES

Consolidated net sales contracted 3.7% in 2012 on a reported basis and 0.2% based on a comparable group structure and exchange rates (like-for-like).

Like-for-like net sales were calculated by adjusting:

- 2012 net sales to exclude companies consolidated for the first time during the year, and 2011 net sales to exclude companies divested in 2012;
- 2011 net sales based on 2012 exchange rates.

Net sales break down as follows:

| | 2012 | 2011 |
|---|---|---|
| Sales of goods and services | **6,828** | 6,770 |
| Advertising revenue | **526** | 858 |
| Barter transactions | **16** | 29 |
| **Total** | **7,370** | 7,657 |

## NOTE 7 EMPLOYEE DATA

### 7.1 AVERAGE NUMBER OF EMPLOYEES

The average number of employees of fully consolidated companies breaks down as follows by division:

| | **2012** | 2011 |
|---|---|---|
| Lagardère Publishing | **7,109** | 7,326 |
| Lagardère Active | **5,081** | 7,870 |
| Lagardère Services | **10,454** | 10,187 |
| Lagardère Unlimited | **1,174** | 1,110 |
| **Lagardère Media** | **23,818** | 26,493 |
| Other Activities | **250** | 251 |
| **Total** | **24,068** | 26,744 |

### 7.2 PAYROLL COSTS

| | **2012** | 2011 |
|---|---|---|
| Wages and salaries | **1,226** | 1,281 |
| Payroll taxes | **292** | 305 |
| Share-based payments | **13** | 14 |
| **Total** | **1,531** | 1,600 |

### 7.3 SHARE-BASED PAYMENTS

#### STOCK OPTION PLANS

In past years up to and including 2006, the Managing Partners granted stock options on Lagardère SCA shares to certain members of management and employees of the Group under shareholder-approved plans. The main features of the stock option plans outstanding at 1 January 2012 are presented in note 26.2.

In accordance with the principles described in note 3.5 "Share-based payments", the options granted were measured at fair value at the grant date. Under the plans' terms and conditions, stock options vest after a two-year period and lapse ten years after their grant date.

Details of outstanding stock options and movements in 2011 and 2012 are presented below:

| | **Number of options** | **Weighted average exercise price (in euros)** |
|---|---|---|
| **Options outstanding at 31 December 2010** | **5,756,583** | **54.29** |
| Options cancelled | (53,261) | 53.97 |
| Options exercised | - | - |
| **Options outstanding at 31 December 2011** | **5,703,322** | **54.29** |
| Options cancelled | (175,761) | 54.56 |
| Options exercised | | |
| **Options outstanding at 31 December 2012** | **5,527,561** | **54.29** |
| *Including exercisable options* | *5,527,561* | *54.29* |

The stock options outstanding at 31 December 2012 were exercisable at prices ranging between €51.45 and €56.97 and their average term to maturity was 2.55 years.

#### SHARE GRANT PLANS

In 2009, 2010, 2011 and 2012 the Group set up plans to award free shares to employees and the Co-Managing Partners. The number of shares awarded under these plans was as follows:

- 1 October 2009 and 31 December 2009 plans: 571,525 shares;
- 17 December 2010 plan: 634,950 shares;
- 15 July 2011 and 29 December 2011 plans: 650,000 shares;
- 25 June 2012 plan: 645,800 shares.

For Group employees these plans do not include any performance conditions and the shares vest after a two-year period, provided the beneficiaries have remained in the Group's employment throughout that time. For beneficiaries who are not residents in France for tax purposes, the shares vest at the end of a four-year period provided that the beneficiaries have remained in the Group's employment for two years.

For the Co-Managing Partners, final allocation of the shares is conditional on:

- the beneficiaries remaining with the Group until at least 1 April 2015, 2014, 2013 and 2012 under the 2012, 2011, 2010 and 2009 plans, respectively;
- achievement of objectives based on criteria internal to the Group (consolidated recurring operating profit and net cash flows from operating activities), with the number of shares allocated reduced accordingly if these objectives are not met.

### ASSUMPTIONS USED TO CALCULATE FAIR VALUE

The assumptions underlying the plans for which an expense was recognised in the 2012 and 2011 financial statements were as follows:

| | Free shares | | | | | |
|---|---|---|---|---|---|---|
| | 25 June 2012 Plan | 29 Dec. 2011 Plan | 15 July 2011 Plan | 17 Dec. 2010 Plan | 31 Dec. 2009 Plan | 1 Oct. 2009 Plan |
| Share price at grant date (€) | 20.43 | 19.71 | 27.53 | 29.30 | 28.41 | 31.58 |
| Expected dividend | Between 6.4% and 6.5% | Between 6.6% and 6.8% | Between 6.6% and 6.8% | Between 4.5% and 4.7% | 4.6% | 4% |

Share-based payment expense recognised by fully consolidated companies amounted to €13 million in 2012 and €14 million in 2011.

## NOTE 8 RESTRUCTURING COSTS

Restructuring costs for 2012 totalled €40 million, including (i) €28 million incurred by Lagardère Active, mainly as part of the ongoing cost streamlining programme, (ii) €7 million by Lagardère Services for distribution activities, (iii) €3 million by Lagardère Publishing in the United Kingdom (mainly related to the sale of the Education division), and (iv) €2 million by Lagardère Unlimited.

In 2011 restructuring costs amounted to €41 million and mainly concerned Lagardère Active (€16 million), Lagardère Services (€14 million) and Lagardère Unlimited (€10 million).

## NOTE 9 GAINS (LOSSES) ON DISPOSALS OF ASSETS

In 2012 this item represented a net loss of €3 million. The main disposal loss recorded during the year was €6 million on the sale of the Nextidea group that formed part of the Lagardère Active division.

In 2011 the Group recorded a €17 million net gain on disposals of assets, including:

- a €16 million gain on the sale of the Group's 34 % stake in Le Monde Interactif;
- an €8 million gain on the sale of property assets held by Lagardère Services;
- a €6 million loss on the sale of BSSL (Publishing division).

## NOTE 10 IMPAIRMENT LOSSES ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

The impairment losses recorded in 2012 reflect the impairment tests performed as described in note 3.10.

Impairment tests for goodwill and intangible assets with indefinite useful lives are performed at the level of the cash-generating units (CGUs) to which the assets belong. The Group's CGUs represent the level at which the assets concerned are monitored for internal management purposes. A CGU may correspond to a legal entity or a group of legal entities when the businesses conducted are similar and are managed on a combined basis.

The following table sets out the amounts of goodwill and intangible assets with indefinite useful lives by CGU at 31 December:

| | Number of CGUs | | Carrying amount of goodwill | | Carrying amount of intangible assets with indefinite useful lives | | Total carrying amount of tested assets | |
|---|---|---|---|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 |
| Publishing | **15** | 16 | **855** | 865 | **38** | 39 | **893** | 904 |
| Active | **30** | 29 | **618** | 587 | **213** | 208 | **831** | 795 |
| - Magazine Publishing | **4** | 4 | **283** | 311 | **171** | 166 | **454** | 477 |
| - Audiovisual | **21** | 21 | **179** | 181 | **42** | 42 | **221** | 223 |
| - Digital | **5** | 4 | **156** | 95 | **-** | - | **156** | 95 |
| Services | **15** | 14 | **185** | 177 | **4** | 3 | **189** | 180 |
| Unlimited | **1** | 1 | **141** | 163 | **8** | 8 | **149** | 171 |
| Other Activities | **-** | 1 | **-** | 45 | **-** | - | **-** | 45 |
| **Total** | **61** | **61** | **1,799** | **1,837** | **263** | **258** | **2,062** | **2,095** |

The following table shows the breakdown of the main CGUs by division:

| | Number of CGUs | | Carrying amount of goodwill | | Carrying amount of intangible assets with indefinite useful lives | | Total carrying amount of tested assets | |
|---|---|---|---|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 |
| **Publishing** | **15** | **16** | **855** | **865** | **38** | **39** | **893** | **904** |
| Editis group | **5** | 5 | **238** | 238 | **1** | 2 | **239** | 240 |
| Hachette UK Holding group | **1** | 1 | **253** | 254 | **25** | 25 | **278** | 279 |
| Hachette Book Group (USA) | **1** | 1 | **223** | 227 | **-** | - | **223** | 227 |
| Hatier group | **1** | 1 | **84** | 84 | **-** | - | **84** | 84 |
| Hachette Livre España – Salvat | **1** | 1 | **22** | 27 | **-** | - | **22** | 27 |
| Pika Edition | **1** | 1 | **14** | 14 | **-** | - | **14** | 14 |
| Les Éditions Albert René | **1** | 1 | **11** | 11 | **-** | - | **11** | 11 |
| Other | **4** | 5 | **10** | 10 | **12** | 12 | **22** | 22 |
| **Active** | **30** | **29** | **618** | **587** | **213** | **208** | **831** | **795** |
| **Magazine Publishing** | **4** | 4 | **283** | 311 | **171** | 166 | **454** | 477 |
| Lagardère Active | **1** | 1 | **184** | 217 | **-** | - | **184** | 217 |
| Société de Presse Féminine | **1** | 1 | **50** | 46 | **2** | 2 | **52** | 48 |
| France Magazine Publishing | **1** | 1 | **45** | 44 | **169** | 164 | **214** | 208 |
| Régie - Interquot | **1** | 1 | **4** | 4 | **-** | - | **4** | 4 |
| **Audiovisual** | **21** | 21 | **179** | 181 | **42** | 42 | **221** | 223 |
| Lagardère Active Broadcast | **1** | 1 | **70** | 70 | **-** | - | **70** | 70 |
| International radio | **5** | 5 | **46** | 45 | **-** | - | **46** | 45 |
| Audiovisual production | **11** | 11 | **32** | 35 | **2** | 3 | **34** | 38 |
| RFM | **1** | 1 | **-** | - | **16** | 16 | **16** | 16 |
| Channels: Lagardère Active TV | **1** | 1 | **31** | 31 | **1** | 1 | **32** | 32 |
| Channels: Lagardère Thématiques | **1** | 1 | **-** | - | **19** | 19 | **19** | 19 |
| Channel: Mezzo | **1** | 1 | **-** | - | **3** | 3 | **3** | 3 |
| **Digital** | **5** | 4 | **156** | 95 | **-** | - | **156** | 95 |
| Doctissimo | **1** | 1 | **49** | 71 | **-** | - | **49** | 71 |
| Newsweb | **1** | 1 | **16** | 16 | **-** | - | **16** | 16 |
| Nextidea (sold in 2012) | **-** | 1 | **-** | 8 | **-** | - | **-** | 8 |
| Add-on Factory | **1** | 1 | **1** | - | **-** | - | **1** | - |
| Le Guide.com (acquired in 2012) | **1** | - | **75** | - | **-** | - | **75** | - |
| Billetreduc.com (acquired in 2012) | **1** | - | **15** | - | **-** | - | **15** | - |
| **Services** | **15** | **14** | **185** | **177** | **4** | **3** | **189** | **180** |
| Payot Naville Distribution group (Switzerland) | **1** | 1 | **35** | 40 | **-** | - | **35** | 40 |
| Newslink (Australia) | **1** | 1 | **32** | 32 | **-** | - | **32** | 32 |
| Aelia CZ (Czech Republic) | **1** | 1 | **24** | 17 | **-** | - | **24** | 17 |
| Curtis (United States) | **1** | 1 | **20** | 20 | **-** | - | **20** | 20 |
| Lapker group (Hungary) | **1** | 1 | **14** | 13 | **-** | - | **14** | 13 |
| HDS Retail CZ (Czech Republic) | **1** | 1 | **11** | 11 | **-** | - | **11** | 11 |
| SGEL Distribution and Celeritas (Spain) | **1** | 1 | **10** | 7 | **-** | - | **10** | 7 |
| LS Travel Retail Hong Kong | **1** | 1 | **10** | 10 | **-** | - | **10** | 10 |
| Other | **7** | 6 | **29** | 26 | **4** | 3 | **33** | 29 |
| **Unlimited** | **1** | **1** | **141** | **163** | **8** | **8** | **149** | **171** |
| **Other Activities** | (*) | **1** | (*) | **45** | **-** | **-** | **-** | **45** |
| **Total** | **61** | **61** | **1,799** | **1,837** | **263** | **258** | **2,062** | **2,095** |

*(*) Goodwill reclassified to assets held for sale at 31 December 2012 (see note 32).*

The estimated future cash flows used in the impairment tests are based on the internal budgets drawn up at the end of the year. They are determined using key assumptions and assessments that factor in the effects of the economic environment – as identified at the date of the budget – on forecast future cash flows for the coming three years, apart from in the specific area of sporting events for which forecast cash flows are calculated beyond three years.

The cash flows are discounted using a post-tax discount rate specific to each business. A perpetuity growth rate – which is also specific to each business – is used for periods subsequent to those covered in the budgets.

The discount rates used for each business were as follows in 2012 and 2011:

| | Discount rate | | Perpetuity growth rate | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| Publishing | **8.02%** | 7.29% | **2.00%** | 2.00% |
| Active | | | | |
| - Magazine Publishing | **8.46%** | 7.86% | **1.50%** | 1.50% |
| - Audiovisual | **9.46%** | 8.99% | **1.50%** | 1.50% |
| - Digital (*) | **9.46%** | 8.99% | **3.00%** | 3.00% |
| Services | **8.44%** | 9.65% | **2.00%** | 2.00% |
| Unlimited | | | | |
| - Europe/United States | **9.48%** | 9.30% | **2.00%** | 2.00% |
| - Asia | **9.48%** | 9.30% | **3.50%** | 3.50% |

*(*) For these operations specific growth rates ranging between 4.00% and 5.00% were applied for the first few years after the period covered in the budget.*

The discount rates applied are calculated based on the average financial returns observed during the year for samples of companies operating in comparable business sectors. These are provided by an independent financial organisation and may vary based on share prices and the organisation's assessment of the macro- and micro-economic outlook.

The samples used are reviewed and updated every year in order to take account of changes in the competitive environment and market participants. This can lead to an elimination of certain components of the basket whose business models are not judged to be sufficiently correlated to the Group's, and inversely, to the addition of new components. There were no significant changes in the basket of sample companies used in 2012 compared with 2011.

### RECOGNISED IMPAIRMENT LOSSES

Impairment losses recorded by consolidated companies amounted to €94 million in 2012 (€87 million for goodwill and €7 million for property, plant and equipment).

Goodwill impairment losses broke down as follows:

- €49 million for Lagardère Unlimited;
- €28 million for Lagardère Active, of which €27 million related to digital operations (€22 million for Doctissimo and €5 million for Nextidea);
- €5 million for Lagardère Services distribution activities in Switzerland;
- €5 million for Lagardère Publishing's partworks activities in Spain.

The main impairment loss recognised for property, plant and equipment during the year was a €5 million write-down of an investment property in Italy as a result of the sluggish local property market.

In 2011, impairment losses recorded by consolidated companies totalled €585 million and broke down as (i) €550 million for Lagardère Unlimited, (ii) €27 million for Lagardère Active's digital operations, (iii) €5 million for Lagardère Services, and (iv) €3 million for Lagardère Publishing.

### SENSITIVITY TO CHANGES IN KEY BUDGET ASSUMPTIONS

The operating projections contained in the Group's budgets are based on assumptions. Changes in these assumptions directly impact the calculation of value in use and may give rise to the recognition of impairment losses or influence the amount of any impairment recognised.

The key assumptions used for the forecasts relate to expected developments in the following main areas:

- Publishing: market trends, market share and profit margins; overhead rates determined based on established action plans.
- Active: advertising market trends and market share for all media (radio, television, press and Internet); market trends for the Magazine Publishing business in France, including the impact on advertising revenues; changes brought about by the switch to digital; and the cost of paper.
- Services: passenger volumes by platform (airports, railway stations, etc.); lease payments for retail outlets; press market trends.
- Unlimited: performance conditions for contracts in progress based on the advertising environment and the sporting context specific to each event; ability to renew current contracts or win new ones and the related profit margins.

These assumptions incorporate differentiated levels of risk that depend on the degree of visibility and the ability to anticipate the impact of changes in the economic environment on the future performance of the Group's different businesses.

For each of the Group's four divisions, the main areas of uncertainty identified with a bearing on the assumptions used in the budgets are described below:

#### Lagardère Publishing

The partworks market in Spain has undergone a steep decline over recent years, which has had an impact on the business levels at Spain-based subsidiary Salvat, where sales retreated by 40% year-on-year in 2012.

The forecast budget was prepared based on the assumption of sales on a par with 2012, and a swing back to a slight profit thanks to the cost cutting measures implemented in 2012. The impairment test carried out at end-2012 led to the recognition of an impairment loss of €5 million. An additional impairment loss may be required in the event of a worsening of economic conditions in Spain, compounded by difficulties encountered in importing products from Latin America.

This risk is nevertheless limited to a maximum amount of €22 million, corresponding to the residual goodwill in respect of the Salvat business.

### Lagardère Active

The Magazine Publishing business contracted by 7% in 2012 and the budgets were prepared on the basis of assumptions taking into account the sales trends expected over the next three years.

Beyond the years covered by the budget, a change corresponding to an annual decrease of 1% in sales from Magazine Publishing compared to the assumptions used at end-2012, would lead to a decrease in the recoverable amount of the CGU of €90 million, and to the recognition of an impairment loss in the same amount. At 31 December 2012, the residual amount of goodwill in respect of intangible assets with indefinite useful lives for all of the Magazine Publishing CGUs amounted to €454 million.

### Lagardère Services

Sales recorded by the wholesale business declined by 4.5% in 2012, due to the erosion of the print market. The budgets for the businesses concerned were prepared based on assumptions regarding a continued decline in print-related income, offset by efforts to diversify and develop integrated retail networks.

Excluding the Payot Naville Distribution group in Switzerland in respect of an impairment loss of €5 million was recognised in 2012, the Group considers that at this stage and on the basis of current financial conditions for distribution agreements, there is no material risk of recognising an impairment loss for these activities. At 31 December 2012, the residual value of goodwill related to these activities amounted to €82 million, of which €35 million in respect of the Switzerland-based activities.

### Lagardère Unlimited

Estimated future cash flows used in the budgets incorporate assumptions concerning the renewal of certain contracts and the development of activities reflecting the division's strategic refocusing. The related cash flows represent approximately two thirds of the division's total estimated future cash flows, calculated before the impact of measures to reduce central costs that would be implemented in the event that a significant element of the assumptions used did not bear out. For Lagardère Unlimited, a 5% increase or decrease in future cash flows would have a positive or negative impact of around €30 million on the recoverable amount of the assets concerned. At 31 December 2012, the carrying amount of goodwill in respect of this division amounted to €141 million.

### SENSITIVITY TO CHANGES IN DISCOUNT RATES AND PERPETUITY GROWTH RATES

The potential effects on impairment losses recorded in 2012 of increases or decreases in the discount rates and growth rates applied are shown below.

#### • Publishing (Increase) decrease in impairment losses

| (in millions of euros) | Discount rate | | | | |
|---|---|---|---|---|---|
| Perpetuity growth rate | -1% | -0.5% | 0% | +0.5% | +1% |
| -1% | - | (13) | (42) | (69) | (144)(*) |
| -0.5% | - | - | (17) | (47) | (74) |
| 0% | 3 | 1 | - | (22) | (52) |
| +0.5% | 4 | 3 | 1 | - | (27) |
| +1% | 5 | 4 | 3 | 1 | (2) |

*(*) Including an €84 million increase in impairment losses for the Hachette UK Holding group CGU.*

#### • Active (Increase) decrease in impairment losses

| (in millions of euros) | Discount rate | | | | |
|---|---|---|---|---|---|
| Perpetuity growth rate | -1% | -0.5% | 0% | +0.5% | +1% |
| -1% | 4 | - | (21) | (58) | (90) |
| -0.5% | 7 | 2 | (2) | (29) | (65) |
| 0% | 10 | 4 | - | (4) | (36) |
| +0.5% | 14 | 7 | 2 | (2) | (6) |
| +1% | 18 | 11 | 5 | - | (4) |

#### • Services (Increase) decrease in impairment losses

| (in millions of euros) | Discount rate | | | | |
|---|---|---|---|---|---|
| Perpetuity growth rate | -1% | -0.5% | 0% | +0.5% | +1% |
| -1% | 4 | (4) | (13) | (22) | (29) |
| -0.5% | 5 | 2 | (6) | (15) | (23) |
| 0% | 5 | 5 | - | (7) | (16) |
| +0.5% | 5 | 5 | 5 | (1) | (9) |
| +1% | 5 | 5 | 5 | 5 | (3) |

- **Unlimited (Increase) decrease in impairment losses**

| (in millions of euros) | Discount rate | | | | |
|---|---|---|---|---|---|
| Perpetuity growth rate | -1% | -0.5% | 0% | +0.5% | +1% |
| -1% | 14 | (10) | (32) | (51) | (68) |
| -0.5% | 35 | 7 | (17) | (38) | (57) |
| 0% | 49 | 28 | - | (24) | (45) |
| +0.5% | 49 | 49 | 19 | (8) | (32) |
| +1% | 49 | 49 | 42 | 10 | (17) |

## NOTE 11 OTHER OPERATING EXPENSES

| | **2012** | 2011 |
|---|---|---|
| Write-downs of assets | **(25)** | (38) |
| Foreign exchange losses | **-** | (2) |
| Financial expenses other than interest | **(2)** | (3) |
| Provisions for contingencies and losses | **-** | - |
| Other expenses | **(17)** | (19) |
| **Total** | **(44)** | (62) |

Write-downs of assets totalled €25 million in 2012 (€38 million in 2011) and principally related to advances paid to writers by Lagardère Publishing.

## NOTE 12 OTHER OPERATING INCOME

| | **2012** | 2011 |
|---|---|---|
| Foreign exchange gains | **4** | - |
| Reversals of provisions for contingencies and losses | **11** | 26 |
| Other income | **11** | 21 |
| **Total** | **26** | 47 |

## NOTE 13 FINANCIAL INCOME AND EXPENSES

Financial income and expenses break down as follows:

| | **2012** | 2011 |
|---|---|---|
| Interest income on loans | **7** | 12 |
| Investment income and gains on sales of marketable securities | **4** | 9 |
| **Financial income** | **11** | 21 |
| Interest expense on borrowings | **(93)** | (112) |
| Other financial expenses | **-** | (4) |
| **Financial expenses** | **(93)** | (116) |
| **Total** | **(82)** | (95) |

# NOTE 14 INCOME TAX EXPENSE

## 14.1 ANALYSIS OF INCOME TAX EXPENSE

Income tax expense breaks down as follows:

| | 2012 | 2011 |
|---|---|---|
| Current taxes | **(46)** | (98) |
| Deferred taxes | **6** | (7) |
| **Total** | **(40)** | (105) |

## 14.2 TAX PROOF

The following table reconciles income tax expense reported in the income statement to the theoretical income tax expense for 2012 and 2011:

| | 2012 | 2011 |
|---|---|---|
| Profit (loss) before tax | **146** | (584) |
| Income (loss) from associates | **61** | (198) |
| **Profit (loss) before tax and income from associates** | **85** | (386) |
| Theoretical tax expense[1] | **(31)** | 139 |
| **Effect on theoretical tax expense of:** | | |
| Profit taxed (losses deducted) at reduced rates | | (1) |
| Tax credits on recognised tax loss carryforwards (utilised) | **24** | 6 |
| Limitation on deferred taxes | **(4)** | (13) |
| Tax loss carryforwards used (recognised) in the year[2] | **(17)** | (4) |
| Differences in tax rates applied to foreign subsidiaries' earnings | **8** | 1 |
| Tax credits and similar | **8** | 1 |
| Impairment losses on goodwill | **(31)** | (211) |
| Permanent differences | **3** | (23) |
| **Effective tax expense** | **(40)** | (105) |

*(1) Calculated at the French standard rate (36.10% in 2012 and 2011).*
*(2) Tax losses for which no deferred tax assets were recognised.*

## 14.3 DEFERRED TAXES RECOGNISED IN THE BALANCE SHEET

Deferred taxes recognised at 31 December 2012 and 2011 concerned the following assets and liabilities:

| | **31 Dec. 2012** | 31 Dec. 2011 |
|---|---|---|
| Intangible assets | **(213)** (*) | (69) |
| Property, plant and equipment | **(36)** | (39) |
| Non-current financial assets | **(8)** | (43) |
| Inventories | **15** | 15 |
| Provisions for pension benefit obligations | **31** | 24 |
| Other provisions | **115** | 153 |
| Other working capital items | **150** | 129 |
| **Temporary differences (gross amount)** | **54** | 170 |
| Write-down of deferred tax assets | **(154)** | (148) |
| **Temporary differences (net amount)** | **(100)** | 22 |
| Tax loss carryforwards | **46** | 19 |
| Tax credits | **-** | - |
| **Net deferred tax asset (liability)** | **(54)** | 41 |
| Deferred tax assets | **236** | 184 |
| Deferred tax liabilities | **(290)** | (143) |

*(*) The year-on-year change in this item is chiefly attributable to deferred tax liabilities recognised in 2012 in respect of intangible assets acquired as part of the ADR Retail concession agreement.*

At 31 December 2012, the Group had unrecognised deferred tax assets in respect of tax loss carryforwards. The main amounts concern the French tax group headed by Lagardère SCA, which has unrecognised deferred tax assets in respect of tax loss carry forwards amounting to €158 million.

## 14.4 CHANGES IN DEFERRED TAXES

| | **2012** | 2011 |
|---|---|---|
| **Net deferred tax asset (liability) at 1 January** | **41** | 41 |
| Income tax benefit (expense) recognised in the income statement | **6** | (7) |
| Deferred tax recognised directly in equity | **7** | 2 |
| Effect of change in consolidation scope and exchange rates | **(108)** | 5 |
| **Net deferred tax asset (liability) at 31 December** | **(54)** | 41 |

The €108 million change shown under changes in scope of consolidation is mainly attributable to the acquisition of ADR Retail (see above).

Deferred taxes recognised directly in equity can be analysed as follow:

| | **31 Dec. 2012** | 31 Dec. 2011 |
|---|---|---|
| Available-for-sale investments | **-** | - |
| Cash flow hedges | **-** | - |
| Actuarial gains and losses on pensions and other post-employment benefit obligations | **14** | 7 |
| **Total** | **14** | 7 |

## NOTE 15 EARNINGS PER SHARE

### BASIC EARNINGS PER SHARE

Earnings per share is calculated by dividing 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 (i) unexercised employee stock options which are not covered by hedging contracts and whose exercise prices are lower than the average quoted price of the Lagardère SCA share over the reference period ("in-the-money" options), and (ii) free shares, when it is probable that they will vest at the vesting date set in the plan (specific case of performance shares).

| | **2012** | 2011 |
|---|---|---|
| Profit (loss) for the year attributable to owners of the Parent (in millions of euros) | **89** | (707) |
| Number of shares making up the share capital at 31 December | **131,133,286** | 131,133,286 |
| Treasury shares | **(3,274,993)** | (3,772,698) |
| Number of shares outstanding at 31 December | **127,858,293** | 127,360,588 |
| **Average number of shares outstanding during the period** | **127,609,441** | 127,197,463 |
| **Basic earnings (loss) per share attributable to owners of the Parent (in euros)** | **0.70** | (5.56) |
| Dilutive stock options and free shares: | | |
| Stock options | **-** | - |
| Free shares | **1,609,780** | - (*) |
| **Average number of shares including dilutive stock options and free shares** | **129,219,221** | 127,197,463 |
| **Diluted earnings (loss) per share attributable to owners of the Parent (in euros)** | **0.69** | (5.56) |

*(*) At 31 December 2011, free shares that had not yet vested – which totalled 1,334,950 shares – were treated as non-dilutive because their inclusion in the calculation would have increased the loss per share.*

## NOTE 16 GOODWILL

| | **2012** | 2011 |
|---|---|---|
| **At 1 January** | **1,837** | 2,583 |
| *Cost* | ***2,891*** | *3,053* |
| *Accumulated impairment losses* | ***(1,054)*** | *(470)* |
| Acquisitions | **134** | 16 |
| Reclassification as assets held for sale | **(45)** | - |
| Goodwill written off following disposal or deconsolidation | **(44)** (*) | (98) (*) |
| Impairment losses | **(87)** (**) | (584) (**) |
| Translation adjustments | **3** | 14 |
| Other movements | **1** | (94) (***) |
| **At 31 December** | **1,799** | 1,837 |
| *Cost* | ***2,895*** | *2,891* |
| *Accumulated impairment losses* | ***(1,096)*** | *(1,054)* |

*(*)Of which €33 million in 2012 on the sale of Publications Groupe Loisirs and €98 million in 2011 on the sale of the radio business in Russia.*
*(**) Of which €49 million in 2012 and €550 million in 2011 related to Lagardère Unlimited.*
*(***) Including €77 million reclassified in 2011 to the property portfolio held by Compagnie Immobilière Europa.*

See note 10 above for a breakdown of goodwill by CGU.

## NOTE 17 INTANGIBLE ASSETS

### • Cost

| | Intangible assets with indefinite useful lives | | Intangible assets with finite useful lives | | | |
|---|---|---|---|---|---|---|
| | Publication titles | Other | Sports rights | Concession agreements | Other | Total |
| **At 1 January 2011** | **178** | **130** | **953** | **32** | **415** | **1,708** |
| Acquisitions | - | 8 | 73 | - | 24 | 105 |
| Changes in scope of consolidation | - | - | - | 13 | - | 13 |
| Disposals | - | - | (90) | - | (8) | (98) |
| Reclassifications | (1) | (2) | (42) | (3) | (3) | (51) |
| Translation adjustments | - | - | 7 | 1 | - | 8 |
| **At 31 December 2011** | **177** | **136** | **901** | **43** | **428** | **1,685** |
| Acquisitions | - | 1 | 45 | - | 37 | 83 |
| Changes in scope of consolidation | - | - | 8 | 350 (*) | - | 358 |
| Disposals | - | (2) | (48) | - | (19) | (69) |
| Reclassifications | - | 7 | (16) | 1 | (15) | (23) |
| Translation adjustments | - | - | (6) | 1 | 2 | (3) |
| **At 31 December 2012** | **177** | **142** | **884** | **395** | **433** | **2,031** |

*(*) Further to the acquisition of ADR Retail by Lagardère Services in 2012, the entire amount of goodwill (€327 million) was allocated to intangible assets in respect of the fourteen-year concession agreement.*

### • Amortisation and impairment losses

| | Intangible assets with indefinite useful lives | | Intangible assets with finite useful lives | | | |
|---|---|---|---|---|---|---|
| | Publication titles | Other | Sports rights | Concession agreements | Other | Total |
| **At 1 January 2011** | **(15)** | **(40)** | **(475)** | **(8)** | **(324)** | **(862)** |
| Amortisation | - | - | (179) | (8) | (18) | (205) |
| Impairment losses | - | (1) | - | - | - | (1) |
| Changes in scope of consolidation | - | - | - | - | (8) | (8) |
| Disposals | - | - | 85 | - | 7 | 92 |
| Reclassifications | 1 | - | 39 | 1 | 10 | 51 |
| Translation adjustments | - | - | (7) | - | 1 | (6) |
| **At 31 December 2011** | **(14)** | **(41)** | **(537)** | **(15)** | **(332)** | **(939)** |
| Amortisation | - | - | (118) | (11) | (16) | (145) |
| Impairment losses | - | - | - | - | (1) | (1) |
| Changes in scope of consolidation | - | - | - | - | (1) | (1) |
| Disposals | - | - | 48 | - | 20 | 68 |
| Reclassifications | - | (1) | - | (1) | 1 | (1) |
| Translation adjustments | - | - | 5 | - | (1) | 4 |
| **At 31 December 2012** | **(14)** | **(42)** | **(602)** | **(27)** | **(330)** | **(1,015)** |

### • Carrying amounts

| | | | | | | |
|---|---|---|---|---|---|---|
| **At 31 December 2011** | **163** | **95** | **364** | **28** | **96** | **746** |
| **At 31 December 2012** | **163** | **100** | **282** | **368** | **103** | **1,016** |

# NOTE 18 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down as follows by category:

## • 2012 - Cost

| | At 1 Jan. 2012 | Acquisitions | Changes in scope of consolidation | Disposals | Reclassifications | Translation adjustments | At 31 Dec. 2012 |
|---|---|---|---|---|---|---|---|
| Land | 236 | - | - | (1) | - | - | 235 |
| Buildings | 476 | 18 | 10 | (9) | 11 | 2 | 508 |
| Machinery and equipment | 442 | 37 | 3 | (36) | (15) | 3 | 434 |
| Other | 500 | 56 | (13) | (32) | (17) | 7 | 501 |
| Assets under construction | 17 | 25 | - | (3) | 2 | - | 41 |
| **Total** | **1,671** | **136** | **0** | **(81)** | **(19)** | **12** | **1,719** |

## • 2012 - Depreciation and impairment losses

| | At 1 Jan. 2012 | Depreciation | Impairment losses | Changes in scope of consolidation | Disposals | Reclassifications | Translation adjustments | At 31 Dec. 2012 |
|---|---|---|---|---|---|---|---|---|
| Land | (3) | - | - | - | - | - | - | (3) |
| Buildings | (278) | (27) | (6) | (8) | 9 | (7) | (1) | (318) |
| Machinery and equipment | (333) | (33) | - | (2) | 33 | 10 | (1) | (326) |
| Other | (345) | (41) | (1) | 13 | 28 | 17 | (4) | (333) |
| Assets under construction | - | - | - | - | - | - | - | - |
| **Total** | **(959)** | **(101)** | **(7)** | **3** | **70** | **20** | **(6)** | **(980)** |
| **Carrying amounts** | **712** | **35** | **(7)** | **3** | **(11)** | **1** | **6** | **739** |

## • 2011 - Cost

| | At 1 Jan. 2011 | Acquisitions | Changes in scope of consolidation | Disposals | Reclassifications | Translation adjustments | At 31 Dec. 2011 |
|---|---|---|---|---|---|---|---|
| Land | 151 | - | - | - | 85 (*) | - | 236 |
| Buildings | 500 | 16 | (5) | (13) | (23) | 1 | 476 |
| Machinery and equipment | 430 | 40 | - | (24) | (4) | - | 442 |
| Other | 518 | 53 | (4) | (62) | 1 | (6) | 500 |
| Assets under construction | 16 | 12 | - | (1) | (10) | - | 17 |
| **Total** | **1,615** | **121** | **(9)** | **(100)** | **49** | **(5)** | **1,671** |

*(*) Of which €77 million transferred from goodwill and included in the property portfolio held by Compagnie Immobilière Europa.*

### • 2011 - Depreciation and impairment losses

| | At 1 Jan. 2011 | Depreciation | Impairment losses | Changes in scope of consolidation | Disposals | Reclassifications | Translation adjustments | At 31 Dec. 2011 |
|---|---|---|---|---|---|---|---|---|
| Land | (3) | - | - | - | - | - | - | (3) |
| Buildings | (290) | (24) | - | 2 | 10 | 27 | (3) | (278) |
| Machinery and equipment | (327) | (35) | - | - | 20 | 9 | - | (333) |
| Other | (370) | (41) | - | 4 | 57 | 2 | 3 | (345) |
| Assets under construction | - | - | - | - | - | - | - | - |
| **Total** | **(990)** | **(100)** | **0** | **6** | **87** | **38** | **0** | **(959)** |
| **Carrying amounts** | **625** | **21** | **0** | **(3)** | **(13)** | **87 (*)** | **(5)** | **712** |

*(*) Of which €77 million transferred from goodwill and included in the property portfolio held by Compagnie Immobilière Europa.*

#### INVESTMENT PROPERTY

Balance sheet assets include a property complex in France whose carrying amount was €77 million at 31 December 2012 and €80 million at 31 December 2011. In 2012 a total of €7 million in rental income was received in relation to this property (€2 million in 2011).

The property's market value at 31 December 2012 was estimated at €120 million compared with a range of between €115 million and €130 million one year earlier.

The Group also owns three property complexes outside France whose carrying amount was €48 million at 31 December 2012 and whose market value was an estimated €51 million. Rental income received on these properties in 2012 totalled €3 million versus €2 million in 2011.

#### FINANCE LEASES

The Group did not have any finance leases representing material amounts at either 31 December 2012 or 31 December 2011.

## NOTE 19 INVESTMENTS IN ASSOCIATES

The Group's main associates are as follows:

| | % interest | | Balance sheet | | Income statement | |
|---|---|---|---|---|---|---|
| | **31 Dec. 2012** | 31 Dec. 2011 | **31 Dec. 2012** | 31 Dec. 2011 | **31 Dec. 2012** | 31 Dec. 2011 |
| Canal+ France | 20% | 20% | 1,154 | 1,197 | (43) | (310) |
| Marie-Claire | 42% | 42% | 125 | 125 | 5 | 6 |
| Amaury group | 25% | 25% | 98 | 99 | 1 | 7 |
| O.E.E. (Because) | 25% | 25% | 16 | 16 | - | - |
| Editions J'ai lu | 35% | 35% | 16 | 15 | 1 | 1 |
| S.D.A. (Société de Distribution Aéroportuaire) | 45% | 42% | 11 | 14 | 6 | 9 |
| SETC | 49% | 49% | 14 | 13 | 1 | 2 |
| Other | | | 17 | 15 | 1 | 8 |
| **Excluding EADS** | | | **1,451** | **1,494** | **(28)** | **(277)** |
| EADS | 7.39% | 7.5% | (*) | 277 | 89 | 79 |
| **Total** | | | **1,451** | **1,771** | **61** | **(198)** |

*(*) The shares held by Lagardère in EADS were reclassified as assets held for sale at 31 December 2012 (see note 32).*

Condensed financial information for EADS and Canal+ France is presented below:

| (On a 100% basis) | 31.12.2012 | | 31.12.2011 | |
|---|---|---|---|---|
| | EADS | Canal+ France | EADS | Canal+ France |
| **Balance sheet information** | | | | |
| Total assets | 86,897 | 5,842 | 83,216 | 5,797 |
| Total liabilities | 81,575 | 2,040 | 79,502 | 2,370 |
| **Income statement information** | | | | |
| Net sales | 56,480 | 4,093 | 49,128 | 4,049 |
| Profit for the year | 1,253 | 364 | 1,059 | 346 |

### EADS

Prior to consolidation, EADS' consolidated financial statements were 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 attributable profit of €1,228 million in 2012 and €1,033 million in 2011.

### CANAL+ FRANCE

On 8 April 2010, Lagardère informed Vivendi that it wished to sell its 20% stake in Canal+ France in accordance with the divestment window specified in the shareholders' agreement signed on 4 January 2007. As Lagardère and Vivendi were unable to agree on a purchase price, in July 2010 Lagardère decided to sell the stake through an IPO, as provided for in the same shareholders' agreement.

However, in view of the extremely volatile market conditions triggered by the earthquake disaster that hit Japan on 11 March 2011, the Lagardère group was compelled to halt the IPO process on 16 March 2011.

The process was relaunched in the second half of 2012 but Vivendi is persistently refusing to adopt a dividend policy for Canal+ France, which in view of current market conditions would have been advantageous for the IPO. The Lagardère group can only attribute this attitude to the fact that the Vivendi group is constantly drawing on Canal+ France's entire cash surplus pursuant to a cash management agreement whose legality Lagardère has contested.

This situation, which was caused by the Vivendi group, has resulted in a deadlock preventing Canal+ France, as things stand, from going ahead with an IPO in normal conditions.

As the Group does not therefore consider that there is a high probability of the sale taking place within twelve months of the 2012 year-end its interest in Canal+ France has not been classified as assets held for sale in the balance sheet.

As in 2011, the value in use of this investment at 31 December 2012 was estimated using the discounted future cash flows method, based on the future cash flows presented in Canal+ France's most recent budget, drawn up in January 2013.

The discount rate used was 8.44% (compared with 8.79% at end-2011) and corresponds to the market's expected rate of return for a listed company whose financial model is the same as that of Canal+ France, adjusted for an illiquidity discount of 15%. The perpetuity growth rate applied was 1.50%, unchanged from 2011.

Taking into account estimated available cash, the value in use of the Group's investment in Canal+ France represented €1,154 million at 31 December 2012, with the terminal value accounting for 67% of this amount. The carrying amount of the shares recorded in the opening balance sheet was €1,197 million, and after the recognition of the share in 2012 income (€53 million after amortisation of the intangible assets recognised at the time of the acquisition), the asset is valued at €1,250 million - i.e., €96 million more than its value in use. Accordingly, the Group recognised no contribution from Canal+ France to 2012 profit, and a €43 million impairment loss was recognised directly in "Income (loss) from associates" to write down the investment to its €1,154 million value in use.

The potential effects on the investment's valuation of an increase or decrease in the discount rates and growth rates applied are shown below:

- **(Increase) decrease in the impairment loss**

| | Discount rate | | | | |
|---|---|---|---|---|---|
| Perpetuity growth rate | -1% | -0,5% | 0% | +0,5% | +1% |
| -1% | 31 | (41) | (105) | (160) | (210) |
| -0,5% | 98 | 15 | (56) | (118) | (173) |
| 0% | 176 | 81 | - | (70) | (131) |
| +0,5% | 268 | 158 | 65 | (15) | (84) |
| +1% | 378 | 248 | 140 | 49 | (30) |

In addition, a 5% increase or decrease in future cash flows would result in a corresponding increase or decrease in value in use of approximately €50 million.

## NOTE 20 OTHER NON-CURRENT ASSETS

Other non-current assets break down as follows:

### • Carrying amount

| | 31 Dec. 2012 | 31 Dec. 2011 |
|---|---|---|
| Investments | **47** | 64 |
| Loans and receivables | **85** | 83 |
| **Total** | **132** | 147 |

Investments include the following:

### • Carrying amount

| | 31 Dec. 2012 | | 31 Dec. 2011 | |
|---|---|---|---|---|
| | Carrying amount | % interest | Carrying amount | % interest |
| Viel et Cie | **23** | **12%** | 22 | 12% |
| Other | **24** | | 42 | |
| **Total** | **47** | | 64 | |

The above investments are classified as available-for-sale investments.

Fair value adjustments to available-for-sale investments recognised in equity represented a net gain of €1 million in 2012 compared with a net loss of €3 million in 2011.

Cumulative fair value adjustments at 31 December 2012 amounted to a positive €5 million (€4 million at 31 December 2011).

Loans and receivables can be analysed as follows:

### • Loans and receivables

| | 31 Dec. 2012 | 31 Dec. 2011 |
|---|---|---|
| Gross amount | **122** | 135 |
| Accumulated write-downs | **(37)** | (52) |
| **Carrying amount** | **85** | 83 |

### • Analysis of write-downs of loans and receivables

| | 2012 | 2011 |
|---|---|---|
| **At 1 January** | **(52)** | **(60)** |
| Write-downs (recognised) reversed in the year | **-** | (1) |
| Other movements and translation adjustments | **15** | 9 |
| **At 31 December** | **(37)** | (52) |

Loans and receivables included in non-current financial assets mainly comprise deposits, loans and receivables with an estimated maturity of more than one year.

## NOTE 21 INVENTORIES

Inventories break down as follows:

| | 31 Dec. 2012 | 31 Dec. 2011 |
|---|---|---|
| Lagardère Publishing | **386** | 409 |
| Lagardère Active | **90** | 78 |
| Lagardère Services | **325** | 280 |
| Lagardère Unlimited | **1** | 2 |
| Other Activities(*) | **21** | 18 |
| **Cost** | **823** | 787 |
| Accumulated write-downs | **(242)** | (245) |
| **Carrying amount** | **581** | 542 |

*(*) Spare part inventories of Matra Manufacturing & Services (formerly Matra Automobile): €21 million in 2012 and €18 million in 2011.*

### • Analysis of write-downs

| | 2012 | 2011 |
|---|---|---|
| **At 1 January** | **(245)** | (252) |
| Write-downs (recognised) reversed in the year | **3** | 6 |
| Other movements and translation adjustments | **-** | 1 |
| **At 31 December** | **(242)** | (245) |

## NOTE 22 TRADE RECEIVABLES

Trade receivables and their realisable value can be analysed as follows:

| | 31 Dec. 2012 | 31 Dec. 2011 |
|---|---|---|
| **Trade receivables** | **1,445** | 1,447 |
| Accumulated write-downs | **(190)** | (171) |
| **Carrying amount** | **1,255** | 1,276 |
| Of which: | | |
| *- not yet due* | ***1,104*** | *1,009* |
| *- less than six months past due* | ***115*** | *217* |
| *- more than six months past due* | ***36*** | *50* |
| **Total** | **1,255** | 1,276 |

### • Analysis of write-downs

| | 2012 | 2011 |
|---|---|---|
| **At 1 January** | **(171)** | (170) |
| Write-downs (recognised) reversed in the year | **5** | 3 |
| Other movements and translation adjustments | **(24)** | (4) |
| **At 31 December** | **(190)** | (171) |

### SECURITISATION 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 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 2012 and 2011 were as follows:

| | **31 Dec. 2012** | 31 Dec. 2011 |
|---|---|---|
| **Assets** | | |
| Trade receivables | **73** | 78 |
| Other receivables(*) | **(11)** | (12) |
| **Liabilities** | | |
| Debt | **62** | 66 |

*(*) Guarantee deposits.*

## NOTE 23 OTHER CURRENT ASSETS

Other current assets break down as follows:

| | **31 Dec. 2012** | 31 Dec. 2011 |
|---|---|---|
| Advances paid | **36** | 30 |
| Recoverable taxes and payroll taxes | **262** | 264 |
| Derivative financial instruments(*) | **5** | 12 |
| Receivable from writers | **343** | 311 |
| Receivable from suppliers | **91** | 89 |
| Loans | **31** | 57 |
| Prepaid expenses | **269** | 229 |
| Other | **53** | 66 |
| **Total** | **1,090** | 1,058 |
| **Accumulated write-downs** | **(79)** | (95) |
| **Carrying amount** | **1,011** | 963 |

*(*) See note 30.1.*

### • Analysis of write-downs

| | **2012** | 2011 |
|---|---|---|
| **At 1 January** | **(95)** | (92) |
| Write-downs (recognised) reversed in the year | **(32)** | (44) |
| Other movements and translation adjustments | **48** | 41 |
| **At 31 December** | **(79)** | (95) |

## NOTE 24 SHORT-TERM INVESTMENTS

Short-term investments solely comprise available-for-sale investments measured at fair value. They can be analysed as follows:

| | 31 Dec. 2012 | 31 Dec. 2011 |
|---|---|---|
| Shares | **24** | 25 |
| Bonds | **31** | 58 |
| **Total** | **55** | 83 |

Shares recorded under this item correspond to the Deutsche Telekom shares received in 2006 in exchange for T-Online shares as part of the merger between the two companies.

Cumulative fair value adjustments represented a nil amount at both 31 December 2012 and 2011 following write-downs of the Group's investment in Deutsche Telekom – recorded under financial expenses – amounting to €1 million and €2 million in 2012 and 2011 respectively.

## NOTE 25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents reported in the statement of cash flows were as follows:

| | 31 Dec. 2012 | 31 Dec. 2011 |
|---|---|---|
| Cash and cash equivalents | **648** | 654 |
| Short-term bank loans and overdrafts | **(49)** | (60) |
| **Cash and cash equivalents, net** | **599** | 594 |

## NOTE 26 EQUITY

### 26.1 SHARE CAPITAL

At 31 December 2012 and 2011, 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 each, all ranking pari passu and fully paid up.

### 26.2 EMPLOYEE STOCK OPTIONS

In prior years, the Managing Partners granted options to certain Group executives and employees to purchase existing Lagardère SCA shares under shareholder-approved stock option plans. Details of the plans outstanding at 1 January 2012 are presented below.

| Stock option plan | Date of AGM | Number of options originally granted | Exercise price (in euros) | Number of beneficiaries | Options exercised in 2012 | Options cancelled at end-2012 | Options outstanding at end-2012 | Exercise period |
|---|---|---|---|---|---|---|---|---|
| **Share purchase options** | | | | | | | | |
| 18 Dec. 2003 | 23 May 2000 | 1,437,250 | 51,45 € | 445 | - | 244,123 | 1,166,806 | 18 Dec. 2005 to 18 Dec. 2013 |
| 20 Nov. 2004 | 11 May 2004 | 1,568,750 | 51,92 € | 481 | - | 278,443 | 1,297,416 | 20 Nov. 2006 to 20 Nov. 2014 |
| 21 Nov. 2005 | 11 May 2004 | 1,683,844 | 56,97 € | 495 | - | 255,605 | 1,428,239 | 21 Nov. 2007 to 21 Nov. 2015 |
| 14 Dec. 2006 | 11 May 2004 | 1,844,700 | 55,84 € | 451 | - | 209,600 | 1,635,100 | 14 Dec. 2008 to 14 Dec. 2016 |
| | | | | | | | **5,527,561** | |

In addition, plans to award free shares in Lagardère SCA have been set up 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:

| | **2012** | 2011 |
|---|---|---|
| **Number of shares held at 1 January** | **3,772,698** | 4,098,948 |
| Purchases of treasury shares | **745,772** | 1,360,078 |
| Sales of treasury shares | **(836,272)** | (1,283,078) |
| Capital reduction by cancellation of treasury shares | **(407,205)** | (403,250) |
| **Number of shares held at 31 December** | **3,274,993** | 3,772,698 |

At 31 December 2012 shares held in treasury represented 2.50% of Lagardère SCA's share capital and were allocated for the following purposes:

- 3,113,678 shares for future allocation to employees;
- 151,815 shares to be held for future transfer or exchange in consideration for acquisitions;
- 9,500 shares for market-making purposes.

At end-2012, Lagardère SCA also held rights to purchase 2,574,552 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 who are beneficiaries of the following stock option plans:

| Stock option plan | Number of shares under option | Exercise price (in euros) | Expiry date for call options |
|---|---|---|---|
| 2003 | 1,214,132 | 51.45 | 18 Dec. 2013 |
| 2004 | 1,360,420 | 51.92 | 20 Nov. 2014 |
| | **2,574,552** | | |

As part of the liquidity contract entered into in 2008 with Crédit Agricole Cheuvreux for the purposes of market-making, during 2012 Lagardère SCA purchased 745,772 treasury shares for a total cost of €16 million and sold 836,272 treasury shares for a total of €17 million giving rise to a €0.8 million net disposal gain.

In 2011, the Group purchased 1,360,078 treasury shares for a total cost of €33 million and sold 1,283,078 treasury shares for a total of €32 million generating a net disposal loss of €1.5 million.

In 2012, the Group carried out a number of capital reductions by cancelling 407,205 treasury shares for an amount of €12 million, further to capital increases by capitalising reserves, for the same number of shares. The newly-issued shares were allocated (i) in April 2012 to the Group's Co-Managing Partner who is the beneficiary under the 31 December 2009 free share plan, and (ii) in December 2012 to employee beneficiaries under the 17 December 2010 free share plan.

In 2011, the Group carried out a capital reduction by cancelling 403,250 treasury shares for an amount of €14 million, further to a capital increase by capitalising reserves, for the same number of shares. The newly-issued shares were allocated in October 2011 to employee beneficiaries under the 1 October 2009 free share plan.

## 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 arising on changes in value of:

- derivative financial instruments used in cash flow hedges; and
- available-for-sale investments.

## 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. 2012** | 31 Dec. 2011 | **2012** | 2011 |
| Lagardère Publishing | **23** | 23 | **4** | 4 |
| Lagardère Active | **10** | 14 | **2** | 16 |
| Lagardère Services | **38** | 32 | **7** | 11 |
| Lagardère Unlimited | **11** | 6 | **4** | (13) |
| **Total** | **82** | 75 | **17** | 18 |

## 26.6 CAPITAL MANAGEMENT

Lagardère closely monitors its ownership and shareholding structure. As all Lagardère SCA shares are in registered form, the Group has a good knowledge of its ownership structure and the changes in shareholdings that occur over time. The free float represents a significant portion of the Company's outstanding shares, at around 90%, which guarantees good liquidity. Lagardère Capital & Management, which is controlled by Arnaud Lagardère, the Group's Managing Partner, has a 9.30% shareholding.

Lagardère has not raised capital on the market for several years and applies a policy of regularly paying out dividends. 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.

As part of its long-term development strategy, the Group optimises its debt/equity ratio. Given the current 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 in 2007 and 2008 to the cancellation of shares with an anti-dilutive effect for shareholders.

In 2008, the Group put in place a liquidity agreement for the purpose of ensuring a liquid market for its shares and stabilising the share price.

## 26.7 COMPONENTS OF OTHER COMPREHENSIVE INCOME (EXPENSE)

The components of other comprehensive income (expense) can be analysed as follows:

| 2012 | Other reserves | Translation reserve | Valuation reserve | Equity attributable to owners of the Parent | Minority interests | Total equity |
|---|---|---|---|---|---|---|
| Currency translation adjustments | | 8 | | **8** | 1 | **9** |
| Change in fair value of: | | | | | | |
| derivative financial instruments | | | (1) | **(1)** | | **(1)** |
| - *unrealised gains and losses recognised directly in equity* | | | *1* | ***1*** | | ***1*** |
| - *amounts reclassified from equity to profit* | | | *(2)* | ***(2)*** | | ***(2)*** |
| investments in non-consolidated companies | | | 0 | **0** | | **0** |
| - *unrealised gains and losses recognised directly in equity* | | | | | | |
| - *amounts reclassified from equity to profit* | | | - | **-** | | **-** |
| Actuarial gains and losses on pensions and other post-employment benefit obligations | (25) | | | **(25)** | | **(25)** |
| Share of other comprehensive income (expense) of associates (net of tax) | (57) | 1 | 104 | **48** | | **48** |
| Tax relating to components of other comprehensive income (expense) recognised in equity | 7 | | | **7** | | **7** |
| **Other comprehensive income (expense) for the year, net of tax** | **(75)** | **9** | **103** | **37** | **1** | **38** |

| **2011** | **Other reserves** | **Translation reserve** | **Valuation reserve** | **Equity attributable to owners of the Parent** | **Minority interests** | **Total equity** |
|---|---|---|---|---|---|---|
| Currency translation adjustments | | 3 | | **3** | (3) | **0** |
| Change in fair value of: | | | | | | |
| derivative financial instruments | | | 4 | **4** | | **4** |
| - *unrealised gains and losses recognised directly in equity* | | | *1* | **1** | | **1** |
| - *amounts reclassified from equity to profit* | | | *3* | **3** | | **3** |
| investments in non-consolidated companies | | | (2) | **(2)** | | **(2)** |
| - *unrealised gains and losses recognised directly in equity* | | | *(2)* | ***(2)*** | | ***(2)*** |
| - *amounts reclassified from equity to profit* | | | - | **-** | | **-** |
| Actuarial gains and losses on pensions and other post-employment benefit obligations | (10) | | | **(10)** | | **(10)** |
| Share of other comprehensive income (expense) of associates (net of tax) | (43) | (6) | (13) | **(62)** | | **(62)** |
| Tax relating to components of other comprehensive income (expense) recognised in equity | 3 | | (1) | **2** | | **2** |
| **Other comprehensive income (expense) for the year, net of tax** | **(50)** | **(3)** | **(12)** | **(65)** | **(3)** | **(68)** |

Tax relating to components of other comprehensive income (expense) breaks down as follows:

| **2012** | Before tax | Tax | After tax |
|---|---|---|---|
| Currency translation adjustments | 9 | - | 9 |
| Change in fair value of:<br>- derivative financial instruments<br>- investments in non-consolidated companies | <br>(1)<br>0 | <br>-<br>- | <br>(1)<br>0 |
| Actuarial gains and losses on pensions and other post-employment benefit obligations | (25) | 7 | (18) |
| Share of other comprehensive income (expense) of associates (net of tax) | 48 | - | 48 |
| **Other comprehensive income (expense) for the year** | **31** | **7** | **38** |

| **2011** | Before tax | Tax | After tax |
|---|---|---|---|
| Currency translation adjustments | 0 | - | 0 |
| Change in fair value of:<br>- derivative financial instruments<br>- investments in non-consolidated companies | <br>4<br>(2) | <br>(1)<br>- | <br>3<br>(2) |
| Actuarial gains and losses on pensions and other post-employment benefit obligations | (10) | 3 | (7) |
| Share of other comprehensive income (expense) of associates (net of tax) | (62) | - | (62) |
| **Other comprehensive income (expense) for the year** | **(70)** | **2** | **(68)** |

# NOTE 27 PROVISIONS

## 27.1 PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

In application of the principles set out in note 3.18, 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 recognised:

### • Change in present value of benefit obligation

| | **2012** | 2011 |
|---|---|---|
| **Present value of benefit obligation at beginning of the year** | **335** | 318 |
| Service cost | **9** | 9 |
| Interest cost | **15** | 13 |
| Benefits paid | **(22)** | (18) |
| Effect of settlements and curtailments | **-** | (7) |
| Actuarial (gains) losses | **33** | 9 |
| Changes in scope of consolidation | **-** | 1 |
| Employee contributions | **2** | 3 |
| Translation adjustments and other | **4** | 7 |
| **Present value of benefit obligation at end of year** | **376** | 335 |
| Present value of benefit obligation at end of year for funded plans | **284** | 260 |
| Present value of benefit obligation at end of year for unfunded plans | **92** | 75 |

- **Change in fair value of plan assets**

| | 2012 | 2011 |
|---|---|---|
| **Fair value of plan assets at beginning of year** | **234** | 216 |
| Actual return on plan assets | **20** | 8 |
| Employer contributions | **16** | 17 |
| Benefits paid | **(18)** | (14) |
| Settlement of obligations | **-** | (3) |
| Changes in scope of consolidation | **-** | - |
| Employee contributions | **2** | 3 |
| Translation adjustments and other | **3** | 7 |
| **Fair value of plan assets at end of year** | **257** | 234 |

- **Asset allocation at 31 December**

| | 2012 | 2011 |
|---|---|---|
| Shares | **29%** | 29% |
| Bonds | **59%** | 56% |
| Real property | **7%** | 7% |
| Money market instruments | **2%** | 4% |
| Other | **3%** | 4% |

The expected rate of return on plan 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 the measurement date.

- **Calculation of net amount recognised as a provision**

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Present value of benefit obligation | **376** | 335 | 318 | 298 | 263 |
| Fair value of plan assets | **(257)** | (234) | (216) | (195) | (168) |
| Unrecognised past service cost | **-** | - | (1) | (1) | (1) |
| **Net amount recognised as a provision** | **119** | 101 | 101 | 102 | 94 |

- **Calculation of net expense for the year**

| | 2012 | 2011 |
|---|---|---|
| Service cost | **9** | 9 |
| Interest cost | **15** | 13 |
| Expected return on plan assets | **(12)** | (9) |
| Recognition of past service cost | **-** | - |
| Effect of asset ceiling | **-** | - |
| Effect of settlements and curtailments | **-** | (3) |
| **Net expense recognised in the income statement** | **12** | 10 |

## • Actuarial assumptions used to calculate benefit obligations

| | **2012** | 2011 |
|---|---|---|
| Discount rate: weighted average for all countries including:<br>- Eurozone (*)<br>- United Kingdom (*) | **3.49%**<br>**3.00%**<br>**4.50%** | 4.14%<br>4.50%<br>4.70% |
| Average expected rate of benefit increase | **2.63%** | 2.73% |
| Average expected rate of salary increase | **2.91%** | 2.51% |
| Expected rate of return on plan assets | **4.76%** | 4.06% |
| Expected rate of healthcare cost inflation<br>- initial<br>- ultimate<br>- year in which ultimate rate is expected to be reached | <br>**4.00%**<br>**2.50%**<br>**2032** | <br>5.00%<br>2.00%<br>2027 |

*(*) Discount rates are derived from market rates on high quality corporate bonds (rated AA) with maturities that approximate those of the estimated future payments under the plans. The benchmark index used for the eurozone is the Iboxx Corporate AA.*

## • Experience gains and losses recognised in equity

| | **2012** | 2011 |
|---|---|---|
| **1. Difference between actual and expected returns on plan assets** | | |
| Gains (losses) | **8** | (1) |
| Percentage of plan assets at year-end | **3.27%** | -0.44% |
| **2. Experience adjustments** | | |
| Losses (gains) | **4** | (2) |
| Percentage of present value of plan liabilities at year-end | **1.08%** | -0.66% |

## • Sensitivity to trend rate assumptions (+/-1%) for post retirement medical plans

| | **2012** | 2011 |
|---|---|---|
| **Present value of benefit obligation at 31 December** | **6** | 5 |
| Effect of a 1% increase<br>- on present value of benefit obligation<br>- on expense for the year | <br>**67**<br>**1** | <br>15<br>1 |
| Effect of a 1% decrease<br>- on present value of benefit obligation<br>- on expense for the year | <br>**(37)**<br>**-** | <br>(5)<br>- |

## • Expected employer contribution

| | **2013** | 2012 |
|---|---|---|
| | **10** | 15 |

## • Actuarial gains and losses recognised directly in equity

| | **2012** | 2011 |
|---|---|---|
| **Actuarial gains (losses) at 1 January** | **(26)** | (16) |
| Change during the year<br>- in value of benefit obligation<br>- in fair value of plan assets | <br>**(33)**<br>**8** | <br>(9)<br>(1) |
| **Actuarial gains (losses) at 31 December** | **(51)** | (26) |
| Deferred tax impact | **14** | 7 |
| **Actuarial gains (losses), net of tax at 31 December** | **(37)** | (19) |

## 27.2 PROVISIONS FOR CONTINGENCIES AND LOSSES

Non-current and current provisions for contingencies and losses primarily cover the following:

| | 31 Dec. 2012 | 31 Dec. 2011 |
|---|---|---|
| Losses on long-term contracts and other contracts | **31** | 6 |
| Restructuring and withdrawal costs | **61** | 75 |
| Claims and litigation | **98** | 74 |
| Other contingencies | **271** | 324 |
| **Total** | **461** | 479 |
| Of which: | | |
| *non-current provisions* | ***168*** | *162* |
| *Current provisions* | ***293*** | *317* |
| | ***461*** | *479* |

| | At 1 Jan. 2012 | Translation adjustments | Changes in scope of consolidation | Charges | Utilisations | Releases of surplus provisions | Reclassifications | At 31 Dec. 2012 |
|---|---|---|---|---|---|---|---|---|
| Losses on long-term contracts and other contracts | 6 | - | - | 31 | (6) | - | - | **31** |
| Restructuring and withdrawal costs | 75 | - | (4) | 12 | (12) | (6) | (4) | **61** |
| Claims and litigation | 74 | - | - | 37 | (4) | (7) | (2) | **98** |
| Other contingencies | 324 | | 5 | 53 | (56) | (41) | (14) | **271** |
| **Total** | **479** | **-** | **1** | **133** | **(78)** | **(54)** | **(20)** | **461** |

Provisions for claims and litigation cover risks identified at the year-end and are based on the estimated amount of potential losses for the Group.

Amounts shown under “Other contingencies” comprise items not directly attributable to the specific categories listed and relating to generally small individual transactions carried on in the ordinary course of business and concerning all consolidated entities.

## NOTE 28 DEBT

### 28.1 BREAKDOWN OF DEBT

Debt breaks down as follows:

| | **31 Dec. 2012** | 31 Dec. 2011 |
|---|---|---|
| Bonds | **1,457** | 1,344 |
| Bank loans | **665** | 460 |
| Finance lease liabilities | **1** | 1 |
| Debt related to put options granted to minority shareholders | **26** | 24 |
| Other debt | **16** | 14 |
| **Non-current debt** | **2,165** | 1,843 |
| Bonds | **102** | - |
| Bank loans | **11** | 13 |
| Finance lease liabilities | **1** | 1 |
| Debt related to put options granted to minority shareholders | **-** | 4 |
| Other debt | **124** | 145 |
| **Current debt** | **238** | 163 |
| **Total debt** | **2,403** | 2,006 |

The main movements in debt during 2012 are described below.

On 31 October 2012, Lagardère carried out a €500 million issue of five-year bonds (maturing in October 2017) with a 4.125% annual coupon. The bonds have been recognised in the balance sheet in an amount of €486 million, corresponding to their aggregate face value, net of issuance costs. Out of the overall proceeds of the issue, €122.8 million was used to partially redeem the Company's €1 billion worth of bonds due in 2014.

Consequently, in the consolidated financial statements, €122.8 million of the issue was accounted for as refinancing for a portion of the Company's bond debt due in 2014 and the balance was recognised as new borrowings. The overall effective interest rate on the €500 million bond issue is 4.759%, determined by combining the refinancing portion and the new borrowings portion.

On 19 December 2012, Lagardère SCA redeemed in advance of term the final tranche of its US Private Placement Notes issued in 2003 and due July 2013 (corresponding to two issues of 10-year notes – one for USD38 million and one for €116 million).

## 28.2 ANALYSIS OF DEBT BY MATURITY

Debt broke down as follows by maturity at 31 December 2012:

- **Consolidated total by maturity**

| | 2013 (*) | 2014 | 2015 | 2016 | 2017 | Beyond 5 years | Total |
|---|---|---|---|---|---|---|---|
| Bonds | 102 | 874 | - | 97 | 486 | - | **1,559** |
| Bank loans | 11 | - | 1 | 664 | - | - | **676** |
| Finance lease liabilities | 1 | 1 | - | - | - | - | **2** |
| Debt related to put options granted to minority shareholders | - | 10 | 1 | 6 | 9 | - | **26** |
| Other debt | 124 | 1 | 1 | 2 | - | 12 | **140** |
| **At 31 December 2012** | **238** | **886** | **3** | **769** | **495** | **12** | **2,403** |

*(*) Debt due within one year is reported in the balance sheet under "Current debt".*

Debt broke down as follows by maturity at 31 December 2011:

- **Consolidated total by maturity**

| | 2012 (*) | 2013 | 2014 | 2015 | 2016 | Beyond 5 years | Total |
|---|---|---|---|---|---|---|---|
| Bonds | - | 256 | 991 | - | 97 | - | **1,344** |
| Bank loans | 13 | - | 30 | - | 430 | - | **473** |
| Finance lease liabilities | 1 | - | - | - | 1 | - | **2** |
| Debt related to put options granted to minority shareholders | 4 | 1 | 6 | 8 | 8 | 1 | **28** |
| Other debt | 145 | 1 | 1 | - | 1 | 11 | **159** |
| **At 31 December 2011** | **163** | **258** | **1,028** | **8** | **537** | **12** | **2,006** |

*(*) Debt due within one year is reported in the balance sheet under "Current debt".*

## 28.3 CHARACTERISTICS OF BONDS AND MAIN BANK LOANS

The following tables provide an analysis of bonds and bank loans:

| 31 DECEMBER 2012 | Carrying amount | Value of hedging instruments (*) | Total | Currency after hedging | Original interest rate | Interest rate after hedging |
|---|---|---|---|---|---|---|
| 10 July 2003 10-year bond issue underwritten by LCL, for €100 million | 102 | (2) | **100** | EUR | 4.75% | 3-month Euribor +1.035% |
| 6 October 2009 5-year bond issue, for €1,000 million | 874 | - | **874** | EUR | 5.08% | |
| 31 October 2012 5-year bond issue, for €500 million | 486 | - | **486** | EUR | 4.76% | |
| 12 January 2011 issue of 5-year bonds with preferred share subscription warrants by Lagardère Media (formerly Hachette SA), for €100 million | 97 | - | **97** | EUR | 6-month Euribor +0.95% | |
| **Bonds** | **1,559** | **(2)** | **1,557** | | | |
| Drawdown on the 5-year €1,645 million multi-currency syndicated loan set up on 26 January 2011 | 664 | - | **664** | EUR | Euribor (or an equivalent rate for foreign currencies) +0.90% | |
| Other debt | 12 | - | **12** | | | |
| **Bank loans** | **676** | **-** | **676** | | | |
| **Total** | **2,235** | **(2)** | **2,233** | | | |

*(*) Fair value of derivative instruments designated as hedges of debt.*

| 31 DECEMBER 2011 | Carrying amount | Value of hedging instruments(*) | Total | Currency after hedging | Original interest rate | Interest rate after hedging |
|---|---|---|---|---|---|---|
| 24 July 2003 US Private Placement Notes: | | | | | | |
| - 10-year notes, for USD 38 million | 31 | 3 | **34** | EUR | 5.18% | 6-month Euribor +0.87% |
| - 10-year notes, for €116 million | 121 | (5) | **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% | |
| 12 January 2011 issue of 5-year bonds with preferred share subscription warrants by Lagardère Media (formerly Hachette SA), for €100 million | 97 | - | **97** | EUR | 6-month Euribor +0.95% | |
| **Bonds** | **1,344** | **(6)** | **1,338** | | | |
| Drawdown on the 5-year €1,645 million multi-currency syndicated loan set up on 26 January 2011 | 430 | - | **430** | EUR | Euribor (or an equivalent rate for foreign currencies) +0.90% | |
| Other debt | 43 | - | **43** | | | |
| **Bank loans** | **473** | **-** | **473** | | | |
| **Total** | **1,817** | **(6)** | **1,811** | | | |

*(*) Fair value of derivative instruments designated as hedges of debt.*

## 28.4 ANALYSIS OF DEBT BY CURRENCY

The following table provides a breakdown of current- and non-current debt by currency before and after hedging:

| 31 DECEMBER 2012 | Before hedging | | After hedging | |
|---|---|---|---|---|
| | | % | | % |
| Euro | 2,049 | 85% | 2,047 | 85% |
| USD | 277 | 12% | 277 | 12% |
| Swedish kronor | 50 | 2% | 50 | 2% |
| Czech koruna | 11 | 0% | 11 | 0% |
| Zloty | - | 0% | - | 0% |
| Other | 16 | 1% | 16 | 1% |
| **Total** | **2,403** | **100%** | **2,401** | **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 proportion of bond debt decreased from 67% to 65% of total borrowings between 31 December 2011 and 31 December 2012.

The Group's liquidity risk is controlled, as debt maturing within two years amounted to €1,124 million at 31 December 2012 whereas cash, cash equivalents and short-term investments totalled €703 million, and unused credit facilities €1,056 million. Consequently, at the 2012 year-end the Group had liquidity coverage of €1,759 million in value terms and a liquidity coverage ratio of 156%.

#### RISKS ARISING FROM EARLY REPAYMENT COVENANTS

Certain of the Group's bank loan agreements include financial ratio covenants. Most of these ratios correspond to maximum net debt calculated as a proportion of adjusted EBITDA (defined as the sum of recurring operating profit before associates, depreciation, amortisation and impairment and dividends received from associates).

Failure to meet these ratio requirements entitles the lenders to require early repayment of their loans.

This type of covenant is contained in the loan agreement for the €1,645 million syndicated credit facility set up in January 2011 and the indenture for the €100 million bond issue carried out by Lagardère Media (formerly Hachette SA) on 12 January 2011.

The ratios are calculated every six months on the basis of the consolidated financial statements.

At 31 December 2012, none of the applicable covenants had been breached.

#### INTEREST RATE RISKS

Both the €874 million bond issue maturing in 2014 and the €486 million bond issue carried out in 2012 and maturing in 2017 bear interest at a fixed rate (effective interest rates of 5.08% and 4.76% respectively). Other bond debt 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 €648 million at 31 December 2012. This cash surplus earns interest at variable rates, thus providing natural hedging for the Group's €1,015 million variable rate borrowings (excluding debt related to put options granted to minority shareholders). The risk of a rise in the cost of borrowings due to an increase in interest rates would therefore essentially concern the variable-rate portion of total borrowings that is not offset by surplus cash, i.e., a total of €367 million. A one point increase in interest rates would result in an annual additional expense of €3.7 million.

The Group's pensions and other post-employment benefit obligations are also sensitive to changes in interest rates, as are the corresponding plan assets invested in bonds and money market instruments, although inversely so. The outstanding amounts of these obligations and assets are set out in note 27.1.

#### EXCHANGE RATE RISKS

The Group's exposure to foreign exchange rate risks on commercial transactions chiefly concerns Lagardère Unlimited. At 31 December 2012, the foreign currency hedges set up for all four of the Group's divisions – in the form of direct forward agreements and options – amounted to €100 million (sales) and €110 million (purchases).

In general, normal operating activities are financed through short-term, 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 2012, amounts drawn were as follows:

US dollars: €260 million;

Swedish kronor: €50 million.

2012 consolidated net sales break down as follows between the principal currencies:

| | |
|---|---|
| ○ Euros | 56% |
| ○ US dollars | 7% |
| ○ Swiss francs | 6% |
| ○ Pounds sterling | 6% |
| ○ Other | 25% |
| **Total** | **100%** |

Based on accounting data for 2012, 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 2012 recurring operating profit before associates |
|---|---|
| US dollar | €(2) million |
| Pound sterling | €(5) million |
| Swiss franc | - |

#### EQUITY RISKS

The Group's principal direct and indirect investments in listed companies are:

| NAME OF COMPANY | Number of shares held | Percentage interest at 31 December 2012 | Share price at 31 December 2012 (in euros) | Share value at 31 December 2012 (in euros) |
|---|---|---|---|---|
| Lagardère SCA | 3,274,993 | 2.50% | 25.285 | 82,808,198 |
| EADS | 61,113,852 | 7.39% | 29.50 | 1,802,858,634 |
| Deutsche Telekom (formerly T-Online) | 2,836,835 | 0.07% | 8.60 | 24,396,781 |
| Viel et Cie | 8,917,677 | 11.56% | 2.58 | 23,007,607 |
| Pension plan assets invested in equities | | | | 74,446,000 |

Changes in the value of treasury shares directly or indirectly held by Lagardère are taken directly to equity.

As a listed company, the value of EADS is subject to stock market fluctuations. However, in view of the consolidation method applied for the EADS group (see note 32), these fluctuations do not affect the value of this investment in Lagardère's consolidated financial statements.

The Deutsche Telekom shares were received in exchange for T-Online shares in 2006 and are included in "Short-term investments" in an amount of €24 million, corresponding to their share price on 31 December 2012.

The investment in Viel et Cie is included in "Other non-current assets" in an amount of €23 million, corresponding to the share price of the shares held on 31 December 2012.

The fair value of pension plan assets totalled €257 million at 31 December 2012, of which 29% or €74 million was invested in equities (see note 27.1)

### 29.1.2 *MANAGEMENT*

The Group has implemented a policy aimed at reducing market risks by applying authorisation and internal control procedures and by using risk management tools to identify and quantify these risks. Derivatives are used exclusively for 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 entities with high quality credit ratings, with maturities appropriate to the planned duration of the investment. The vehicles used for the Group's cash investments are always non-speculative and risk-free.

There are no derivatives related to these investments.

## 29.2 CREDIT AND COUNTERPARTY RISK

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 receivables or commitments received in connection with commercial contracts;
- investments of surplus cash or to cover post-employment benefit obligations;
- hedging contracts in which the counterparties are financial institutions.

Customer receivables and commitments received under commercial contracts totalled €2,536 million at 31 December 2012. The counterparties for most customer receivables 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 sports rights marketing contracts.

The proportions of consolidated net sales deriving from business with the Group's largest, five largest and ten largest customers were as follows:

| | **2012** | 2011 |
|---|---|---|
| Largest customer | **3.0%** | 2.3% |
| Five largest customers | **7.2%** | 6.3% |
| Ten largest customers | **9.9%** | 9.0% |

The Group's short-term investments and cash and cash equivalents amounted to €703 million at 31 December 2012. In addition to bank account balances, the majority of these resources are invested in instruments with leading banks or government agencies.

Assets managed in connection with post-employment benefits totalled €257 million (including €154 million in the UK and €78 million in Switzerland). A total of 59% 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 €310 million at 31 December 2012. 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.

The Group's counterparties are exposed to risks associated with the general economic environment, and as a result the possibility of default cannot be ruled out. The Group was unable to recover certain receivables in 2011 and 2012, notably related to (i) the bankruptcies of the retailers, Borders in the United States and Red Group in Australia (affecting the Publishing division) as well as Virgin Megastore in France, and (ii) the marketing of sports rights.

### 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, measures are taken to progressively introduce monitoring procedures that are appropriate for the types of credit risk faced by the entity concerned.

The Group has set up periodic reporting on counterparty risks to monitor its overall risk exposure to its principal counterparties, the variations in accumulated receivables, and the level of related provisions, and to oversee the measures put in place for managing this type of risk. The Financial Risk Committee periodically reviews these reports.

The Cash Management and Financing Department 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. 2012** | 31 Dec. 2011 |
|---|---|---|
| Financial instruments with positive fair values (current assets) | **5** | **12** |
| - Financial instruments allocated as hedges of debt<br>- Currency swaps (effective portion) | **2**<br>**3** | 9<br>3 |
| Financial instruments with negative fair values (current liabilities) | **(1)** | **(3)** |
| - Financial instruments allocated as hedges of debt<br>- Currency swaps (effective portion) | **-**<br>**(1)** | (3)<br>- |
| **Total (net)** | **4** | 9 |

## 30.2 NOTIONAL AMOUNTS OF DEBT HEDGING CONTRACTS BY MATURITY

| AT 31 DECEMBER 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Beyond 5 years | **Total** |
|---|---|---|---|---|---|---|---|
| Value of debt including the effect of hedging instruments | 102 | - | - | - | - | - | **102** |
| Fair value of debt hedging instruments | (2) | - | - | - | - | - | **(2)** |
| Fair value of underlying hedged debt (carrying amount) | 100 | - | - | - | - | - | **100** |

## 30.3 FINANCIAL INSTRUMENTS RECOGNISED IN THE BALANCE SHEET

| | 31 Dec. 2012 | | Breakdown by category of instrument [(1)] | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | Loans and receivables | Available-for-sale financial assets | Financial liabilities at amortised cost | Fair value through profit or loss | Derivative financial instruments |
| Investments | 47 | 47 | - | 47 | - | - | - |
| Other non-current financial assets | 85 | 85 | 85 | - | - | - | - |
| Trade receivables | 1,255 | 1,255 | 1,255 | - | - | - | - |
| Derivative financial instruments | 5 | 5 | - | - | - | - | 5 |
| Other current financial assets | 1,007 | 1,007 | 1,007 | - | - | - | - |
| Short-term investments | 55 | 55 | - | 55 | - | - | - |
| Cash equivalents | 120 | 120 | - | - | - | 120 | - |
| Cash | 528 | 528 | 528 | - | - | - | - |
| **Assets** | **3,102** | **3,102** | **2,875** | **102** | **-** | **120** | **5** |
| Bonds and bank loans | 2,235 | 2,235 | - | - | 2,133 | 102 | - |
| Other debt | 168 | 168 | - | - | 168 | - | - |
| Other non-current financial liabilities | 93 | 93 | - | - | 93 | - | - |
| Trade payables | 1,651 | 1,651 | - | - | 1,651 | - | - |
| Derivative financial instruments | 1 | 1 | - | - | - | - | 1 |
| Other current financial liabilities | 1,351 | 1,351 | - | - | 1,351 | - | - |
| **Liabilities** | **5,499** | **5,499** | **-** | **-** | **5,396** | **102** | **1** |

*(1) There were no reclassifications between categories of financial instruments in 2012.*

| | 31 Dec. 2011 | | Breakdown by category of instrument [1] | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | Loans and receivables | Available-for-sale financial assets | Financial liabilities at amortised cost | Fair value through profit or loss | Derivative financial instruments |
| Investments | 64 | 64 | - | 64 | - | - | - |
| Other non-current financial assets | 83 | 83 | 83 | - | - | - | - |
| Trade receivables | 1,276 | 1,276 | 1,276 | - | - | - | - |
| Derivative financial instruments | 12 | 12 | - | - | - | - | 12 |
| Other current financial assets | 951 | 951 | 951 | - | - | - | - |
| Short-term investments | 83 | 83 | - | 83 | - | - | - |
| Cash equivalents | 130 | 130 | - | - | - | 130 | - |
| Cash | 524 | 524 | 524 | - | - | - | - |
| **Assets** | **3,123** | **3,123** | **2,834** | **147** | | **130** | **12** |
| Bonds and bank loans | 1,817 | 1,817 | - | - | 1,561 | 256 | - |
| Other debt | 189 | 189 | - | - | 189 | - | - |
| Other non-current financial liabilities | 147 | 147 | - | - | 147 | - | - |
| Trade payables | 1,613 | 1,613 | - | - | 1,613 | - | - |
| Derivative financial instruments | 3 | 3 | - | - | - | - | 3 |
| Other current financial liabilities | 1,412 | 1,412 | - | - | 1,412 | - | - |
| **Liabilities** | **5,181** | **5,181** | **-** | **-** | **4,922** | **256** | **3** |

*(1) There were no reclassifications between categories of financial instruments in 2011.*

## 30.4 FINANCIAL INSTRUMENTS – FAIR VALUE HIERARCHY

The revised version of IFRS 7, Financial Instruments – Disclosures, sets out the methods used for determining fair value using a fair value hierarchy which has the following levels:

Level 1: Instrument listed in an active market.

Level 2: Instrument valued using techniques based on observable market data.

Level 3: Instrument valued using techniques based on unobservable 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:

| | Category of instrument (1) | | | Fair value hierarchy (2) | | | |
|---|---|---|---|---|---|---|---|
| 31 DECEMBER 2012 | Available-for-sale financial assets | Fair value through profit or loss | Derivative financial instruments | Level 1 | Level 2 | Level 3 | Acquisition cost |
| Investments | 47 | | | 23 | | | 24 |
| *- Viel et Cie shares* | *23* | | | *23* | | | |
| *- Other* | *24* | | | | | | *24* |
| Derivative financial instruments – Assets | | | 5 | | 5 | | |
| Short-term investments | 55 | | | 55 | | | |
| *- Deutsche Telekom shares* | *24* | | | *24* | | | |
| *- Bonds* | *31* | | | *31* | | | |
| Cash equivalents | | 120 | | 120 | | | |
| *- Marketable securities* | | *120* | | *120* | | | |
| **Total financial instruments – Assets** | **102** | **120** | **5** | **198** | **5** | | **24** |
| Derivative financial instruments – Liabilities | | | 1 | | 1 | | |
| **Total financial instruments – Liabilities** | | | **1** | | **1** | | |

*(1) There were no reclassifications between categories of financial instruments in 2012.*
*(2) There were no reclassifications between fair value hierarchy levels in 2012*

| | Category of instrument (1) | | | Fair value hierarchy (2) | | | |
|---|---|---|---|---|---|---|---|
| 31 DECEMBER 2011 | Available-for-sale financial assets | Fair value through profit or loss | Derivative financial instruments | Level 1 | Level 2 | Level 3 | Acquisition cost |
| Investments | 64 | | | 22 | | | 42 |
| *- Viel et Cie shares* | *22* | | | *22* | | | |
| *- Other* | *42* | | | | | | *42* |
| Derivative financial instruments – Assets | | | 12 | | 12 | | |
| Short-term investments | 83 | | | 83 | | | |
| *- Deutsche Telekom shares* | *25* | | | *25* | | | |
| *- Bonds* | *58* | | | *58* | | | |
| Cash equivalents | | 130 | | 130 | | | |
| *- Marketable securities* | | *130* | | *130* | | | |
| **Total financial instruments – Assets** | **147** | **130** | **12** | **235** | **12** | | **42** |
| Derivative financial instruments – Liabilities | | | 3 | | 3 | | |
| **Total financial instruments – Liabilities** | | | **3** | | **3** | | |

*(1) There were no reclassifications between categories of financial instruments in 2011.*
*(2) There were no reclassifications between fair value hierarchy levels in 2011.*

## NOTE 31 OTHER LIABILITIES

Other liabilities break down as follows:

| | 31 Dec. 2012 | 31 Dec. 2011 |
|---|---|---|
| Due to suppliers of non-current assets | **84** | 139 |
| Repayable advances | **-** | - |
| Other advances and prepayments | **1** | 1 |
| Other | **8** | 7 |
| **Other non-current liabilities** | **93** | 147 |
| Derivative financial instruments | **1** | 3 |
| Accrued taxes and employee benefit expense | **460** | 480 |
| Advances and prepayments | **24** | 22 |
| Due to writers | **243** | 237 |
| Due to customers | **96** | 100 |
| Deferred income | **279** | 247 |
| Sundry payables | **249** | 326 |
| **Other current liabilities** | **1,352** | 1,415 |
| **Total** | **1,445** | 1,562 |

## NOTE 32 ASSETS HELD FOR SALE

In November 2012, Lagardère SCA publicly confirmed its intention to sell its stake in EADS as soon as market and operational conditions permit. The Company considers that the requisite conditions for this sale could be met in 2013.

On 5 December 2012, EADS and the company's core shareholders agreed on a project aimed at making far-reaching changes to EADS' governance and completing the streamlining of its ownership structure. The project will be submitted for approval at an Extraordinary General Meeting of EADS shareholders to be held on 27 March 2013.

In tandem – subject to both market conditions and shareholder approval at the same Extraordinary General Meeting – EADS intends to carry out a share buy-back programme in the first half of 2013 covering up to 15% of its outstanding shares. The programme will be divided into two equal and simultaneous tranches subject to the same terms and conditions, as follows:

- A first tranche representing up to 7.5% of EADS' outstanding shares, including 5.5% reserved exclusively for Lagardère SCA. The remainder of this tranche – representing a maximum 2% of EADS' outstanding shares – will be offered on a priority basis to the French and Spanish governments. If the French and Spanish governments do not exercise their priority rights, Lagardère SCA will be offered the unused portion of the tranche.
- A second tranche, representing up to 7.5% of EADS' outstanding shares, which will be open to all of EADS' shareholders.

Lagardère SCA and the other signatory parties to the 5 December 2012 agreement have agreed to lock up their shares for a period expiring on the earlier of (i) the date on which the new governance structure is approved by EADS shareholders in Extraordinary General Meeting, or (ii) 31 July 2013.

After the expiry of the lock-up period, Lagardère SCA and Daimler AG will be free to sell the EADS shares that they still own (i.e., after the buy-back programme if it goes ahead) in accordance with an orderly divestment process agreed between the two companies, it being noted that Lagardère SCA has exclusivity over the sale of its EADS shares *vis-à-vis* Daimler until 31 July 2013.

All of these measures will enhance the liquidity of Lagardère's stake in EADS, which means that its sale in 2013 is highly probable. Consequently, in the balance sheet at 31 December 2012, Lagardère's shares in EADS have been reclassified as assets held for sale in an amount corresponding to (i) their €392 million carrying amount at that date, plus (ii) the €45 million in goodwill recognised when Lagardère Groupe purchased Matra Hachette's shares prior to the merger of Matra Hachette into Lagardère Groupe in 1996, which led to the formation of the Lagardère group. This goodwill was allocated in priority to all of Matra's high technology activities, which were transferred to EADS when EADS was first formed in 2000.

At 31 December 2012, the EADS listed share price was €29.50, putting the market value of Lagardère's stake in the company at €1,803 million.

# 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 | |
|---|---|---|---|---|---|
| | Within 1 year | 1 to 5 years | Beyond 5 years | 31 Dec. 2012 | 31 Dec. 2011 |
| Bonds and bank loans (net of derivatives) | 113 | 2,122 | 0 | 2,235 | 1,817 |
| Other debt | 125 | 31 | 12 | 168 | 189 |
| Other non-current financial liabilities | - | 85 | 8 | 93 | 147 |
| Trade payables | 1,641 | 10 | - | 1,651 | 1,613 |
| Derivative financial instruments | 1 | - | - | 1 | 3 |
| Other current financial liabilities | 1,343 | 8 | - | 1,351 | 1,412 |
| **Total financial liabilities** | **3,223** | **2,256** | **20** | **5,499** | **5,181** |
| *including finance lease obligations* | *1* | *1* | - | *2* | *2* |
| Expected bank interest on debt (*) | 69 | 135 | - | 204 | 177 |
| Operating leases (**) | 257 | 590 | 380 | 1,227 | 842 |
| Commitments for future capital expenditure | 8 | 16 | 8 | 32 | 32 |
| **Total contractual obligations** | **3,557** | **2,997** | **408** | **6,962** | **6,232** |

*(*) Variable-rate interest payable has been calculated at the rates in force at 31 December 2012.*
*(**) Minimum future lease payments under non-cancellable operating leases, including guaranteed minimum payments provided for in retail store concession agreements.*

Recurring operating profit included rental expense of €328 million in 2012 (€284 million in 2011).

The year-on-year increase in operating lease obligations was primarily due to Lagardère Services' acquisition of ADR Retail which operates under a fourteen-year concession agreement.

In addition to these contractual obligations, at 31 December 2012 entities forming part of Lagardère Unlimited had guaranteed minimum future payments amounting to €880 million under long-term contracts for the sale of TV and marketing rights. These payments break down as follows by maturity:

| MATURITY | 2013 | 2014 | 2015 | 2016 | 2017 | Beyond 5 years | Total at 31 Dec. 2012 | Total at 31 Dec. 2011 |
|---|---|---|---|---|---|---|---|---|
| Guaranteed minimum payments under sports rights marketing contracts | 197 | 146 | 124 | 107 | 67 | 239 | **880** | **1,148** |

The amounts due under marketing contracts signed by these same entities with broadcasters and partners amounted to €1,281 million at 31 December 2012, breaking down as follows by maturity:

| MATURITY | 2013 | 2014 | 2015 | 2016 | 2017 | Beyond 5 years | Total at 31 Dec. 2012 | Total at 31 Dec. 2011 |
|---|---|---|---|---|---|---|---|---|
| Sports rights marketing contracts signed with broadcasters and partners | 471 | 260 | 239 | 137 | 56 | 118 | **1,281** | **1,119** |

## NOTE 34 OFF-BALANCE SHEET COMMITMENTS

The information below relates to subsidiaries controlled and fully consolidated by Lagardère.

| | **31 Dec. 2012** | 31 Dec. 2011 |
|---|---|---|
| Commitments given in the normal course of business:<br>- guarantees and performance bonds<br>- guarantees given to third parties and non-consolidated companies<br>- other commitments given | <br>**156**<br>**34**<br>**6** | <br>102<br>44<br>4 |
| Commitments on assets | **-** | - |
| Commitments to purchase shares (estimated amount, excluding put options granted to minority shareholders of fully consolidated subsidiaries) | **-** | 25 |
| Commitments received:<br>- counter-guarantees of commitments given<br>- other commitments received | <br>**34**<br>**79** | <br>44<br>24 |
| Confirmed, unused lines of credit | **1,056** | 1,277 |
| *Of which unused lines on the 2011 syndicated credit facility* | ***975*** | *1,026* |

### CONDITIONAL COMMITMENTS TO SELL SHARES

At 31 December 2012, the Group had given commitments to sell certain of its equity interests, of which the two most significant relate to:

- The 7.39% investment held indirectly in EADS. Lagardère has given a commitment to sell this investment at market value subject to certain events, namely the failure to respect the obligations stipulated in the shareholder agreement, or a change in control over Lagardère or certain of its divisions.
- The 20% investment held in Canal+ France following the agreements signed on 4 January 2007 between Vivendi, Groupe Canal+ 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 the 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 PURCHASE 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 shares held by these minority shareholders at market value in certain circumstances.

## NOTE 35 LITIGATION

The main disputes and legal proceedings involving the EADS NV group and Canal+ France are described in the EADS Registration Document and the Vivendi Annual Report respectively.

### DISPUTE WITH ABN AMRO (TRADING UNDER THE "ROYAL BANK OF SCOTLAND" NAME SINCE 6 FEBRUARY 2010)

On 31 May 2006 ABN AMRO filed an application with the Paris Commercial Court relating to convertible bonds it converted into new shares issued in 1993 and 1994 and share subscription warrants that it exercised for new shares issued in April 1994. The purpose of this application was to claim compensation for the loss that ABN AMRO had allegedly suffered because Lagardère SCA did not adjust the exercise conditions applicable to the bonds and warrants concerned after paying out dividends for 1992, 1993 and 1994 that were partly deducted from 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 of Appeal (i) ordered Lagardère SCA to compensate ABN AMRO for the loss suffered as a result of the failure to adjust the exercise conditions applicable to the 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 failure to adjust the conversion conditions applicable to the convertible bonds.

ABN AMRO's appeal against this ruling, and Lagardère SCA's cross-appeal arguing that the claims filed by ABN AMRO were inadmissible, primarily under the applicable statute of limitations, were rejected by the Court of Cassation on 8 April 2010.

The Paris Court of Appeal was therefore only required to rule on the one remaining issue, i.e., the admissibility of ABN AMRO's claims for compensation for Lagardère's failure to adjust the conversion conditions applicable to the convertible bonds.

ABN AMRO considered that its claims were admissible and requested the Paris Court of Appeal to order Lagardère SCA to deliver ABN AMRO 99,477 shares or to pay it a sum of approximately €2 million excluding interest representing the value of said shares.

Lagardère SCA formally contested both the admissibility and the merits of these claims.

By way of a decision handed down on 13 March 2012, the Paris Court of Appeal found in favour of the arguments put forward by Lagardère SCA and declared the claims of ABM AMRO inadmissible, thereby overturning the decision of 19 June 2007. ABN AMRO has appealed this decision to a higher court.

### DISPUTE WITH EDITIONS ODILE JACOB CONCERNING THE VIVENDI UNIVERSAL PUBLISHING AND EDITIS TRANSACTIONS

On 13 September 2010, the General Court of the European Union (EGC) issued two decisions in the dispute between Editions Odile Jacob and the European Commission and Lagardère. The first of these decisions rejected the action filed by Editions Odile Jacob for cancellation of the European Commission's decision of January 2004 approving Lagardère's acquisition of Vivendi Universal Publishing subject to the sale of certain assets (Editis). The second upheld the action filed by Editions Odile Jacob for cancellation of the European Commission's July 2004 approval of Wendel as buyer of Editis. Both of the decisions were upheld by the European Court of Justice on 6 November 2012.

Meanwhile, following the cancellation ordered in the second above-mentioned decision by the EGC, the European Commission carried out a new review and on 13 May 2011 confirmed its approval of Wendel as the buyer of Editis. The Commission set the effective date of this decision retroactively as 30 July 2004, the date of its original approval. On 5 September 2011 Editions Odile Jacob brought a further action before the EGC to cancel said decision of the European Commission and also made an application for interim measures to suspend the effects of the decision. By way of an order dated 24 November 2011, the President of the EGC rejected the application for interim measures. Meanwhile, Lagardère applied for leave to intervene in the proceedings concerning the merits of the case, which are still ongoing.

In addition, on the grounds of the second above-mentioned decision by the EGC, on 27 October 2010 Editions 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. By way of a judgement handed down on 13 December 2011, the Paris Commercial Court rejected the primary claim put forward by Lagardère, Wendel and Planeta that the court did not have the necessary jurisdiction to consider the case and decided to suspend any further decisions until the relevant courts at the European Union level have made their final ruling on the validity of the decisions made by the European Commission to approve the sale of Editis to Wendel.

Lagardère considers it has strong arguments against the claims made by Editions Odile Jacob, both before the European Union courts and the Paris Commercial Court. In all events, Lagardère does not consider itself exposed to significant unfavourable consequences due to these disputes.

### INQUIRY BY THE FRENCH FINANCIAL MARKETS AUTHORITY (AUTORITÉ DES MARCHÉS FINANCIERS – 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 filed by EADS shareholders and various inquiries were launched 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 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 the 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 AMF's 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 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.

Further to the announcement by the examining magistrate of the end of the formal investigation, the public prosecutor issued, on 14 February 2013, a written statement requesting that all the persons investigated be sent for trial before the criminal court. This request is without prejudice to the magistrate's final decision on whether to send Lagardère SCA for trial before the criminal court.

**c. Action by Crédit Mutuel group companies against Lagardère and Natixis**

On 17 June 2008, some companies of the Crédit Mutuel group brought an 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 dated 27 January 2010, the Paris Commercial Court held 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, asking only for the forward sales to be cancelled. On 28 April 2011, the Court of Appeal upheld the Paris Commercial Court's decision of 27 January 2010 and cleared Lagardère SCA. The appellants have appealed to the Court of Cassation. On 10 July 2012 the Court of Cassation annulled the decision handed down by the Court of Appeal on 28 April 2011 on procedural grounds and referred the case back to the Paris Court of Appeal for retrial by a different panel of judges. The Paris Court of Appeal's ruling is expected in the first half of 2013.

### 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 the Hersant Média group in December 2007, Quillet granted representations and warranties in respect of assets and liabilities. The Hersant Média group 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 the Hersant Média group.

### STATEMENT OF OBJECTIONS FROM THE FRENCH COMPETITION AUTHORITY CONCERNING YOUTH CHANNELS

After issuing a statement of objections concerning alleged anti-competitive practices in the pay TV sector, on 16 November 2010 the French Competition Authority (ADLC) issued a decision which (i) considered valid the exclusive rights granted to Canal+ to broadcast certain Lagardère Active channels under agreements relating to the merger between TPS and CanalSatellite in 2007, and (ii) referred the other matters in the procedure (including certain extensions of these exclusive rights) for further investigation. The additional investigation ordered by the ADLC in this decision has not yet given rise to any new communications between Lagardère and the ADLC's Investigation Services. In a separate procedure, on 23 July 2012, the ADLC imposed a number of measures on Groupe Canal+, notably specifying the manner in which Canal+ will be able to obtain exclusive broadcasting rights for TV channels in the future. This decision has since been upheld by the French Supreme Court (*Conseil d'État*).

### 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 related to 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.

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) and/or before the federal judge of Brasilia (judicial review).

### LITIGATION WITH PHOTOGRAPHERS

A number of disputes are in process with freelance and salaried photographers having worked with the Lagardère Active magazines. Most of these disputes concern returns of archived work, photographic equipment and lost photographs. 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. World Sport Group (WSG) – which became a subsidiary of Lagardère Unlimited in May 2008 – was awarded most of these rights in early 2008, with the rest going to an 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 MSM, which received a larger share of the rights than in 2008. Under this agreement, MSM undertook to pay WSG a sum of 4,250 million rupees (approximately USD82 million) over a period of time. Meanwhile, the BCCI engaged WSG to market IPL rights worldwide, excluding the Indian subcontinent, for the period 2009/2017.

In June 2010 (i) the BCCI terminated the 2009/2017 contract to market IPL rights worldwide, excluding the Indian subcontinent, and (ii) MSM terminated the aforementioned assistance agreement, and demanded immediate reimbursement of the sums already paid (approximately USD25 million excluding interest) in an action brought before an Indian court. WSG immediately began proceedings in order to preserve its rights. The decisions issued so far, in some cases followed by appeal, essentially concern questions of jurisdiction and/or interim measures.

Concerning the dispute between WSG and the BCCI, in spring 2011 the Indian Supreme Court took a series of interim measures that – without calling into question the marketing already carried out by WSG and without prejudging the substance of the case – temporarily grant the BCCI, under the supervision of the Court, media rights to the IPL outside the Indian subcontinent that are not already marketed by WSG, as well as recovery of the amounts owed by the broadcasters. The proceedings concerning the merits of the case are still ongoing and are expected to last several years.

In the dispute between WSG and MSM the arbitration proceedings launched by WSG in Singapore in accordance with the terminated assistance agreement are currently suspended pending the outcome of an appeal brought by WSG before the Indian Supreme Court against an injunction obtained by MSM in the Indian courts preventing WSG from continuing the arbitration proceedings. In parallel, the principal action on the merits of the case brought by MSM before the Indian courts is still ongoing and could last several years unless the Indian Supreme Court rules that the Singapore arbitration tribunal has the necessary jurisdiction to settle the dispute.

The main risks associated with the above disputes consist of (i) the potential loss of margins or future revenues (in 2011 no revenues from the marketing of IPL rights or the assistance agreement were recognised in the Group's accounts), and/or (ii) the potential repayment of amounts already received from MSM under the assistance agreement (approximately USD25 million excluding interest – see above). On 13 October 2010 the BCCI filed a criminal complaint with the Chennai police authorities in India against seven individuals, including the former President of the IPL and four managers of WSG, alleging breaches of the Indian criminal code in connection with the attribution to WSG in March 2009 of certain IPL media rights for the seasons 2009/2017. A police investigation is currently in process.

Lastly, in February 2011, WSG was notified of an investigation by the Competition Commission of India into different aspects of BCCI's distribution of various rights relating to the IPL. Following this investigation, on 8 February 2013 the Competition Commission issued an order against BCCI, but did not impose any sanctions on WSG.

### COMPETITION INVESTIGATIONS IN THE DIGITAL BOOKS MARKET

Lagardère Publishing, as well as a number of other publishers and Apple, are currently the subject of a number of different competition investigations concerning the digital books market, and particularly the sales methods used for these books. The US Department of Justice, the Texas Attorney General and the Connecticut Attorney General launched investigations in 2010 and have been joined by the European Commission since early 2011. An investigation carried out by the Office of Fair Trading in the United Kingdom has been closed as its remit now falls within that of the investigations being carried out by the European Commission. On 6 December 2011 the European Commission announced that it had opened a formal investigation.

In April 2012 Hachette Book Group, like other publishers involved in the investigation of the US Department of Justice (DOJ), accepted the DOJ's proposed settlement (without acknowledging any violation of the law), particularly in view of the costs that would be incurred in the event of a lawsuit. Under the proposed settlement, which concerns business practices to be adopted in the future, the publishers have undertaken in particular to allow their distribution agents to offer price discounts to consumers on digital books for a period of two years, within the limit of the aggregate annual amount of their commission. The DOJ's complaint as well as the proposed settlement were published for comment on 11 April 2012, and on 5 September 2012 the settlement was approved by the District Court for the Southern District of New York.

A complaint filed by certain state Attorneys General against a group of publishers was also published on 11 April 2012. On the same day, Hachette Book Group reached an agreement in principle for a settlement with the offices of the Texas and Connecticut Attorneys General. Consequently, a complete draft settlement, open to all US states and territories, was signed on 11 June 2012 with the representatives of Texas, Connecticut and Ohio. This settlement provides for the payment by Hachette Book Group of certain amounts to be divided between the consumers (within the limit of USD 32.25 million) and the authorities of participating states, in addition to various expenses, without any admission of liability by Hachette Book Group. All of the US states and territories (apart from Minnesota) opted to participate in this settlement, which was granted preliminary approval by a federal court judge on 13 September 2012. Final approval was granted on 8 February 2013, following a period allowing the consumers in question to exercise their right to opt out or claim compensation. The Minnesota Attorney General has not yet informed Hachette Book Group of its intentions.

In addition, several class actions were launched in the United States in 2011 against a number of Anglo-Saxon publishers (including Hachette Book Group) and Apple concerning the digital books market. On 9 December 2011 all of these cases were consolidated and will now be handled by the courts in the State of New York. The above-mentioned settlement with the Attorneys General received final court approval to put an end to these actions for consumers in the participating US states and territories that have not exercised their right to opt out.

In February 2012, a request for permission to launch a class-action lawsuit was filed with a court in Montreal, on the same basis and against the same parties and their Canadian subsidiaries.

In Europe, the European Commission ended its competition investigations concerning the digital books market by adopting a decision on 12 December 2012 that renders legally binding the commitments offered by Lagardère Publishing, other publishers and Apple. The Commission did not conclude on whether EU competition rules had been infringed and did not impose any fines on the parties concerned. The commitments offered – which concern the parties' future business practices – are similar to those provided for in the above-mentioned settlement with the US Department of Justice. The decision nevertheless provides that the commitments be undertaken without prejudice to national laws authorising or obliging publishers to set the price of e-books.

### SWISS COMPETITION COMMISSION LAUNCHES INVESTIGATION

Following the rejection – by way of a referendum on 11 March 2012 – of measures to introduce a single price for books in Switzerland, the Swiss Competition Commission (Comco) has reopened an investigation into imports of French language books by distributors.

On 14 August 2012 the Secretariat of the Swiss Competition Commission (Comco) submitted a draft decision to the companies concerned. This document concludes that there are various illegal agreements, as defined under Swiss competition law, within the French language books sector in Switzerland and advises the Comco to fine each distributor (including Diffulivre) and to take certain measures to remove the alleged obstacles to competition. Diffulivre contests all of the allegations made against it.

The distributors were able to put forward their arguments in written submissions as well as hearings held during the autumn of 2012, and are now awaiting the Comco's final decision. This final decision may be appealed to the Federal Administrative Court of Switzerland with the possibility of the Comco's order being suspended until the appeal is settled.

### CLASS ACTION AGAINST AMAZON AND CERTAIN BOOK PUBLISHERS IN THE UNITED STATES

On 15 February 2013, a number of independent booksellers filed a class-action in New York against Amazon and the major US publishers, including Hachette Book Group. The booksellers claim that Amazon sought to obtain and maintain a dominant market position in the sale of e-books, and that the publishers colluded with Amazon to impose the use of the Kindle digital rights management (DRM) technology in the digital book files sold by Amazon. Lagardère Publishing considers that this claim is without merit and is based on allegations that are factually inaccurate.

### 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 contractual performance. 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, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) which may have or recently had significant effects on its financial position or profitability.

### TAX AUTHORITIES/LAGARDÈRE

A number of the Group's companies have received tax reassessment notices – relating to several different fiscal years – as part of the routine tax audits carried out by the French and foreign tax authorities. Provision has been made to take account of the reassessments 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 36 RELATED PARTIES

### 36.1 MANAGEMENT REMUNERATION

The total gross remuneration attributed to the members of Lagardère SCA's Executive Committee for 2012 (excluding remuneration paid by EADS) amounted to €10.1 million, and €19.1 million including related charges. The figure with charges includes a provision recorded for the supplementary pension plan. The corresponding figures for 2011 were €9.9 million and €18.0 million respectively.

In 2012 and 2011, aggregate attendance fees received by members of the Boards of Directors of Group companies (excluding EADS) amounted to €21,171 and €20,900, respectively. In 2012, they were awarded a total of 111,000 free shares under Lagardère SCA share grant plans, compared with 119,000 in 2011.

### 36.2 RELATED PARTY TRANSACTIONS

#### TRANSACTIONS WITH LAGARDÈRE CAPITAL & MANAGEMENT (LC&M)

Lagardère Capital & Management – which is controlled and chaired by 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 is to assist the Managing Partners in their duties, i.e., to determine the Group's strategy and lead its development, and to take the resulting necessary management decisions and implement them globally at parent company level and in the Group's different business activities. LC&M bears the entire cost of its senior managers' salaries and the related overheads as well as the fees billed by any French and/or international consultants that they may work with.

LC&M carries out its mission 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 French Commercial Code.

Since 2004, the remuneration of LC&M has equalled the amount of expenses incurred in carrying out its mission, plus a margin of 10%, capped in absolute value terms at €1 million. These expenses are examined each fiscal year by the Audit Committee which issues an opinion on their changes and developments. After examination by the Audit Committee, this remuneration package was approved by the Supervisory Board on 12 March 2004.

In accordance with the above-described basis of remuneration, in 2012 LC&M invoiced €22.7 million to the Group, compared with €22.1 million for 2011. 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.

#### OTHER TRANSACTIONS

The other transactions with related parties in 2012 undertaken in the normal course of business are not considered significant for the Group. They took place under arm's length conditions.

## NOTE 37 FEES PAID TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

| | 2012 | | | |
|---|---|---|---|---|
| (in thousands of euros) | Mazars | % | Ernst & Young et Autres | % |
| **Audit** | | | | |
| Statutory audit, certification, examination of individual and consolidated financial statements | 3,459 | 86.8 | 3,371 | 80.0 |
| *- Lagardère SCA* | *214* | *5.4* | *207* | *4.9* |
| *- Fully-consolidated subsidiaries* | *3,245* | *81.4* | *3,164* | *75.1* |
| Other procedures and services directly related to the statutory audit | 361 | 9.0 | 543 | 12.9 |
| *- Lagardère SCA* | *65* | *1.6* | *30* | *0.7* |
| *- Fully-consolidated subsidiaries* | *296* | *7.4* | *513* | *12.2* |
| **Sub-total** | **3,820** | **95.8** | **3,914** | **92.9** |
| **Non-audit services rendered by network members to fully-consolidated subsidiaries** | | | | |
| Legal, tax, human resources | 166 | 4.2 | 301 | 7.1 |
| Other | - | - | - | - |
| **Sub-total** | **166** | **4.2** | **301** | **7.1** |
| **Total** | **3,986** | **100.0** | **4,215** | **100.0** |

| | 2011 | | | |
|---|---|---|---|---|
| (in thousands of euros) | Mazars | % | Ernst & Young et Autres | % |
| **Audit** | | | | |
| Statutory audit, certification, examination of individual and consolidated financial statements | 3,470 | 78.6 | 3,534 | 75.6 |
| *- Lagardère SCA* | *165* | *3.8* | *159* | *3.4* |
| *- Fully-consolidated subsidiaries* | *3,305* | *74.8* | *3,375* | *72.2* |
| Other procedures and services directly related to the statutory audit | 743 | 16.8 | 806 | 17.2 |
| *- Lagardère SCA* | - | - | - | - |
| *- Fully-consolidated subsidiaries* | *743* | *16.8* | *806* | *17.2* |
| **Sub-total** | **4,213** | **95.4** | **4,340** | **92.8** |
| **Non-audit services rendered by network members to fully-consolidated subsidiaries** | | | | |
| Legal, tax, human resources | 205 | 4.6 | 338 | 7.2 |
| Other | - | - | - | - |
| **Sub-total** | **205** | **4.6** | **338** | **7.2** |
| **Total** | **4,418** | **100.0** | **4,678** | **100.0** |

Other procedures and services directly related to the statutory audit mainly comprise engagements concerning acquisitions and the provision of attestations and statements. In 2011, this item also included the procedures carried out as part of the disposal of the International Magazine Publishing business as well as a review of earnout clauses.

# NOTE 38 LIST OF CONSOLIDATED COMPANIES

Fully consolidated companies at 31 December 2012

| COMPANY | HEAD OFFICE | REGISTRATION NUMBER | % INTEREST | % 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 |
| CALMANN LÉVY | 31 rue de Fleurus – 75006 PARIS | 572 082 279 | 83.06 | 83.06 |
| CENTRE DE TRAITEMENT DES RETOURS | 137 route de Corbeil – Lieu-dit Balizy<br>91160 LONGJUMEAU | 381 737 519 | 100.00 | 100.00 |
| CHAMBERS HARRAP PUBLISHER | EDINBURGH (UNITED KINGDOM) | | 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 | 100.00 |
| EDELSA | MADRID (SPAIN) | | 100.00 | 100.00 |
| ÉDITIONS ALBERT RENÉ | 26 avenue Victor Hugo – 75116 PARIS | 950 026 757 | 100.00 | 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 | 11 rue Paul Bert<br>92247 MALAKOFF Cedex | 582 057 816 | 100.00 | 100.00 |
| FERNAND HAZAN ÉDITEUR | 11 rue Paul Bert<br>92247 MALAKOFF Cedex | 562 030 221 | 99.94 | 100.00 |
| GROUPE HATIER INTERNATIONAL | 11 rue Paul Bert<br>92247 MALAKOFF Cedex | 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 | 11 rue Paul Bert<br>92247 MALAKOFF Cedex | 384 562 070 | 99.99 | 100.00 |
| HACHETTE CANADA INC | 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 | NEW YORK (USA) | | 100.00 | 100.00 |
| HACHETTE PARTWORKS LTD | LONDON (UNITED KINGDOM) | | 100.00 | 100.00 |

*(1) A company in which the Lagardère group exercises control (see note 2.2).*

| COMPANY | HEAD OFFICE | REGISTRATION NUMBER | % INTEREST | % CONTROL |
|---|---|---|---|---|
| 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 | 11 rue Paul Bert<br>92247 MALAKOFF Cedex | 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 | 11 rue Paul Bert<br>92247 MALAKOFF Cedex | 484 213 954 | 100.00 | 100.00 |
| MY BOOX | 11 rue Paul Bert<br>92247 MALAKOFF Cedex | 519 774 582 | 100.00 | 100.00 |
| PIKA ÉDITION | 19 bis rue Pasteur – 92100<br>BOULOGNE-BILLANCOURT | 428 902 704 | 66.67 | 66.67 |
| SAMAS SA | 11 rue Paul Bert<br>92247 MALAKOFF Cedex | 775 663 321 | 100.00 | 100.00 |
| 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 | 11 rue Paul Bert<br>92247 MALAKOFF Cedex | 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 (MOROCCO) | | 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 | MADRID (SPAIN) | | 100.00 | 100.00 |
| EDITORIAL SALVAT S.L. | 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) | | 99.82 | 99.82 |
| COMERCIAL GRUPO ANAYA SA | MADRID (SPAIN) | | 100.00 | 100.00 |
| EDITORIAL BARCANOVA SA | BARCELONA (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 |

| COMPANY | HEAD OFFICE | REGISTRATION NUMBER | % INTEREST | % 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 |
| PHILIP ALLAN PUBLISHERS LTD | LONDON (UNITED KINGDOM) | | 100.00 | 100.00 |
| HACHETTE BOOK GROUP | | | | |
| HACHETTE BOOK GROUP USA | NEW YORK (USA) | | 100.00 | 100.00 |
| DIGITAL PUBLISHING INNOVATION | NEW YORK (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 | NEW YORK (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 | | | | |
| EDICIONES LAROUSSE MEXICO | MEXICO CITY (MEXICO) | | 100.00 | 100.00 |
| DIFUSORA LAROUSSE MEXICANA | MEXICO CITY (MEXICO) | | 100.00 | 100.00 |
| OCTOPUS GROUP | | | | |
| OCTOPUS PUBLISHING LTD | LONDON (UNITED KINGDOM) | | 100.00 | 100.00 |
| CONRAN OCTOPUS LTD | LONDON (UNITED KINGDOM) | | 100.00 | 100.00 |
| **LAGARDÈRE ACTIVE** | | | | |
| LAGARDÈRE ACTIVE | 149 – 151 rue Anatole France<br>92300 LEVALLOIS-PERRET | 433 443 124 | 100.00 | 100.00 |
| 909 PRODUCTION | 45 rue de Chabrol – 75010 PARIS | 432 861 334 | 47.86 | 60.00 |
| ADD-ON (FORMERLY FULL FEEL FACTORY) | 149 – 151 rue Anatole France<br>92300 LEVALLOIS-PERRET | 482 467 610 | 100.00 | 100.00 |
| AMAYA-TECHNISONOR | 24 – 26 quai Alphonse Le Gallo<br>92100 BOULOGNE-BILLANCOURT | 542 088 604 | 99.48 | 100.00 |
| ATLANTIQUE PRODUCTIONS | 24 – 26 quai Alphonse Le Gallo<br>92100 BOULOGNE-BILLANCOURT | 324 873 421 | 99.48 | 100.00 |
| AUBES PRODUCTIONS | 24-26 quai Alphonse Le Gallo<br>92100 BOULOGNE-BILLANCOURT | 429 138 019 | 99.48 | 100.00 |
| BILLET REDUC | 100 rue Lafayette – 75010 PARIS | 411 105 117 | 100.00 | 100.00 |
| CARSON PROD | 27 rue Marbeuf – 75008 PARIS | 438 557 282 | 79.71 | 80.00 |
| CERT | SAAREBRUCK (GERMANY) | | 99.29 | 99.81 |

| COMPANY | HEAD OFFICE | REGISTRATION NUMBER | % INTEREST | % CONTROL |
|---|---|---|---|---|
| DEMD PRODUCTIONS | 24 – 26 quai Alphonse Le Gallo<br>92100 BOULOGNE-BILLANCOURT | 377 608 377 | 99.48 | 100.00 |
| DOCTISSIMO | 149 rue Anatole France<br>92300 LEVALLOIS-PERRET | 562 013 524 | 100.00 | 100.00 |
| ECEP | 149 rue Anatole France<br>92300 LEVALLOIS-PERRET | 300 938 826 | 99.97 | 100.00 |
| ÉDITIONS MUSICALES FRANÇOIS 1ER | 24 – 26 quai Alphonse Le Gallo<br>92100 BOULOGNE-BILLANCOURT | 381 649 771 | 99.48 | 100.00 |
| ÉLECTRON LIBRE PRODUCTIONS | 24 – 26, quai Alphonse Le Gallo<br>92100 BOULOGNE-BILLANCOURT | 449 448 372 | 75.12 | 75.51 |
| EUROPE 1 IMMOBILIER | 26 bis rue François 1er – 75008 PARIS | 622 009 959 | 99.41 | 100.00 |
| EUROPE 1 SPORT (FORMERLY SPORT FM) | 26 bis rue François 1er – 75008 PARIS | 450 964 937 | 99.48 | 100.00 |
| EUROPE 1 TÉLÉCOMPAGNIE | 26 bis rue François 1er – 75008 PARIS | 542 168 463 | 99.39 | 100.00 |
| EUROPE 2 COMMUNICATION | 26 bis rue François 1er – 75008 PARIS | 339 696 072 | 99.48 | 100.00 |
| EUROPE 2 ENTREPRISES | 28 rue François 1er – 75008 PARIS | 352 819 577 | 99.48 | 100.00 |
| EUROPE NEWS | 26 bis rue François 1er – 75008 PARIS | 343 508 750 | 99.39 | 100.00 |
| FENIPROD (FORMERLY ANGO PRODUCTION) | 24 – 26 quai Alphonse Le Gallo<br>92100 BOULOGNE-BILLANCOURT | 391 464 633 | 99.48 | 100.00 |
| FRANCE-CANADA ÉDITIONS ET PUBLICATIONS | MONTREAL (CANADA) | | 99.97 | 100.00 |
| GENAO PRODUCTIONS (FORMERLY TIMOON ANIMATION) | 24 – 26 quai Alphonse Le Gallo<br>92100 BOULOGNE-BILLANCOURT | 448 829 275 | 99.48 | 100.00 |
| GMT PRODUCTIONS | 64 rue du Château<br>92100 BOULOGNE-BILLANCOURT | 342 171 667 | 99.48 | 100.00 |
| HACHETTE FILIPACCHI ASSOCIÉS | 149 rue Anatole France<br>92300 LEVALLOIS-PERRET | 324 286 319 | 99.97 | 100.00 |
| HACHETTE FILIPACCHI FILMS | 149 rue Anatole France<br>92300 LEVALLOIS-PERRET | 572 028 959 | 99.97 | 100.00 |
| HACHETTE FILIPACCHI PRESSE | 149 rue Anatole France<br>92300 LEVALLOIS-PERRET | 582 101 424 | 99.97 | 100.00 |
| HACHETTE PREMIÈRE & CIE | 24 – 26 quai Alphonse Le Gallo<br>92100 BOULOGNE-BILLANCOURT | 334 805 686 | 99.48 | 100.00 |
| IMAGE & COMPAGNIE | 24 – 26 quai Alphonse Le Gallo<br>92100 BOULOGNE-BILLANCOURT | 334 027 620 | 99.48 | 100.00 |
| INFOBEBES | 149 rue Anatole France<br>92300 LEVALLOIS-PERRET | 328 349 519 | 99.97 | 100.00 |
| INTERNATIONAL MEDIA HOLDING BV (IMH) | AMSTERDAM (NETHERLANDS) | | 99.97 | 100.00 |
| INTERQUOT | 10 rue Thierry Le Luron<br>92300 LEVALLOIS-PERRET | 439 758 509 | 99.92 | 100.00 |
| JEUNESSE INTERACTIVE | 28 rue François 1er – 75008 PARIS | 491 848 222 | 99.48 | 100.00 |
| LAGARDÈRE ACTIVE BROADBAND | 9 place Marie Jeanne Bassot<br>92300 LEVALLOIS-PERRET | 343 611 208 | 100.00 | 100.00 |
| LAGARDÈRE ACTIVE BROADCAST | 57 rue Grimaldi – 98000 MONACO | 775 751 779 | 99.48 | 99.48 |
| LAGARDÈRE ACTIVE DIGITAL | 149 rue Anatole France<br>92300 LEVALLOIS-PERRET | 497 909 051 | 100.00 | 100.00 |
| LAGARDÈRE ACTIVE ENTREPRISES JAPAN (FORMERLY ELLE PARIS) | TOKYO (JAPAN) | | 99.97 | 100.00 |
| LAGARDÈRE ACTIVE FINANCES | 149 rue Anatole France<br>92300 LEVALLOIS-PERRET | 410 208 136 | 100.00 | 100.00 |
| LAGARDÈRE ACTIVE FM | 28 rue François 1er – 75008 PARIS | 441 942 760 | 99.48 | 100.00 |

| COMPANY | HEAD OFFICE | REGISTRATION NUMBER | % INTEREST | % CONTROL |
|---|---|---|---|---|
| LAGARDÈRE ACTIVE TV | 28 rue François 1er – 75008 PARIS | 334 595 881 | 99.48 | 100.00 |
| LAGARDÈRE DIGITAL FRANCE | 149 rue Anatole France<br>92300 LEVALLOIS-PERRET | 433 934 312 | 100.00 | 100.00 |
| LAGARDÈRE ENTERTAINMENT | 24 – 26 quai Alphonse Le Gallo<br>92100 BOULOGNE-BILLANCOURT | 309 001 477 | 99.48 | 100.00 |
| LAGARDÈRE ENTERTAINMENT RIGHTS<br>(FORMERLY EUROPE IMAGES INTERNATIONAL) | 24 – 26, quai Alphonse Le Gallo<br>92100 BOULOGNE-BILLANCOURT | 339 412 611 | 99.48 | 100.00 |
| LAGARDÈRE GLOBAL ADVERTISING | 10 rue Thierry Le Luron<br>92300 LEVALLOIS-PERRET | 350 277 059 | 99.72 | 99.88 |
| LAGARDÈRE IMMOBILIARE ITALIA | MILAN (ITALY) | | 99.97 | 100.00 |
| LAGARDÈRE NEWS<br>(FORMERLY EUROPE 1 INTERACTIVE) | 28 rue François 1er – 75008 PARIS | 415 096 502 | 99.35 | 100.00 |
| LAGARDÈRE MEDIA CONSULTING | 28 rue François 1er – 75008 PARIS | 307 718 320 | 99.48 | 100.00 |
| LAGARDÈRE MÉTROPOLES | 28 rue François 1er – 75008 PARIS | 329 209 993 | 99.97 | 100.00 |
| LAGARDÈRE PUBLICITÉ | 10 rue Thierry Le Luron<br>92300 LEVALLOIS-PERRET | 345 404 040 | 99.97 | 100.00 |
| LAGARDÈRE TÉLÉVISION INTERNATIONAL | 149 rue Anatole France<br>92300 LEVALLOIS | 612 039 164 | 99.48 | 100.00 |
| LAGARDÈRE THÉMATIQUES | 28 rue François 1er – 75008 PARIS | 350 787 594 | 99.48 | 100.00 |
| LAGARDÈRE ACTIVE WEBCO | 21 avenue Gaston Monmousseau<br>93240 STAINS | 752 445 387 | 70.00 | 100.00 |
| LEGION UK | LONDON (UNITED KINGDOM) | | 100.00 | 100.00 |
| LÉO VISION | 24 – 26 quai Alphonse Le Gallo<br>92100 BOULOGNE-BILLANCOURT | 383 160 942 | 99.48 | 100.00 |
| LTI VOSTOK | MOSCOW (RUSSIA) | | 99.48 | 100.00 |
| MAXIMAL NEWS TÉLÉVISION | 24 – 26 quai Alphonse Le Gallo<br>92100 BOULOGNE-BILLANCOURT | 384 316 907 | 99.48 | 100.00 |
| MAXIMAL PRODUCTIONS | 24 – 26 quai Alphonse Le Gallo<br>92100 BOULOGNE-BILLANCOURT | 432 608 313 | 99.48 | 100.00 |
| MERLIN HOLDING | 32 place Saint-Georges – 75009 PARIS | 451 099 402 | 77.28 | 77.68 |
| MEZZO | 28 rue François 1er – 75008 PARIS | 418 141 685 | 59.69 | 60.00 |
| MONTREUX PUBLICATIONS | MONTREUX (SWITZERLAND) | | 50.09 | 50.00 |
| NEWSWEB | 151 rue Anatole France<br>92300 LEVALLOIS-PERRET | 424 905 172 | 100.00 | 100.00 |
| PERFORMANCES | 28 rue François 1er – 75008 PARIS | 327 655 551 | 99.48 | 100.00 |
| PLURIMEDIA (FORMERLY LES AGENCES TV SEAP) | 9 place Marie Jeanne Bassot<br>92300 LEVALLOIS-PERRET | 391 817 467 | 99.97 | 100.00 |
| PROMOTION ET SPECTACLES D'EUROPE 1 | 26 bis rue François 1er – 75008 PARIS | 632 042 495 | 99.39 | 100.00 |
| PUBLICATIONS FRANCE MONDE | 149 rue Anatole France<br>92300 LEVALLOIS-PERRET | 562 113 787 | 99.94 | 99.97 |
| QUILLET SA | 149 rue Anatole France<br>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 | 99.48 | 100.00 |
| RFM RÉSEAU NORD | 28 rue François 1er – 75008 PARIS | 338 532 419 | 99.48 | 100.00 |
| RFM RÉSEAU SUD | 28 rue François 1er – 75008 PARIS | 382 002 509 | 99.48 | 100.00 |
| SBDS ACTIVE | 152 bd Haussman – 75008 PARIS | 489 909 343 | 91.04 | 91.04 |
| SOCIÉTÉ DE PRESSE FÉMININE | 149 rue Anatole France<br>92300 LEVALLOIS-PERRET | 441 174 554 | 100.00 | 100.00 |

| COMPANY | HEAD OFFICE | REGISTRATION NUMBER | % INTEREST | % CONTROL |
|---|---|---|---|---|
| SOCIÉTÉ DE TRAITEMENT DES PRODUITS DE PRESSE (STPP) | 10 rue Thierry Le Luron 92300 LEVALLOIS-PERRET | 732 053 491 | 99.97 | 100.00 |
| VIRGIN RADIO RÉSEAU NORD | 28 rue François 1er – 75008 PARIS | 381 127 661 | 99.48 | 100.00 |
| VIRGIN RADIO RÉSEAU SUD | 28 rue François 1er – 75008 PARIS | 339 802 118 | 99.48 | 100.00 |
| LARI INTERNATIONAL GROUP | | | | |
| LAGARDÈRE ACTIVE RADIO INTERNATIONAL | 28 rue François 1er – 75008 PARIS | 388 404 717 | 99.48 | 100.00 |
| EDI ROMANIA | BUCHAREST (ROMANIA) | | 99.48 | 100.00 |
| EUROPA 2 (FORMERLY OKEY RADIO) | BRATISLAVA (SLOVAKIA) | | 99.48 | 100.00 |
| EUROPE 2 PRAGUE | PRAGUE (CZECH REPUBLIC) | | 99.48 | 100.00 |
| EUROPE DÉVELOPPEMENT CZECH REPUBLIC | PRAGUE (CZECH REPUBLIC) | | 99.48 | 100.00 |
| EURO-RADIO SAAR | SAAREBRUCK (GERMANY) | | 50.94 | 51.00 |
| EUROZET | WARSAW (POLAND) | | 99.48 | 100.00 |
| EUROZET CONSULTING | WARSAW (POLAND) | | 99.48 | 100.00 |
| EUROZET RADIO (FORMERLY AD POINT) | WARSAW (POLAND) | | 99.48 | 100.00 |
| FORWARD MEDIA | BRATISLAVA (SLOVAKIA) | | 99.48 | 100.00 |
| INFINITIV | PRAGUE (CZECH REPUBLIC) | | 99.48 | 100.00 |
| RADIO BONTON | PRAGUE (CZECH REPUBLIC) | | 99.48 | 100.00 |
| RADIO LAS VEGAS | WARSAW (POLAND) | | 99.48 | 100.00 |
| RADIO MERCHANDISING COMPANY | PRAGUE (CZECH REPUBLIC) | | 99.48 | 100.00 |
| RADIO PLUS POLSKA | WARSAW (POLAND) | | 79.58 | 80.00 |
| RADIO PLUS POLSKA CENTRUM | WARSAW (POLAND) | | 99.48 | 100.00 |
| RADIO PLUS POLSKA ZACHOD | WARSAW (POLAND) | | 63.67 | 80.00 |
| RG FREKVENCE 1 | PRAGUE (CZECH REPUBLIC) | | 99.48 | 100.00 |
| RRM BUCAREST | BUCHAREST (ROMANIA) | | 99.48 | 100.00 |
| RRM PRAGUE | PRAGUE (CZECH REPUBLIC) | | 99.48 | 100.00 |
| RRM SLOVAKIA | BRATISLAVA (SLOVAKIA) | | 99.48 | 100.00 |
| SPOLKA PRODUCENCKA PLUS POLSKA | WARSAW (POLAND) | | 89.33 | 100.00 |
| STUDIO ZET | WARSAW (POLAND) | | 99.48 | 100.00 |
| ZET PREMIUM (FORMERLY RADIO STACJA) | WARSAW (POLAND) | | 99.48 | 100.00 |
| LEGUIDE GROUP | | | | |
| LEGUIDE.COM | 4/6 rue d'Enghlen – 75010 PARIS | 425 085 875 | 96.42 | 100.00 |
| SHOPPING GUIDE GmbH (CIAO) | MUNICH (GERMANY) | | 96.42 | 100.00 |
| GOOSTER | 1/3 rue d'Enghien – 75010 PARIS | 450 888 433 | 96.42 | 100.00 |
| DOOYOO GmbH | BERLIN (GERMANY) | | 96.42 | 100.00 |
| DOOYOO LTD | CANVEY ISLAND (UNITED KINGDOM) | | 96.42 | 100.00 |
| DOOYOO SRL | ROME (ITALY) | | 96.42 | 100.00 |
| PSYCHOLOGIES MAGAZINE GROUP | | | | |
| PSYCHOLOGIES GROUP | 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 |

*(1) A company in which the Lagardère group exercises control (see note 2.2).*

| COMPANY | HEAD OFFICE | REGISTRATION NUMBER | % INTEREST | % CONTROL |
|---|---|---|---|---|
| **LAGARDÈRE SERVICES** | | | | |
| LAGARDÈRE SERVICES | 2 rue Lord Byron – 75008 PARIS | 330 814 732 | 100.00 | 100.00 |
| AELIA | Tour Prisma, 4-6 avenue d'Alsace 92982 PARIS LA DÉFENSE CEDEX | 380 253 518 | 90.04 | 90.04 |
| AELIA CZ | PRAGUE (CZECH REPUBLIC) | | 95.02 | 100.00 |
| AELIA NOUVELLE CALÉDONIE | 40 rue de l'Alma – 98800 NOUMEA | 103 551 800 | 59.43 | 66.00 |
| AELIA POLSKA | WARSAW (POLAND) | | 95.02 | 100.00 |
| AELIA RETAIL ESPANA | MADRID (SPAIN) | | 92.03 | 100.00 |
| LS TR UK & IRELAND (FORMERLY AELIA UK) | LONDON (UNITED KINGDOM) | | 90.04 | 100.00 |
| AÉROBOUTIQUE FRANCE | Tour Prisma, 4-6 avenue d'Alsace 92982 PARIS LA DÉFENSE CEDEX | 380 193 938 | 90.04 | 100.00 |
| AÉROBOUTIQUE INFLIGHT RETAIL | ZAC du Moulin, 6 rue du Meunier 95700 ROISSY EN FRANCE | 408 053 809 | 90.04 | 100.00 |
| AÉROBOUTIQUE INFLIGHT RETAIL NEDERLAND | AMSTERDAM (NETHERLANDS) | | 90.04 | 100.00 |
| AÉROBOUTIQUE SALES GROUPE | CASABLANCA (MOROCCO) | | 72.03 | 80.00 |
| ALVADIS | BRUSSELS (BELGIUM) | | 100.00 | 100.00 |
| AIRPORT FASHION | LE GRAND-SACONNEX (SWITZERLAND) | | 65.00 | 100.00 |
| AMADEO | PRAGUE (CZECH REPUBLIC) | | 100.00 | 100.00 |
| AMP | BRUSSELS (BELGIUM) | | 99.73 | 100.00 |
| BEST COFFEE | PRAGUE (CZECH REPUBLIC) | | 100.00 | 100.00 |
| CURTIS CIRCULATION COMPANY | PENNSAUKEN (USA) | | 100.00 | 100.00 |
| DELSTAR | ONTARIO (CANADA) | | 100.00 | 100.00 |
| DSF WELLINGTON | WELLINGTON (NEW ZEALAND) | | 100.00 | 100.00 |
| DISTRIDIJLE | MALINES (BELGIUM) | | 100.00 | 100.00 |
| DISTRILIM (FORMERLY LPA TRANSPORT) | HASSELT (BELGIUM) | | 100.00 | 100.00 |
| DISTRISUD | LIÈGE (BELGIUM) | | 100.00 | 100.00 |
| DISTRIWEST NV | REKKEM (BELGIUM) | | 100.00 | 100.00 |
| DUTY FREE ASSOCIATES | Tour Prisma, 4-6 avenue d'Alsace 92982 PARIS LA DÉFENSE CEDEX | 423 402 312 | 90.04 | 100.00 |
| DYNAPRESSE | CAROUGE (SWITZERLAND) | | 65.00 | 100.00 |
| EMPIK CAFE | JEROZOLIMSKIE (POLAND) | | 100.00 | 100.00 |
| EURODIS | Tour Prisma, 4-6 avenue d'Alsace 92982 PARIS LA DÉFENSE CEDEX | 428 705 982 | 90.04 | 100.00 |
| EURO-EXCELLENCE INC. | CANDIAC (CANADA) | | 100.00 | 100.00 |
| FERS | WIESBADEN (GERMANY) | | 100.00 | 100.00 |
| HACHETTE DISTRIBUTION INC. | PENNSAUKEN (USA) | | 100.00 | 100.00 |
| HDS BELGIUM | BRUSSELS (BELGIUM) | | 100.00 | 100.00 |
| HDS CANADA | MONTREAL (CANADA) | | 100.00 | 100.00 |
| HDS EINZELHANDEL | DIETZENBACH (GERMANY) | | 100.00 | 100.00 |
| HDS POLSKA | WARSAW (POLAND) | | 100.00 | 100.00 |
| HDS RETAIL CZ | PRAGUE (CZECH REPUBLIC) | | 100.00 | 100.00 |
| IBD | OSTENDE (BELGIUM) | | 100.00 | 100.00 |
| IN CELEBRATION OF GOLF HOUSTON LLC | NEW YORK (USA) | | 100.00 | 100.00 |
| LAGARDÈRE SERVICES ASIA PACIFIC | SYDNEY (AUSTRALIA) | | 100.00 | 100.00 |
| LAGARDÈRE SERVICES BELGIUM | BRUSSELS (BELGIUM) | | 100.00 | 100.00 |

| COMPANY | HEAD OFFICE | REGISTRATION NUMBER | % INTEREST | % CONTROL |
|---|---|---|---|---|
| LAGARDÈRE SERVICES DISTRIBUTION | 2 rue Lord Byron – 75008 PARIS | 451 344 220 | 100.00 | 100.00 |
| LS TRAVEL RETAIL BULGARIA (FORMERLY LAGARDÈRE SERVICES BULGARIA) | SOFIA (BULGARIA) | | 100.00 | 100.00 |
| LS TRAVEL RETAIL CHINA | SHANGHAI (CHINA) | | 65.00 | 100.00 |
| LS TRAVEL RETAIL DEUTSCHLAND (FORMERLY HDS DEUTSCHLAND) | HUERTH HERMUELHEIM (GERMANY) | | 100.00 | 100.00 |
| LS TRAVEL RETAIL HONG KONG (FORMERLY LAGARDÈRE SERVICES HONG KONG) | HONG KONG (CHINA) | | 100.00 | 100.00 |
| LS TRAVEL MALAYSIA | KUALA LUMPUR (MALAYSIA) | | 100.00 | 100.00 |
| LS TRAVEL RETAIL NEW ZELAND (FORMERLY LAGARDÈRE SERVICES NEW ZELAND) | AUCKLAND (NEW ZEALAND) | | 100.00 | 100.00 |
| LS TRAVEL RETAIL NORTH AMERICA (FORMERLY HDS RETAIL NORTH AMERICA) | NEW YORK (USA) | | 100.00 | 100.00 |
| LS TRAVEL RETAIL ROMANIA (FORMERLY HDS INMEDIO ROMANIA) | BUCHAREST (ROMANIA) | | 100.00 | 100.00 |
| LAGARDÈRE SERVICES SINGAPORE | SINGAPORE (SINGAPORE) | | 100.00 | 100.00 |
| LS TR ITALIA | FIUMICINO (ITALY) | | 90.04 | 100.00 |
| LS TR ROMA | FIUMICINO (ITALY) | | 90.04 | 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 92300 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 |
| NEW GIFT SHOPS INTERNATIONAL VAIL LLC | TORONTO (CANADA) | | 100.00 | 100.00 |
| NEWSLINK | SYDNEY (AUSTRALIA) | | 100.00 | 100.00 |
| PAYOT NAVILLE DISTRIBUTION | FRIBOURG (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 |
| SI ANDRE PILLER | CORMINBOEUF (SWITZERLAND) | | 65.00 | 100.00 |
| SCSC | 126 rue Jules Guesde 92300 LEVALLOIS-PERRET | 431 960 004 | 100.00 | 100.00 |
| SOCIÉTÉ GASTRONOMIE ET CONFISERIES | 55 rue Deguingand 92300 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) | | 100.00 | 100.00 |
| TWB ACQUISITION CO INC | TORONTO (CANADA) | | 100.00 | 100.00 |

| COMPANY | HEAD OFFICE | REGISTRATION NUMBER | % INTEREST | % CONTROL |
|---|---|---|---|---|
| SGEL GROUP | | | | |
| SOCIEDAD GENERAL ESPANOLA DE LIBRERIA (SGEL) | MADRID (SPAIN) | | 100.00 | 100.00 |
| FREEACTION | MADRID (SPAIN) | | 100.00 | 100.00 |
| GRANA | MADRID (SPAIN) | | 100.00 | 100.00 |
| MARKEDIS | MADRID (SPAIN) | | 100.00 | 100.00 |
| SIGMA | MADRID (SPAIN) | | 94.92 | 100.00 |
| TOPCODI | MADRID (SPAIN) | | 100.00 | 100.00 |
| ZENDIS | MADRID (SPAIN) | | 100.00 | 100.00 |
| DISTRIRUEDA | REUS (SPAIN) | | 50.01 | 100.00 |
| CELERITAS | ALCOBENDAS (SPAIN) | | 60.00 | 100.00 |
| LAGARDÈRE SERVICES CHINA GROUP | | | | |
| LAGARDÈRE SERVICES CHINA | SHANGHAI (CHINA) | | 100.00 | 100.00 |
| LAGARDÈRE SERVICES CHINA KUNMING | KUNMING (CHINA) | | 100.00 | 100.00 |
| LAGARDÈRE SERVICES CHINA XIAMEN | XIAMEN (CHINA) | | 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 UNLIMITED SAS | 16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT | 453 759 078 | 100.00 | 100.00 |
| LAGARDÈRE UNLIMITED FINANCE SAS | 16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT | 519 085 658 | 100.00 | 100.00 |
| LONA | 16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT | 491 036 273 | 100.00 | 100.00 |
| SPORTFIVE GROUP | | | | |
| SPORTFIVE SAS | 16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT | 873 803 456 | 100.00 | 100.00 |
| FOOTBALL FRANCE PROMOTION SAS | 16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT | 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 |
| LAGARDÈRE UNLIMITED STADIUM SOLUTIONS SAS (FORMERLY SPORTFIVE TENNIS) | 16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT | 321 500 803 | 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.) | 16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT | 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 |

| COMPANY | HEAD OFFICE | REGISTRATION NUMBER | % INTEREST | % CONTROL |
|---|---|---|---|---|
| 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 MEDIA SOLUTIONS SAS | 16-18 rue du Dôme<br>92100 BOULOGNE-BILLANCOURT | 350 857 686 | 100.00 | 100.00 |
| SPORTFIVE NETHERLANDS BV | AMSTERDAM (NETHERLANDS) | | 100.00 | 100.00 |
| SPORTFIVE POLAND SP ZOO | WARSAW (POLAND) | | 100.00 | 100.00 |
| SPORTFIVE SINGAPORE PTE LTD | SINGAPORE (SINGAPORE) | | 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 |
| VIP SPORTSTRAVEL | ZURICH (SWITZERLAND) | | 90.00 | 90.00 |
| ZACHEL AG | BERLIN (GERMANY) | | 90.00 | 90.00 |
| 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 IN SPORTS SARL | LAUSANNE (SWITZERLAND) | | 100.00 | 100.00 |
| IEC IN SPORTS ASIA PACIFIC LTD | HONG-KONG (CHINA) | | 100.00 | 100.00 |
| WORLD TRIATHLON STOCKHOLM AB | STOCKHOLM (SWEDEN) | | 55.00 | 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 |
| BLACKWAVE SPORTS INVESTMENT COMPANY | NEW YORK (USA) | | 100.00 | 100.00 |
| 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 |

| COMPANY | HEAD OFFICE | REGISTRATION NUMBER | % INTEREST | % CONTROL |
|---|---|---|---|---|
| UPSOLUT MERCHANDISING GmbH & CO. KG | HAMBURG (GERMANY) | | 51.00 | 51.00 |
| UPSOLUT SPORT AG | HAMBURG (GERMANY) | | 100.00 | 100.00 |
| UPSOLUT SPORTS OCEANIA | AUCKLAND (NEW ZEALAND) | | 80.00 | 80.00 |
| UPSOLUT SPORTS UK | LONDON (UNITED KINGDOM) | | 100.00 | 100.00 |
| UPSOLUT VERWALTUNGS | HAMBURG (GERMANY) | | 51.00 | 100.00 |
| LAGARDÈRE UNLIMITED INC GROUP | | | | |
| LAGARDÈRE UNLIMITED INC | WILMINGTON (USA) | | 100.00 | 100.00 |
| LAGARDÈRE UNLIMITED LLC | WILMINGTON (USA) | | 100.00 | 100.00 |
| LAGARDÈRE UNLIMITED ARIZONA LLC | SCOTTSDALE ARIZONA (USA) | | 80.00 | 80.00 |
| UPSOLUT USAT LLC | WILMINGTON (USA) | | 78.00 | 78.00 |
| HORS SPORT GROUP | | | | |
| LAGARDÈRE UNLIMITED LIVE ENTERTAINMENT | 16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT | 441 268 380 | 100.00 | 100.00 |
| LAGARDÈRE UNLIMITED TALENTS FRANCE | 16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT | 402 345 425 | 100.00 | 100.00 |
| LAGARDÈRE UNLIMITED UK | LONDON (UNITED KINGDOM) | | 100.00 | 100.00 |
| LAGARDÈRE PARIS RACING RESSOURCES | 5 rue Éblé – 75007 PARIS | 433 565 819 | 100.00 | 100.00 |
| MARQUES FOLIES BERGÈRE | 16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT | 509 763 611 | 51.00 | 51.00 |
| SOCIÉTÉ D'EXPLOITATION DES FOLIES BERGÈRE | 16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT | 509 763 694 | 90.00 | 90.00 |
| WORLD SPORT GROUP | | | | |
| WORLD SPORT GROUP INVESTMENTS LTD | TORTOLA (BRITISH VIRGIN ISLANDS) | | 70.74 | 78.60 |
| WORLD SPORT GROUP HOLDINGS LTD | TORTOLA (BRITISH VIRGIN 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 EAST ASIA | HONG-KONG (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 |
| SMAM GROUP | | | | |
| LAGARDÈRE UNLIMITED AUSTRALIA PTY LTD | SYDNEY (AUSTRALIA) | | 100.00 | 100.00 |
| ERIS PTY LTD | BROOKVALE (AUSTRALIA) | | 100.00 | 100.00 |
| JAVELIN AUSTRALIA PTY LTD | ST LEONARDS (AUSTRALIA) | | 100.00 | 100.00 |
| JAVELIN (EUROPE) LTD | SURREY (UNITED KINGDOM) | | 100.00 | 100.00 |
| SPORTS MARKETING & MANAGEMENT PTY LTD | ST LEONARDS (AUSTRALIA) | | 100.00 | 100.00 |

| COMPANY | HEAD OFFICE | REGISTRATION NUMBER | % INTEREST | % CONTROL |
|---|---|---|---|---|
| SPORTS MARKETING & MANAGEMENT ASIA PTE LTD | SINGAPORE (SINGAPORE) | | 100.00 | 100.00 |
| SPORTS MARKETING & MANAGEMENT (LICENSING) PTY LTD | ST LEONARDS (AUSTRALIA) | | 100.00 | 100.00 |
| SPORTS MARKETING & MANAGEMENT (UK) LIMITED | SURREY (UNITED KINGDOM) | | 100.00 | 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 | 42 rue Washington – 75008 PARIS | 400 231 072 | 100.00 | 100.00 |
| DÉSIRADE | 42 rue Washington – 75008 PARIS | 402 345 268 | 100.00 | 100.00 |
| ÉCRINVEST 4 | 42 rue Washington – 75008 PARIS | 434 211 793 | 100.00 | 100.00 |
| ÉDIFINANCE PARTICIPATIONS | 42 rue Washington – 75008 PARIS | 440 143 741 | 100.00 | 100.00 |
| FINANCIÈRE DE PICHAT ET CIE | 6 rue Laurent Pichat – 75116 PARIS | 320 366 453 | 100.00 | 100.00 |
| HÉLIOS | 42 rue Washington – 75008 PARIS | 433 436 870 | 100.00 | 100.00 |
| HOLPA | 42 rue Washington – 75008 PARIS | 572 011 526 | 100.00 | 100.00 |
| LAGARDÈRE FINANCE | 42 rue Washington – 75008 PARIS | 409 882 883 | 100.00 | 100.00 |
| LAGARDÈRE HOLDING TV | 42 rue Washington – 75008 PARIS | 428 705 537 | 100.00 | 100.00 |
| LAGARDÈRE MEDIA SA | 4 rue de Presbourg – 75116 PARIS | 402 345 128 | 100.00 | 100.00 |
| LAGARDÈRE NORTH AMERICA, INC | NEW YORK (USA) | | 100.00 | 100.00 |
| LAGARDÈRE PARTICIPATIONS | 4 rue de Presbourg – 75116 PARIS | 303 600 902 | 100.00 | 100.00 |
| LAGARDÈRE RESSOURCES | 42 rue Washington – 75008 PARIS | 348 991 167 | 100.00 | 100.00 |
| LAGARDÈRE UK | LONDON (UNITED KINGDOM) | | 100.00 | 100.00 |
| MNC | 42 rue Washington – 75008 PARIS | 345 078 927 | 100.00 | 100.00 |
| MP 65 | 42 rue Washington – 75008 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 | 42 rue Washington – 75008 PARIS | 569 803 687 | 100.00 | 100.00 |
| SOFRIMO IBERIA | MADRID (SPAIN) | | 100.00 | 100.00 |
| SOPREDIS | 5 place des Marseillais 94220 CHARENTON-LE-PONT | 602 020 455 | 100.00 | 100.00 |
| TEAM LAGARDÈRE | 42 rue Washington – 75008 PARIS | 482 741 725 | 100.00 | 100.00 |

Companies consolidated using the equity method at 31 December 2012

| COMPANY | HEAD OFFICE | REGISTRATION NUMBER | % INTEREST | % 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** | | | | |
| BAYARD HACHETTE ROUTAGE (BHR) | Parc de Pontillat 77340 PONTAULT-COMBAULT | 326 966 660 | 49.97 | 50.00 (2) |
| CELLFISH MEDIA LLC | NEW YORK (USA) | | 56.18 | 25.00 |
| DISNEY HACHETTE PRESSE | 124 rue Danton 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 |
| EUROPE RÉGIES OUEST | 16 avenue Henry Fréville 35200 RENNES | 410 666 150 | 48.60 | 49.00 |
| GULLI INTERACTIVE | 28 rue François 1er – 75008 PARIS | 533 299 616 | 65.66 | 50.00 (2) |
| JEUNESSE TV (FORMERLY GULLI) | 28 rue François 1er – 75008 PARIS | 480 937 184 | 65.66 | 50.00 (2) |
| HOLDING E. PROUVOST (MARIE CLAIRE) | 10 boulevard des Frères Voisin 92130 ISSY-LES-MOULINEAUX | 383 953 601 | 41.99 | 42.00 |
| LAPLACE MEDIA | 43 boulevard Barbès –75018 PARIS | 753 186 337 | 26.00 | 26.00 |
| OEE Ltd (BECAUSE) | LONDON (UNITED KINGDOM) | | 25.24 | 25.37 |
| S.E.T.C. | 48-50 boulevard Senard 92210 SAINT-CLOUD | 378 558 779 | 49.29 | 49.31 |
| LARI INTERNATIONAL GROUP | | | | |
| 107.8 ANTENNE AC GmbH | WÜRSELEN (GERMANY) | | 22.41 | 44.00 (2) |
| 107.8 ANTENNE AC GmbH & CO. KG | WÜRSELEN (GERMANY) | | 22.41 | 44.00 (2) |
| ACCELERATION MEDIA | CAPE TOWN (SOUTH AFRICA) | | 49.74 | 50.00 (2) |
| MAX LOYD | PRAGUE (CZECH REPUBLIC) | | 33.82 | 34.00 |
| RADIO 21 | BUCHAREST (ROMANIA) | | 19.90 | 20.00 |
| RADMARK | RIVOGNA (SOUTH AFRICA) | | 29.84 | 50.00 (2) |
| **LAGARDÈRE SERVICES** | | | | |
| C-STORE | 55 rue Deguingand 92300 LEVALLOIS-PERRET | 505 387 795 | 50.00 | 50.00 (2) |
| HUNGARO PRESSE | BUDAPEST (HUNGARY) | | 50.00 | 50.00 (2) |
| DUTYFLY SOUTIONS (FORMERLY LOGAIR) | ZAC du Moulin 6, rue du Meunier 95700 ROISSY-EN-FRANCE | 443 014 527 | 45.02 | 50.00 (2) |
| DUTYFLY SOUTIONS ESPAÑA | MADRID (SPAIN) | | 45.02 | 100.00 |
| DUTYFLY SOUTIONS ITALIA | MILAN (ITALY) | | 45.02 | 100.00 |
| RELAY @ ADP | 55 rue Deguingand 92300 LEVALLOIS-PERRET | 533 970 950 | 49.84 | 50.00 |

*(2) Jointly controlled company (see note 2.2).*

| COMPANY | HEAD OFFICE | REGISTRATION NUMBER | % INTEREST | % CONTROL |
|---|---|---|---|---|
| LYON DUTY FREE | Aéroport Lyon Saint-Exupéry 69124 COLOMBIER-SAUGNIEU | 538 770 074 | 45.02 | 50.00 |
| SOCIÉTÉ DE DISTRIBUTION AÉROPORTUAIRE | Tour Prisma, 4-6 avenue d'Alsace 92982 PARIS LA DÉFENSE CEDEX | 552 016 628 | 45.02 | 50.00 (2) |
| SVRLS@LAREUNION SAS | Tour Prisma 4-6 avenue d'Alsace 92982 PARIS LA DÉFENSE CEDEX | | 44.84 | 50.00 |
| **LAGARDÈRE UNLIMITED** | | | | |
| SADDLEBROOK INTERNATIONAL | WESLEY CHAPEL (USA) | | 30.00 | 30.00 |
| GROUPE SPORTFIVE | | | | |
| HSV-ARENA VERWALTUNGS GmbH | HAMBURG (GERMANY) | | 25.50 | 25.50 |
| JUNIPER GROUP GmbH | BERLIN (GERMANY) | | 25.50 | 25.50 |
| SPORTMILES AG | BERLIN (GERMANY) | | 43.30 | 43.30 |
| STADION FRANKFURT MANAGEMENT GmbH | FRANKFURT (GERMANY) | | 50.00 | 50.00 (2) |
| STADION FRANKFURT MANAGEMENT PAYMENT GmbH | FRANKFURT (GERMANY) | | 50.00 | 50.00 (2) |
| **OTHER ACTIVITIES** | | | | |
| CANAL+ FRANCE | 1 place du Spectacle 92130 ISSY-LES-MOULINEAUX | 421 345 695 | 20.00 | 20.00 |
| EADS GROUP (EADS and its subsidiaries) | AMSTERDAM (NETHERLANDS) | | 7.39 | (3) |
| GLOBAL CAR SERVICES | 42 rue Washington – 75008 PARIS | 304 233 406 | 50.00 | 50.00 (2) |
| SOGEADE | 42 rue Washington – 75008 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 39 CONSOLIDATED FINANCIAL STATEMENTS FOR 2011 AND 2010

In application of article 28 of European Commission regulation no. 809/2004, the documents listed below are incorporated by reference in this Reference Document:

- the consolidated financial statements and the related audit report on pages 133 to 271 of the French Reference Document for 2011, filed with the French Financial Markets Authority (Autorité des marchés financiers – AMF) on 3 April 2012 under registration number D. 12-0270;
- the consolidated financial statements and the related audit report on pages 124 to 270 of the French Reference Document for 2010, filed with the AMF on 14 April 2011 under registration number D. 11-0296.

The non-incorporated parts of the above documents are either irrelevant for investors or covered in another part of this Reference Document.

# 6.4 ANALYSIS OF THE LAGARDERE SCA PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2012

AFR

## 6.4.1 INCOME STATEMENT

The condensed income statements are as follows:

| (in millions of euros) | 2012 | 2011 |
|---|---|---|
| Operating revenues | **7** | 13 |
| Operating loss | **(16)** | (14) |
| Net financial income (expense) | **(20)** | 201 |
| Earnings (loss) before tax and exceptional items | **(36)** | 187 |
| Net exceptional income | **2** | 17 |
| Income tax gain | **88** | 93 |
| Net profit | **54** | 297 |

In 2012 the Company reported an operating loss of €16 million, representing a €2 million increase on 2011. The total includes income from fees charged to the Lagardère Media's divisions for the right to use Lagardère-owned brands, as well as expenses in the form of operating costs incurred by the holding company and fees invoiced for services provided to the holding company.

Financial income and expenses break down as follows:

| (in millions of euros) | 2012 | 2011 |
|---|---|---|
| Interest income from marketable securities and other | **-** | - |
| Net interest income (expense) on loans to/from subsidiaries | **7** | (1) |
| Interest on borrowings and other financing | **(70)** | (70) |
| **Finance costs, net** | **(63)** | (71) |
| Dividends received or receivable | **46** | 356 |
| Net (additions to) reversals of provisions | **7** | (93) |
| Other | **(10)** | 9 |
| **Net financial income (expense)** | **(20)** | 201 |

In 2012 the Company reported a net financial expense of €20 million versus net financial income of €201 million in 2011. This year-on-year negative swing was mainly attributable to a decrease in dividends received in 2012 to €46 million (solely from Lagardère Finance) from €356 million in 2011 (including €273 million from Hachette SA, €62 million from Lagardère Finance and €20 million from Matra Manufacturing Services).

Net provision reversals came to €7 million in 2012, breaking down as:

- a €21 million reversal of provisions set aside for treasury shares, recorded following the rise in the Lagardère share price towards the end of the year, offset by
- additions to provisions for write-downs of the Company's investments in Lagardère Ressources (€9 million) and Matra Manufacturing Services (€5 million).

The "Other" line included in net financial income (expense) – which represented a net expense of €10 million in 2012 – mainly included issuance costs of €13 million for the €500 million bond issue carried out in October. In 2011 this line included a €22 million liquidation premium relating to Sofimatrans (the holding company for Matra's former Transport business) offset by a €14 million expense for arrangement fees and commissions for the syndicated loan set up in January 2011.

Exceptional items represented net income of €2 million in 2012, mainly corresponding to a net reversal of provisions for risks.

As in previous years, the €88 million income tax gain recorded in 2012 was generated by tax consolidation, corresponding to taxes paid by subsidiaries in the tax group in excess of the tax due by the tax group as a whole. At 31 December 2012, the Lagardère tax group still had unused tax loss carry-forwards.

## 6.4.2 BALANCE SHEET AND CASH FLOWS

### • Assets

| (in millions of euros) | 31 Dec. 2012 | 31 Dec. 2011 |
|---|---|---|
| Fixed assets | **7,183** | 6,635 |
| Trade receivables and other | **40** | 54 |
| Cash and cash equivalents | **12** | 10 |
| **Total assets** | **7,235** | 6,699 |

### • Liabilities and shareholders' equity

| (in millions of euros) | 31 Dec. 2012 | 31 Dec. 2011 |
|---|---|---|
| Shareholders' equity | **3,558** | 3,680 |
| Provisions for risks and liabilities | **32** | 37 |
| Borrowings | **3,612** | 2,940 |
| Short-term bank loans | **-** | 1 |
| Other liabilities | **33** | 41 |
| **Total liabilities and shareholders' equity** | **7,235** | 6,699 |

In 2012 the Company generated €45 million in cash from operating activities, including €46 million from dividends received during the year.

Net cash used in investing activities came to €560 million, essentially reflecting €532 million invested in a capital increase carried out by Lagardère Media (formerly Hachette SA), and a €37 million impact from an increase in intra-group loans.

Financing activities generated a net cash inflow of €512 million, reflecting the following:

- €166 million in dividends paid;
- proceeds from new borrowings, breaking down as €500 million from the five-year bond issue carried out in October 2012 and an additional €238 million drawdowns on the syndicated loan set up in 2011;
- €273 million in repayments of borrowings, including (i) €150 million (euro equivalent amount) for redeeming in advance of term the final tranche of the US Private Placement Notes issued in 2003 and due July 2013 and (ii) €123 million for the partial buy-back of the bonds issued in 2009 and due 2014;
- a net €213 million increase in cash investments by subsidiaries, including €186 million for Lagardère Finance and €26 million for Désirade.

Cash and cash equivalents amounted to €12 million at 31 December 2012, €3 million higher than one year earlier.

Net debt – which corresponds to cash and cash equivalents less borrowings – was as follows at 31 December 2012 and 2011:

| (in millions of euros) | 31 Dec. 2012 | 31 Dec. 2011 |
|---|---|---|
| **Net debt** | **(3,600)** | (2,931) |

Net debt increased by €669 million in 2012, primarily reflecting:

- €515 million in cash used in operating and investing activities;
- €166 million in dividends paid by the Company.

#### Term of payment for trade payables

In application of the French Commercial Code, it is hereby disclosed that all of Lagardère SCA's trade payables at 31 December 2012 were due within 30 days.

# 6.5 PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2012

AFR

## • Parent company balance sheet at 31 December 2012

| ASSETS (in millions of euros) | 31 Dec. 2012 Gross | 31 Dec. 2012 Depreciation, amortisation and provisions | 31 Dec. 2012 Net | 31 Dec. 2011 Net |
|---|---|---|---|---|
| Tangible assets | - | - | - | - |
| Long-term investments: | | | | |
| - Investments in subsidiaries and affiliates | 6,896 | 172 | 6,724 | 6,205 |
| - Loans and advances to subsidiaries and affiliates | 377 | - | 377 | 358 |
| - Other investment securities | 131 | 49 | 82 | 72 |
| - Loans | - | - | - | - |
| - Other long-term investments | - | - | - | - |
| **Fixed assets** | **7,404** | **221** | **7,183** | **6,635** |
| Trade receivables | - | - | - | - |
| Other receivables | 94 | 66 | 28 | 35 |
| Marketable securities | 11 | - | 11 | 8 |
| Cash and cash equivalents | 1 | - | 1 | 2 |
| Prepaid expenses | - | - | - | - |
| **Current assets** | **106** | **66** | **40** | **45** |
| Deferred charges | | | | - |
| Translation adjustment | 12 | - | 12 | 19 |
| **Total assets** | **7,522** | **287** | **7,235** | **6,699** |

## LIABILITIES AND SHAREHOLDERS' EQUITY

| (in millions of euros) | **31 Dec. 2012** | 31 Dec. 2011 |
|---|---|---|
| Share capital | **800** | 800 |
| Share and other premiums | **1,045** | 1,055 |
| Reserves: | | |
| - Legal reserve | **87** | 87 |
| - Tax regulated reserves | **-** | - |
| - Other reserves | **31** | 31 |
| Retained earnings | **1,541** | 1,410 |
| Net profit for the year | **54** | 297 |
| **Shareholders' equity** | **3,558** | 3,680 |
| Provisions for risks and liabilities | **32** | 37 |
| Special borrowings | **-** | - |
| - Borrowings: | | |
| - Bonds | **1,491** | 1,264 |
| - Bank loans | **671** | 440 |
| - Loans from subsidiaries and affiliates | **1,450** | 1,237 |
| Trade payables | **7** | 6 |
| Other payables | **17** | 16 |
| Accrued expenses and deferred income | **-** | - |
| Translation adjustment | **9** | 19 |
| **Total liabilities and shareholders' equity** | **7,235** | 6,699 |

## • Parent company income statement

| (in millions of euros) | **2012** | 2011 |
|---|---|---|
| Operating revenues | **7** | 13 |
| Operating expenses | **(23)** | (27) |
| **Operating loss** | **(16)** | (14) |
| Financial income | **61** | 389 |
| Financial expenses | **(117)** | (117) |
| Net (additions to) reversals of provisions | **36** | (71) |
| **Net financial income (expense)** | **(20)** | 201 |
| **Earnings (loss) before tax and exceptional items** | **(36)** | 187 |
| **Net exceptional income** | **2** | 17 |
| Income tax gain | **88** | 93 |
| **Net profit** | **54** | 297 |

## • Parent company statement of cash flows

| (in millions of euros) | **2012** | 2011 |
|---|---|---|
| Net profit | **54** | 297 |
| Depreciation, amortisation and provision expense (reversal) | **(15)** | 74 |
| Liquidation surplus | **-** | (22) |
| Net gain (loss) on sale of fixed assets | **(1)** | 2 |
| Changes in working capital | **7** | - |
| **Cash from operating activities** | **45** | 351 |
| Acquisitions of long-term investments | **(585)** | (137) |
| Proceeds from disposals of long-term investments | **19** | 30 |
| Decrease in loans and receivables | **6** | 127 |
| **Cash from (used in) investing activities** | **(560)** | 20 |
| **Cash from (used in) operating and investing activities** | **(515)** | 371 |
| Dividends paid | **(166)** | (167) |
| Decrease in borrowings and financial liabilities | **(273)** | (1,004) |
| Proceeds from new borrowings | **738** | 428 |
| Change in Group current accounts | **213** | 375 |
| **Cash from (used in) financing activities** | **512** | (368) |
| Translation adjustments | **6** | (6) |
| Change in cash and cash equivalents | **3** | (3) |
| Cash and cash equivalents at beginning of the year | **9** | 12 |
| **Cash and cash equivalents at end of the year** | **12** | 9 |

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

(All figures are expressed in millions of euros)

## PRELIMINARY INFORMATION

Lagardère SCA – the parent company of the Lagardère group – is a holding company, and as such its balance sheet items principally comprise (i) investments in and loans to subsidiaries and affiliates, and (ii) the Group's financing resources.

## ACCOUNTING POLICIES

### 1. GENERAL INFORMATION

Lagardère SCA's annual financial statements have been 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 – CRC).

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 outlooks for future years, 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 the 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 in the balance sheet and do not affect the income statement.

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 recognised to the extent of the unrealised net loss.

# NOTES TO THE PARENT COMPANY BALANCE SHEET AND INCOME STATEMENT

## 1. FIXED ASSETS

Movements in the gross value of fixed assets can be analysed as follows:

| | 1 Jan. 2012 | Increase | Decrease | 31 Dec. 2012 |
|---|---|---|---|---|
| **Tangible assets** | **-** | **-** | **-** | **-** |
| **Long-term investments:** | | | | |
| Investments in subsidiaries and affiliates and other investment securities | 6,507 | 548 | 28 | 7,027 |
| Loans and advances to subsidiaries and affiliates | 358 | 92 | 73 | 377 |
| Other long-term investments | - | - | - | - |
| **Total fixed assets** | **6,865** | **640** | **101** | **7,404** |

Out of the total year-on-year increase in "Investments in subsidiaries and affiliates and other investment securities" €532 million corresponded to the Company's investment in the capital increase carried out by Lagardère Media (formerly Hachette SA).

Changes in depreciation, amortisation and provisions for write-downs can be analysed as follows:

| | 1 Jan. 2012 | Increase | Decrease | 31 Dec. 2012 |
|---|---|---|---|---|
| **Long-term investments:** | | | | |
| Investments in subsidiaries and affiliates and other investment securities | 230 | 13 | 22 | 221 |
| Loans and advances to subsidiaries and affiliates | - | - | - | - |
| **Total** | **230** | **13** | **22** | **221** |

- The amount recorded under "Increase" for 2012 corresponds to additions to provisions for write-downs of shares held in Lagardère Ressources (€8 million) and Matra Manufacturing Services (€5 million).
- The entire €22 million recorded under "Decrease" was due to a reversal of provisions set aside for treasury shares.

## 2. RECEIVABLES

At 31 December 2012, the maturity of receivables was as follows:

| | Gross | Due within one year | Due beyond |
|---|---|---|---|
| Long-term receivables | 377 | 3 | 374 |
| Short-term receivables | 94 | 61 | 33 |
| **Total** | **471** | **64** | **407** |

## 3. MARKETABLE SECURITIES

| | **31 Dec. 2012** | 31 Dec. 2011 |
|---|---|---|
| At cost | **11** | 8 |
| Provision for write-down | **-** | - |
| Carrying amount | **11** | 8 |
| Market value | **11** | 8 |
| **Unrealised gains** | **-** | - |

## 4. CHANGES IN SHAREHOLDERS' EQUITY

Changes in shareholders' equity are analysed below:

| | Share capital | Share and other premiums and reserves | Retained earnings | Net profit for the year | Total |
|---|---|---|---|---|---|
| **Shareholders' equity at 31 December 2011** | **800** | **1,173** | **1,410** | **297** | **3,680** |
| Capital reduction | (2) | (8) | - | - | (10) |
| Capital increase | 2 | (2) | - | - | - |
| Dividends paid [1] | - | - | (166) | - | (166) |
| Appropriation of net profit for 2011 | - | - | 297 | (297) | - |
| Net profit for the year | - | - | - | 54 | 54 |
| **Shareholders' equity at 31 December 2012** | **800** | **1,163** | **1,541** | **54** | **3,558** |

*(1) Including the portion of net profit paid to the general partners.*

At 31 December 2012, 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 each, all ranking pari passu and fully paid up.

In 2012, the Company carried out a capital reduction by cancelling 407,205 treasury shares representing a carrying amount of €2 million, following an issue representing the same number of new shares carried out by capitalising reserves.

The newly-issued shares were allocated (i) in April 2012 to the Co-Managing Partners who are beneficiaries under the 31 December 2009 free share plan, and (ii) in December 2012 to employee beneficiaries under the 17 December 2010 free share plan (see note 15).

## 5. TREASURY SHARES

Changes in the number of treasury shares held by Lagardère SCA break down as follows for 2012:

| | **2012** |
|---|---|
| **Number of treasury shares held at 1 January** | **3,772,698** |
| Purchases of treasury shares under the liquidity contract [1] | **745,772** |
| Sales of treasury shares under the liquidity contract [1] | **(836,272)** |
| Capital reduction by cancellation of treasury shares | **(407,205)** |
| **Number of treasury shares held at 31 December** | **3,274,993** |

*(1) Liquidity contract entered into in 2008 with Crédit Agricole Cheuvreux for market-making purposes.*

## 6. BONDS

### A ON 10 JULY 2003, THE COMPANY ISSUED €100 MILLION WORTH OF BONDS (100,000 BONDS WITH A FACE VALUE OF €1,000 EACH), WITH THE FOLLOWING CHARACTERISTICS:

- term: 10 years;
- maturity: 10 July 2013;
- following a swap agreement entered into with a bank at the time of issue, Lagardère SCA pays effective interest at the 3-month Euribor + 1.035%, on a quarterly basis;
- the interest expense for 2012 amounted to €1.8 million.

### B 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.

These notes were redeemed in advance of term on 19 December 2012 for a euro equivalent amount of €150 million.

The interest expense for 2012 amounted to €8.6 million.

### C ON 24 SEPTEMBER 2009, LAGARDÈRE SCA UNDERTOOK A €1 BILLION BOND ISSUE SETTLED ON 6 OCTOBER 2009, WHICH IS REDEEMABLE AT MATURITY ON 5 OCTOBER 2014 AND PAYS INTEREST AT A FIXED RATE OF 4.875%.

All of these bonds were taken up by institutional investors.

In November 2012, the Company bought back and cancelled a portion of these bonds. The aggregate face value of the bonds bought back was €123 million and their purchase price was €129 million.

The interest expense for 2012 amounted to €54.5 million.

### D ON 17 OCTOBER 2012, LAGARDÈRE SCA UNDERTOOK A €500 MILLION BOND ISSUE SETTLED ON 31 OCTOBER 2012, WHICH IS REDEEMABLE AT MATURITY ON 31 OCTOBER 2017 AND PAYS INTEREST AT A FIXED RATE OF 4.125%.

The interest expense for 2012 amounted to €3.5 million.

## 7. MATURITIES OF LIABILITIES

| | 31 Dec. 2012 | Due within one year | Due between one and five years | Due beyond five years |
|---|---|---|---|---|
| Bonds | 1,491 | 114 | 1,377 | - |
| Bank loans | 671 | 1 | 670 | - |
| Other borrowings | 1,450 | - | - | 1,450 |
| Trade and other payables | 24 | 24 | - | - |
| **Total** | **3,636** | **139** | **2,047** | **1,450** |

## 8. PROVISIONS

| TYPE OF PROVISION | 1 Jan. 2012 | Additions | Reversals | 31 Dec. 2012 |
|---|---|---|---|---|
| **Provisions for risks and liabilities** | **37** | **4** | **9 (*)** | **32** |
| **Provisions for write-downs** | **323** | **14** | **50** | **287** |
| - *long-term investments*<br>- *other* | *230*<br>*93* | *13*<br>*1* | *22*<br>*28(**)* | *221*<br>*66* |
| **Total** | **360** | **18** | **59** | **319** |
| Including additions and reversals:<br>- *relating to financial items*<br>- *relating to exceptional items* | | <br>*14*<br>*4* | <br>*50*<br>*9* | |

*(*) Analysed as follows:*
*- Utilised provisions: €8 million*
*- Surplus provisions: €1 million*
*(**) A €28 million provision reversal relating to call options cancelled during the year. This reversal was offset by a loss in the same amount recorded under financial expenses.*

## 9. TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES (NET VALUES) – BALANCE SHEET

| | Assets | | Liabilities |
|---|---|---|---|
| Long-term investments | 7,101 | Borrowings | 1,450 |
| Short-term receivables | 11 | Trade and other payables | 16 |
| Other | 2 | Other | 9 |

## 10. TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES – INCOME STATEMENT

| | Expenses | | Revenues |
|---|---|---|---|
| Interest on loans | 4 | Income from subsidiaries and affiliates | 57 |
| Losses related to subsidiaries | 13 | Profits related to subsidiaries | - |

## 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:** | |
| Long-term investments | 1 | Borrowings | 14 |
| Short-term receivables | 1 | Trade and other payables | 8 |
| Cash and cash equivalents | - | | |
| **Total** | **2** | **Total** | **22** |

## 12. NET FINANCIAL INCOME (EXPENSE)

| | 2012 | 2011 |
|---|---|---|
| **Financial income** | **111** | 415 |
| Financial income from investments in subsidiaries and affiliates | **57** | 364 |
| Income from other investment securities and long-term receivables | **-** | - |
| Other interest and similar income | **4** | 23 |
| Net income from marketable securities | **-** | - |
| Reversals of provisions | **50** | 26 |
| Foreign exchange gains | **-** | 2 |
| **Financial expenses** | **(131)** | (214) |
| Interest and similar expenses | **(117)** | (115) |
| Additions to provisions | **(13)** | (97) |
| Foreign exchange losses | **(1)** | (2) |
| **Net financial income (expense)** | **(20)** | 201 |

## 13. EXCEPTIONAL ITEMS

| | **2012** | 2011 |
|---|---|---|
| Net loss on disposals of assets and liquidation surplus | **-** | (1) |
| Net reversals of provisions | **5** | 18 |
| Other exceptional income and expenses | **(3)** | - |
| Net exceptional income | **2** | 17 |

## 14. INCOME TAX GAIN

The €88 million income tax gain for 2012 primarily corresponds to taxes paid by subsidiaries in the tax group in excess of the tax due by the whole consolidated tax group. At 31 December 2012, the tax group comprising Lagardère SCA and its subsidiaries had unused tax loss carryforwards of some €475 million.

## 15. OFF-BALANCE SHEET COMMITMENTS

| Commitments given | Amount | Commitments received | Amount |
|---|---|---|---|
| Guarantees given on behalf of subsidiaries to cover contract-related financial commitments | - | Debt waivers with return to profit clauses | - |
| Rent guarantees given to subsidiaries | 3 | Confirmed, unused lines of credit | 975 |
| Guarantees given to third parties | 14 | Counter-guarantees received from third parties | 14 |
| Commitments to deliver shares under employee stock option plans | 300 | | - |
| Bank interest on long-term loans | 190 | | - |

### DERIVATIVES TRANSACTIONS

In order to cover the share purchase plan set up for Group employees, Lagardère SCA holds call options allowing it to purchase from Barclays Plc Lagardère SCA shares to be transferred, for the same price, to employee beneficiaries of the plans.

At 31 December 2012, call option positions were as follows:

- 1,166,806 options at €51.45 for shares under the 2003 Lagardère Plan: €62 million
- 1,297,416 options at €51.92 for shares under the 2004 Lagardère Plan: €71 million

Call options were carried at their market value of €0.1 million in the balance sheet at 31 December 2012, leading to the recognition of a €0.2 million write-down during the year, which was recorded as a financial expense (compared with a write-down of €2.5 million in 2011).

The 2005 and 2006 plans, involving 1,428,239 options at €56.97 and 1,635,100 options at €55.84 respectively, were covered by the allocation of 3,113,678 shares directly held by Lagardère SCA.

### SHARE GRANT PLANS

In 2009, 2010, 2011 and 2012 the Group set up plans to award free shares to employees and the Co-Managing Partners. The number of shares awarded under these plans was as follows:

- 1 October 2009 and 31 December 2009 plans: 571,525 shares;
- 17 December 2010 plan: 634,950 shares;
- 15 July 2011 and 29 December 2011 plans: 650,000 shares;
- 25 June 2012 plan: 645,800 shares.

For Group employees these plans do not include any performance conditions and the shares vest after a two-year period, provided the beneficiaries have remained in the Group's employment throughout that time. For beneficiaries who are not tax-resident in France, the shares vest at the end of a four-year period provided that the beneficiaries have remained in the Group's employment for two years.

For the Co-Managing Partners, the shares will only vest subject to:

- the beneficiaries remaining with the Group until at least 1 April 2015, 2014, 2013 and 2012 under the 2012, 2011, 2010 and 2009 plans respectively;
- achievement of objectives based on criteria internal to the Group (consolidated recurring operating profit and net cash flows from operating activities), with the number of shares allocated reduced accordingly if these objectives are not met.

In 2012, a total of 407,205 free shares were granted to the Group's Co-Managing Partner, who is a French tax-resident, and employees who are also resident in France for tax purposes, under the 31 December 2009 and 17 December 2010 plans respectively. These shares were all newly-issued shares (see Note 4 above for further details).

This page is left intentionally blank.

## • Subsidiaries and affiliates at 31 december 2012

| (in thousands of euros) | Capital | Reserves | Share of capital held (%) | |
|---|---|---|---|---|
| | | | | |
| **Information on investments with a book value in excess of 1% of Lagardère SCA's share capital or over which it exercises significant influence** | | | | |
| **A. Subsidiaries (Lagardère SCA's holding: at least 50%)** | | | | |
| DÉSIRADE (immeuble Monceau - 42 rue Washington - 75008 Paris) | 466,933 | 210,621 | 100,00 | |
| FINANCIÈRE DE PICHAT & Compagnie (6 rue Laurent Pichat - 75116 Paris) | 99,169 | 36,215 | 99,25 | |
| HOLPA (immeuble Monceau - 42 rue Washington - 75008 Paris) | 536 | 3,066 | 100,00 | |
| LAGARDÈRE FINANCE (immeuble Monceau - 42 rue Washington - 75008 Paris) | 2,800,000 | 285,906 | 100,00 | |
| LAGARDÈRE MEDIAS (4 rue de Presbourg - 75116 Paris) | 1,365,000 | (57,178) | 100,00 | |
| LAGARDÈRE PARTICIPATIONS (4 rue de Presbourg - 75116 Paris) | 15,250 | 6,191 | 100,00 | |
| LAGARDÈRE RESSOURCES (immeuble Monceau - 42 rue Washington - 75008 Paris) | 10,000 | 6,699 | 100,00 | |
| MATRA MANUFACTURING & SERVICES (4 rue de Presbourg - 75116 Paris) | 13,528 | 17,692 | 100,00 | |
| MNC (immeuble Monceau - 42 rue Washington - 75008 Paris) | 89,865 | 26,573 | 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. Investments not included in paragraph C above** | | | | |
| - Other investments | | | | |

*(*) Provisional net profit (loss).*

| Book value of share 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 | | | | 27,350 | |
| 165,450 | 134,644 | | | | 280 | 144 |
| 16,938 | 3,645 | | | | 43 | |
| 3,080,000 | 3,080,000 | | | | 33,218 | 45,360 |
| 2,695,983 | 2,695,983 | | | 3,402 | (226,476) | 26 |
| 25,444 | 25,444 | | | | (1,298) | |
| 92,332 | 6,847 | | | 61,498 | (10,096) | |
| 94,035 | 51,956 | | | 19,019 | 138 | |
| 112,732 | 112,732 | | | | 3,176 | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| 502 | 426 | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

## • Investment portfolio at 31 December 2012
(Article 6 of the French law of 1 March 1984)

| | | |
|---|---|---|
| **I. Investments in subsidiaries and affiliates (in thousands of euros)** | | |
| **A. Investments in French companies** | | |
| Book value over €15,000 | | 6,723,614 |
| Number of shares held: | | |
| 122,233,852 | Désirade | 612,312 |
| 6,453,988 | Financière de Pichat & Compagnie | 134,644 |
| 107,284 | Holpa | 3,645 |
| 280,000,000 | Lagardère Finances | 3,080,000 |
| 54,600,000 | Lagardère Médias | 2,695,983 |
| 999,991 | Lagardère Participations | 25,445 |
| 1,000,000 | Lagardère Ressources | 6,847 |
| 845,474 | Matra Manufacturing & Services | 51,956 |
| 7,848,480 | MNC | 112,732 |
| 5,000 | Sogeade Gérance | 50 |
| Book value below €15,000 | | |
| **Total investments in French companies** | | **6,723,614** |
| **B. Investments in non-French companies** | | |
| Number of shares held: | | |
| 325,100 | Lagardère UK | 376 |
| Book value below €15,000 | | 0 |
| **Total investments in non-French companies** | | **376** |
| **Total investments in subsidiaries and affiliates** | | **6,723,990** |
| **II. Other long-term investments (in thousands of euros)** | | |
| **C. Investment funds** | | |
| **Total investment funds** | | **0** |
| **D. Treasury shares** | | 81,358 |
| **Total treasury shares** | | **81,358** |
| **Total other long-term investments** | | **81,358** |
| **III. Short-term investments (in thousands of euros)** | | |
| **A. French securities** | | |
| **1. Equities and mutual funds** | | 10,676 |
| *Number of shares or units held:* | | |
| 479 | CAAM Tréso institution | 10,676 |
| **2. Collective investment funds** | | 0 |
| *Number of shares or units held:* | | |
| **Total short-term investments (book value)** | | **10,676** |

## • Lagardère SCA – Five-year financial summary

(Articles R.225-83/R. 225-102 of the French Commercial Code)

| NATURE OF INDICATIONS | | 2008 | 2009 | 2010 | 2011 | **2012** |
|---|---|---|---|---|---|---|
| **I** | **Financial position (in euros)** | | | | | |
| a) | Share capital | 799,913 045 | 799,913 045 | 799,913 045 | 799,913 045 | 799,913 045 |
| b) | Number of ordinary shares outstanding | 131,133 286 | 131,133 286 | 131,133 286 | 131,133 286 | 131,133 286 |
| c) | Maximum number of shares to be issued upon exercise of share subscription 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 | 1,551 | 9,846 | 8,457 | 12,535 | 7,054 |
| b) | Earnings before tax, depreciation, amortisation and provisions | 449,149 | 156,294 | 272,386 | 257,302 | (65,638) |
| c) | Income tax | 76,004 (1) | 87,203 (1) | 88,017 (1) | 93,037 (1) | 88,276 (1) |
| d) | Earnings after tax, depreciation, amortisation and provisions | 491,335 | 298,529 | 373,527 | 297,253 | 53,952 |
| e) | Total dividends | 164,856 | 165,142 | 165,097 | 165,700 | (2) |
| **III** | **Earnings per share (in euros)** | | | | | |
| a) | Earnings per share after tax, but before depreciation, amortisation and provisions | 4.00 | 1.86 | 2.75 | 2.67 | 0.17 |
| b) | Earnings per share after tax, depreciation, amortization and provisions | 3.75 | 2.28 | 2.85 | 2.27 | 0.41 |
| c) | Dividend per share | 1.30 | 1.30 | 1.30 | 1.30 | (2) |
| **IV** | **Staff** | | | | | |
| a) | Average employee headcount | - | - | - | - | |
| 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.*

# 6.6 STATUTORY AUDITOR'S REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

AFR

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 2012, 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 2012 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 French Commercial Code (*code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

### Accounting principles and valuation methods

The Note 2 "Financial assets" part of "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 the identity of shareholders.

Paris La Defense and Courbevoie, 29 March 2013

**The Statutory Auditors**

| | |
|---|---|
| Ernst & Young et Autres | Mazars |
| Jeanne Boillet | Bruno Balaire |

# 6.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AFR

To the Partners,

In compliance with the assignment entrusted to us by your General Meetings, we hereby report to you, for the year ended 31 December 2012, on:

- the audit of the accompanying consolidated financial statements of Lagardère S.C.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Managing Partners. Our role is to express an opinion on these consolidated 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, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. 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 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 for the year then ended in accordance with 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 10 to the consolidated financial statements related to impairment losses on goodwill and intangible fixed assets, especially with regard to Lagardère Unlimited and Lagardère Active.
- Note 19 which presents the accounting treatment used at 31 December 2012 for the investment in Canal + France.

## II JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*code de commerce*) 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 a year the Lagardère group performs an impairment test on intangible fixed assets and on goodwill. 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 discounted cash flow forecasts prepared at the end of 2012.

  Regarding the assets of the Unlimited division, the achievement of the assumptions used by the Managing Partners in determining the cash flow forecasts depends on the conditions in which current contracts will be completed, the ability to renew these contracts or to win new ones as well as the related margin conditions.

  Regarding the assets of the Active division, the realisation of the assumptions used by the Managing Partners in determining the cash flow forecasts depends in particular on the French Magazine Publishing Business market, on its consequences on advertising revenues, and on the transformation related to digital development.

  In the context described above, we have not identified any matters likely to call into question the overall reasonable nature of the assumptions made by the Managing Partners in the business plans used for the impairment tests.
- In addition, we have assessed the conditions that led the Managing Partners to impair the investment in Canal + France based on the value in use, which could be different from a transaction value, as described in Note 19 to the consolidated financial statements.
- As specified in Note 3.10 to the consolidated financial statements, these estimates rely on assumptions which are uncertain by nature, and actual results are likely to be sometimes significantly different from the forecasts data used.

  We have assessed the reasonableness of the information included in the notes to the consolidated financial statements, related notably to the discounted cash flow forecasts used.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

## III SPECIFIC VERIFICATION

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Paris La Défense, 29 March 2013

**By the statutory auditors**

| | |
|---|---|
| Mazars | Ernst & Young et Autres |
| Bruno Balaire | Jeanne Boillet |

# 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.

## I. 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.

## II. 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 reorganizations 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 2012, 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 2012, the amount billed by Lagardère Capital & Management in accordance with the agreements and commitments already approved by your general meeting of shareholders amounted to 22.7 million euros, compared to 22.1 million euros in 2011.

Paris La Défense and Courbevoie, 29 March 2013

**The Statutory Auditors**

| | |
|---|---|
| Ernst & Young et Autres | Mazars |
| Jeanne Boillet | Bruno Balaire |

# 7

# ORGANISATION OF THE COMPANY AND THE GROUP – CORPORATE GOVERNANCE



Items appearing in the Annual Financial Report are cross-referenced with the following symbol AFR

# 7.1 GENERAL PRESENTATION OF FRENCH PARTNERSHIPS LIMITED BY SHARES AND OF LAGARDÈRE SCA

AFR

## 7.1.1 GENERAL PRESENTATION OF FRENCH PARTNERSHIPS LIMITED BY SHARES

A French partnership limited by shares (*société en commandite par actions* – SCA) has two categories of partners:

- one or more general partners (*associés commandités*), who are indefinitely personally liable for the Company's liabilities;
- limited partners (*associés commanditaires* or shareholders), whose situation is the same as that of shareholders in a joint-stock corporation (*société anonyme*). Their holdings can be sold or otherwise transferred under the same conditions as shares in a joint-stock corporation, and they are liable for the Company's liabilities only to the extent of their contribution to the partnership. They are represented by a Supervisory Board.

A partnership limited by shares is managed by one or more Managing Partners (*Gérants*), who may be individuals or corporate entities. They are selected from amongst the general partners or third parties, but may not be shareholders.

Because of the two categories of partners, collective 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

The provisions of French law related to partnerships limited by shares, as well as the Company's Articles of Association (see Chapter 8, section 8.2), give Lagardère SCA an up-to-date organisational structure that is wholly in line with current corporate governance requirements as it effectively complies with the two basic principles of establishing a clear distinction between management and control, and closely involving shareholders in the oversight of the Company.

This structure is characterised as follows:

- There is a very clear segregation between the Managing Partners (*Gérants*), who are responsible for running the business, and the Supervisory Board which represents the shareholders and is responsible for overseeing 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 general partners' appointment or re-appointment of a Managing Partner, although the final decision thereon is taken by shareholders in an 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 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 has the same powers as the Statutory Auditors.
- The Supervisory Board must draw up a report on any proposed increase or reduction in the Company's share capital to be submitted to shareholders for approval.

These arrangements obviate the confusion, for which French joint-stock corporations are criticised, between the role of the Chairman (*Président*) when he also holds the position of 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

AFR

## 7.2.1 GENERAL PARTNERS

**Arnaud Lagardère**

4 rue de Presbourg - 75116 Paris

**Arjil Commanditée-Arco**

A French joint-stock corporation with share capital of €40,000

4 rue de Presbourg - 75116 Paris

## 7.2.2 MANAGING PARTNERS

At 31 December 2012, the Company was managed by two Managing Partners:

- Arnaud Lagardère, and;
- Arjil Commanditée-Arco.

### 7.2.2.1 ARNAUD LAGARDÈRE

4 rue de Presbourg - 75116 Paris

*Date of birth: 18 March 1961*

Number of Lagardère SCA shares held directly and indirectly

(see Chapter 8, section 8.1.8.1): 12,190,179

Arnaud Lagardère was appointed Managing Partner in March 2003 and was re-appointed on 11 March 2009 by the Supervisory Board on the recommendation of the general partners, for a period of six years expiring on 11 March 2015.

Arnaud Lagardère also controls and is the Chairman of Lagardère SAS and Lagardère Capital & Management SAS. Arnaud Lagardère and these two companies held a combined 9.30% of Lagardère SCA's share capital at 31 December 2012 (see Chapter 8, section 8.1.8.1).

Arnaud Lagardère holds a DEA higher degree in economics from the University of Paris Dauphine. He was appointed Director and Chief Executive Officer of MMB (which became Lagardère SCA) in 1987, and was Chairman of the US company Grolier Inc. from 1994 to 1998.

#### A) PRINCIPAL POSITION

Managing Partner of Lagardère SCA

#### B) DIRECTORSHIPS AND OTHER POSITIONS HELD IN THE GROUP (AT 31 DECEMBER 2012)

Chairman and Chief Executive Officer of Lagardère Media (formerly Hachette SA)
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 Executive Committee, Lagardère Unlimited SAS
16-18 rue du Dôme – 92100 Boulogne Billancourt

Director, Lagardère Ressources SAS
42 rue Washington – 75008 Paris

Chairman, Lagardère Unlimited Inc.
4711 Centerville Road, Suite 400, 19808 Wilmington, USA

Permanent representative, Lagardère Unlimited Inc.
Managing Member, Lagardère Unlimited LLC
4711 Centerville Road, Suite 400, 19808 Wilmington, USA

Chairman, Sports Investment Company LLC
4711 Centerville Road, Suite 400, 19808 Wilmington, USA

Director, World Sport Group Investments Ltd
PO Box 957, Offshore Incorporations Centre Road Town, Tortola, BVI

Director, World Sport Group Holdings Ltd
PO Box 957, Offshore Incorporations Centre Road Town, Tortola, BVI

Chairman and Director, Sogeade Gérance SAS
42 rue Washington – 75008 Paris

Member of the Board of Directors, European Aeronautic Defence and Space Company – EADS NV
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 (not-for-profit organisation)
42 rue Washington – 75008 Paris

Chairman, Lagardère Paris Racing sports association (not-for-profit organisation)
42 rue Washington – 75008 Paris

---

Chairman, Lagardère SAS
4 rue de Presbourg – 75116 Paris

Chairman, Lagardère Capital & Management SAS
4 rue de Presbourg – 75116 Paris

Chairman and Chief Executive Officer, Arjil Commanditée-Arco SA
4 rue de Presbourg – 75116 Paris

### C) DIRECTORSHIPS AND OTHER POSITIONS HELD OUTSIDE THE GROUP

None.

### D) DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Director, France Telecom SA
6 place d'Alleray – 75015 Paris (*until January 2008*)

Member of the Supervisory Board, Virgin Stores SA
16 bld 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 – 75216 Paris (*until June 2008*)

Director, LVMH-Moët Hennessy 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
Epplestiass 225 – D 70546 Stuttgart - Möhringen, Germany
(*until April 2010*)

Chairman, Association des Amis de Paris Jean-Bouin C.A.S.G.
(not-for-profit organisation)
121 avenue de Malakoff – Paris 75016 (*until September 2010*)

Chairman of the Supervisory Board, Lagardère Sports SAS
4 rue de Presbourg – 75116 Paris (*until May 2011*)

## 7.2.2.2 ARJIL COMMANDITÉE-ARCO

A French joint-stock corporation with share capital of €40,000[(1)]

4 rue de Presbourg - 75116 Paris

Represented by Arnaud Lagardère and Pierre Leroy, as well as Dominique D'Hinnin and Thierry Funck-Brentano since 10 March 2010.

Arjil Commanditée-Arco was appointed as a Managing Partner of Lagardère SCA 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 article 14-2 of the Articles of Association, approved the following persons as the company's legal representatives on proposal of the general partners:

- Arnaud Lagardère, Chairman and Chief Executive Officer;
- Pierre Leroy, Deputy Chairman and Chief Operating Officer;
- Dominique D'Hinnin, Chief Operating Officer;
- Thierry Funck-Brentano, Chief Operating Officer;
- Philippe Camus, Deputy Chairman and Chief Operating Officer. Philippe Camus stood down from all of his positions on 30 June 2012, when he left the Lagardère Group.

In their capacity as legal representatives of Arjil Commanditée-Arco, Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano are Co-Managing Partners of Lagardère SCA.

**Positions held by Arjil Commanditée-Arco in other companies**

None.

(1) See section 8.2.4 of the individual financial statements of Arjil Commanditée-Arco.

**Positions held by the legal representatives of Arjil Commanditée-Arco in other companies (at 31 December 2012)**

### ARNAUD LAGARDÈRE (see above)

### PIERRE LEROY

4 rue de Presbourg - 75116 Paris

*Date of birth: 8 October 1948*

Number of Lagardère SCA shares held: 23,182

Pierre Leroy is a graduate of the École Supérieure de Commerce de Reims business school and holds a degree in law. He has spent his entire career with the Lagardère group.

He was appointed Director and Chief Executive Officer of MMB (which became Lagardère SCA) in 1987, then Chairman and Chief Executive Officer of Lagardère Sociétés in 1988 and Secretary General of the Lagardère group in 1993.

### A) PRINCIPAL POSITIONS

Co-Managing Partner of Lagardère SCA

Secretary General of the Lagardère group

### B) DIRECTORSHIPS AND OTHER POSITIONS HELD IN THE GROUP (AT 31 DECEMBER 2012)

Chairman, Lagardère Ressources SAS

Director, Lagardère Media (formerly Hachette SA)

Director, Hachette Livre SA

Member of the Supervisory Board, Lagardère Services SAS

Member of the Supervisory Board, Lagardère Active SAS

Director, Lagardère Active Broadcast (a Monaco-based joint-stock corporation)

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, Lagardère UK Ltd

Director, Lagardère Capital & Management SAS

Director, Deputy Chairman and Chief Operating Officer, Arjil Commanditée-Arco SA

### C) DIRECTORSHIPS AND OTHER POSITIONS HELD OUTSIDE THE GROUP

Director, IMEC (*Institut Mémoires de l'Édition Contemporaine*)[(2)]

Chairman, Fondation pour la Mémoire de la Création Contemporaine

(2) Pierre Leroy was appointed Chairman of IMEC by the Board of Directors on 28 February 2013.

Member of the Consultative Committee, Sotheby's

Chairman of the jury for the "*Prix des Prix*" literary awards

Member of the Cercle de la Bibliothèque Nationale de France

#### D) DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

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, Arlis SAS (*until January 2010*)

Member of the Supervisory Board, Le Monde SA (*until November 2010*)

Member of the Supervisory Board, Lagardère Sports SAS (*until May 2011*)

Manager, Presstalis (formerly NMPP) (*until June 2011*)

Director, Lagardère Entertainment SAS (*until June 2012*)

### DOMINIQUE D'HINNIN

4 rue de Presbourg – 75116 Paris

*Date of birth: 4 August 1959*

Number of Lagardère SCA shares held: 45,234

Dominique D'Hinnin is an alumnus of the École Normale Supérieure and the École Nationale d'Administration, and is also an inspector of public 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 Dominique D'Hinnin was appointed as Lagardère SCA's Chief Financial Officer.

#### A) PRINCIPAL POSITIONS

Co-Managing Partner of Lagardère SCA

Chief Financial Officer, Lagardère group

#### B) DIRECTORSHIPS AND OTHER POSITIONS HELD IN THE GROUP

Chief Operating Officer, Arjil Commanditée-Arco SA

Chairman and Chief Executive Officer, Ecrinvest 4 SA

Director, Lagardère Media (formerly Hachette SA)

Member of the Supervisory Board, Lagardère Active SAS

Permanent representative of Lagardère Media (formerly Hachette SA) to the Board of Directors of Lagardère Active Broadcast (a Monaco-based joint-stock corporation)

Member of the Supervisory Board, Lagardère Services SAS

Director, Hachette Livre SA

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

Permanent representative of Hachette Filipacchi Presse to the Board of Directors, Les Éditions P. Amaury SA

Director, Lagardère North America, Inc. (USA)

#### C) DIRECTORSHIPS AND OTHER POSITIONS HELD OUTSIDE THE GROUP

Deputy Chairman, 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 NV

Member of the Board of Directors, EADS Participations BV

Member of the Strategy Board, PricewaterhouseCoopers France

Chairman, Club des Normaliens dans l'Entreprise

Treasurer, Fondation de l'École Normale Supérieure

Chairman, Institut de l'École Normale Supérieure

#### D) DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

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*)

Chairman, Club des Trente (an association for the Chief Financial Officers of France's largest listed companies) (*until January 2011*)

Deputy Chairman of the Board of Directors and Chairman of the Audit Committee, Atari SA (*until March 2011*)

Member of the Supervisory Board, Lagardère Sports SAS (*until May 2011*)

Director, Le Monde Interactif SA (*until December 2011*)

Director, Lagardère Entertainment SAS (*until June 2012*)

### THIERRY FUNCK-BRENTANO

4 rue de Presbourg – 75116 Paris

*Date of birth: 2 May 1947*

Number of Lagardère SCA shares held: 25,209

Thierry Funck-Brentano holds a master's degree in management from the University of Paris Dauphine as well as 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 of Lagardère SCA

Chief Human Relations, Communications and Sustainable Development Officer, Lagardère group

#### B) DIRECTORSHIPS AND OTHER POSITIONS HELD IN THE GROUP

Director, Deputy Chairman and Chief Operating Officer, Arjil Commanditée-Arco

Director, Lagardère Media (formerly Hachette SA)

Permanent representative of Lagardère Media (formerly 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

Chairman and member of the Executive Committee, Lagardère Unlimited SAS

Director, World Sport Group Holdings Ltd

Director, World Sport Group Investments Ltd

Director, Lagardère Active Broadcast (a Monaco-based joint-stock corporation)

Director, Lagardère Ressources SAS

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, Fondation Jean-Luc Lagardère

Director, Secretary and Treasurer, Association Lagardère Paris Racing Ressources

Secretary, Association Lagardère Paris Racing

### C) DIRECTORSHIPS AND OTHER POSITIONS HELD OUTSIDE THE GROUP

Director, Université Paris IX Dauphine

Director, Fondation de l'Université Paris IX Dauphine

### D) DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Chairman, MP 55 SAS (*until April 2008*)

Director, Matra Participations SA (*until June 2008*)

Chairman, Edifinance Participations SAS (*until March 2009*)

Member of the Supervisory Board, Lagardère Sports SAS (*until May 2011*)

Director, Hachette Filipacchi Presse SA (*until June 2011*)

Manager, Presstalis (formerly NMPP) (*until June 2011*)

Manager, SAEM Transports Presse (*until June 2011*)

Director, Mediakiosk SAS (formerly AAP) (*until November 2011*)

Director, SGEL (Sociedad General Española de Libreria), Spain (*until July 2012*)

## 7.2.3 MEMBERS OF THE SUPERVISORY BOARD

List of members of the Supervisory Board during 2012

| | | Date of first appointment or re-appointment | End of current term of office |
|---|---|---|---|
| Chairman of the Board<br>Chairman of the Audit Committee | **Xavier de Sarrau**<br>Independent member of the Board(1) | 10 March 2010 | 2014 OGM(*) |
| Honorary Chairman of the Board<br>Member of the Audit Committee | **Raymond H. Lévy**<br>Non-independent member of the Board(1) | 27 April 2010 | 3 May 2012 |
| Member of the Board<br>Member of the Audit Committee | **Nathalie Andrieux**<br>Independent member of the Board(1) | 3 May 2012 | 2016 OGM(*) |
| Member of the Board | **Antoine Arnault**<br>Independent member of the Board(1) | 3 May 2012 | 2016 OGM(*) |
| Member of the Board | **Bernard Arnault**<br>Independent member of the Board(1) | 27 April 2010 | 3 May 2012 |
| Member of the Board | **Martine Chêne**<br>Independent member of the Board(1) | 29 April 2008 | 2014 OGM(*) |
| Member of the Board<br>Member of the Appointments and Remuneration Committee | **Georges Chodron de Courcel**<br>Non-independent member of the Board(1) | 3 May 2012 | 2016 OGM(*) |
| Member of the Board<br>Member of the Audit Committee<br>Chairman of the Appointments and Remuneration Committee | **François David**<br>Independent member of the Board(1) | 29 April 2008 | 2014 OGM(*) |
| Member of the Board<br>Member of the Appointments and Remuneration Committee | **Pierre Lescure**<br>Independent member of the Board(1) | 29 April 2008 | 2014 OGM(*) |
| Member of the Board | **Jean-Claude Magendie**<br>Independent member of the Board(1) | 27 April 2010(**) | 2014 OGM(*) |
| Member of the Board<br>Member of the Audit Committee | **Christian Marbach**<br>Independent member of the Board(1) | 2 May 2006 | 3 May 2012 |
| Member of the Board | **Hélène Molinari**<br>Independent member of the Board(1) | 3 May 2012 | 2016 OGM(*) |
| Member of the Board | **Javier Monzón**<br>Independent member of the Board(1) | 29 April 2008 | 2014 OGM(*) |
| Member of the Board<br>Member of the Audit Committee | **Amélie Oudéa-Castéra**<br>Non-independent member of the Board(1) | 3 May 2012 | 2016 OGM(*) |
| Member of the Board<br>Member of the Audit Committee | **Didier Pineau-Valencienne**<br>Independent member of the Board(1) | 29 April 2008 | 2014 OGM(*) |
| Member of the Board | **François Roussely**<br>Independent member of the Board(1) | 3 May 2012 | 2016 OGM(*) |
| Member of the Board | **Susan M. Tolson**<br>Independent member of the Board(1) | 10 May 2011(***) | 2015 OGM(*) |
| Member of the Board<br>Member of the Audit Committee | **Patrick Valroff**<br>Independent member of the Board(1) | 27 April 2010 | 2014 OGM(*) |
| Board Secretary | **Laure Rivière-Doumenc** | | |

*(1) Under the AFEP-MEDEF corporate governance criteria applied by the Supervisory Board (see section 7.4.2 below).*
*(*) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.*
*(**) Jean-Claude Magendie's appointment took effect on 1 May 2010.*
*(***) Susan M. Tolson's appointment took effect on 1 July 2011.*

## XAVIER DE SARRAU

16 West Halkin Street - SW1 X8JL London, United Kingdom

*Date of birth: 11 December 1950*

Date of appointment: 10 March 2010[1]

End of current term of office 2014 OGM[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 HEC Business School and holds a doctorate in tax law. He is a lawyer registered with the Bars of Paris and Geneva and specialises in issues concerning the governance and organisational structure of family-owned companies and private holdings.

Xavier de Sarrau worked with the Arthur Andersen Group from 1978 to 2002, serving as Managing Partner for France, Managing Partner for EMEIA, and Managing Partner for Worldwide Global Management Services, and was also a member of the firm's World Executive Committee.

After founding his own law firm outside France, in 2005 Xavier de Sarrau was one of the founders of the Paris law firm Sarrau Thomas Couderc. In 2008, he left Sarrau Thomas Couderc (which was subsequently renamed STC Partners) and since that date he has not held any interests in the firm.

### DIRECTORSHIPS AND OTHER POSITIONS HELD IN OTHER COMPANIES

**In France:**

Member of the Supervisory Board, JC Decaux

Chairman of the Audit Committee and Ethics Committee, JC Decaux

**Outside France:**

Chairman of the Board, Thala SA (Switzerland)

Member of the Board, Dombes SA (Switzerland)

Member of the Board, IRR SA (Switzerland)

Member of the Board, EFTC (USA)

Member of the Board, 16 West Halkin (UK)

### DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Member of the Supervisory Board, Financière Atlas

Member of the Supervisory Board, Bernardaud SA

Member of the Board, FCI Holding SA

Member of the Board, Continental Motors Inns SA (Luxembourg)

## RAYMOND H. LÉVY

40 rue de Garches - 92420 Vaucresson

*Date of birth: 28 June 1927*

Date of appointment: 30 December 1992

Date of renewal: 27 April 2010

End of term of office: 3 May 2012

Number of Lagardère SCA shares held: 15,230

Member and Honorary Chairman of the Supervisory Board of Lagardère SCA and a member of the Group's Audit Committee.

(1) Coopted by the Supervisory Board on 10 March 2010 and approved by the General Meeting on 27 April 2010.
(2) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

Raymond H. Lévy is an engineering graduate of Corps des Mines and has previously occupied the postions of Deputy Chairman and Chief Executive Officer of Elf Aquitaine, Chairman of Usinor, Chairman of the Board and a Director of Cockerill-Sambre, and Chairman of Régie Nationale des Usines Renault and Consortium de Réalisation.

### DIRECTORSHIPS AND OTHER POSITIONS HELD IN OTHER COMPANIES

Honorary Chairman, Renault SA

### DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Chairman of the Supervisory Board, Sogeade

Director, Renault Finance (Switzerland)

Director, Louis Dreyfus Citrus

Member of the Supervisory Board, Sogeade

Director, Sogeade Gérance

## NATHALIE ANDRIEUX

Tour Cristal – 7-11, quai André-Citroen – 75015 Paris

*Date of birth: 27 July 1965*

Date of appointment: 3 May 2012

End of current term of office: 2016 OGM[2]

Number of Lagardère SCA shares held: 150

Member of the Audit Committee of Lagardère SCA.

Nathalie Andrieux graduated from the École Supérieure d'Informatique (SUPINFO) in Paris in 1988. She began her career in banking with the Banques Populaires Group, where she was involved in information systems development projects. In 1997, she joined the La Poste group as manager of the corporate information systems department. In late 2001, she became head of strategic marketing within the strategy division and, in 2003, was appointed head of La Poste's innovation and e-Services department. Based on her solid background in management, strategy, innovation and organisation, Nathalie became Chief Executive Officer of Mediapost in 2004.

Nathalie Andrieux is responsible for Mediapost's 2010-2013 strategic plan. After a phase of European expansion as of 2008, which led to subsidiaries being opened in Portugal, Spain and Romania, she then focused on consolidating Mediapost's growth by adding new expertise either developed in-house or through acquisitions. Having created the home media promotion agency Mediapost Publicité in June 2010, Mediapost acquired Sogec (a leader in promotional marketing) in December of that year, followed by a majority interest in Mediaprism (a communications and customer knowledge agency) in March 2011. Lastly, Nathalie Andrieux created and became Chair of the Mediapost group in September 2011 as well as Chair of its various entities. She was appointed Deputy CEO of La Poste's digital activities in October 2012.

### DIRECTORSHIPS AND OTHER POSITIONS HELD IN OTHER COMPANIES

**In France:**

Chair of Mediapost

Chair of Mediapost Holding

Chair of Mediapost Publicité

Chair of Matching

Chair of Media Prisme

Chair of SMP

Chair of Financière Adverline

Chair of Cabestan

Chair of Mix Commerce

Director of Maileva

Member of the French Digital Board

Member of the Supervisory Board, La Banque Postale

Member of the Investment Committee, XAnge Capital 2

**Outside France:**

Director, Mediapost SGPS (Portugal)

Director, Mediapost Spain

Director, Mediapost Hit Mail (Romania)

#### DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Member of the Steering Committee, Neopress

Chair, Mediapost

Committee member, Multicanal

Chair and Chief Executive Officer, Mediapost

Chair of the Board of Directors, Mediapost

Chair of the Board of Directors, Adverline

Chair of the Board of Directors, Mediapost Hit Mail (Romania)

Chair of the Board of Directors, Mediapost SGPS (Portugal)

Chair of the Board of Directors, Mediapost Spain

### ANTOINE ARNAULT

120 rue du Faubourg-Saint-Honoré – 75008 Paris

*Date of birth: 4 June 1977*

Date of appointment: 3 May 2012

End of current term of office: 2016 OGM[1]

Number of Lagardère SCA shares held: 150

Antoine Arnault is a graduate of HEC Montréal and holds an MBA from INSEAD. In 2000, he set up a dot.com company involved in domain name registration.

In 2002, he sold his interest in the company and joined Louis Vuitton Malletier, where he was successively:

- Head of Marketing, an area in which he took many initiatives, particularly in advertising;
- Head of Louis Vuitton France's regional network, where he was directly in charge of 12 Louis Vuitton stores;
- Head of Communications for Louis Vuitton as of 2007, responsible for advertising, publishing, digital development and media purchasing.

In 2011, he was appointed Chief Executive Officer of Berluti, with the mission of making it a leading player in luxury menswear and accessories. He is still special advisor on communications for Louis Vuitton.

Antoine Arnault was the inspiration behind the "Les Jounées Particulières" campaign, which enabled 100,000 visitors to discover the hidden face of 25 LVMH group luxury goods houses, free of charge, during October 2011.

#### DIRECTORSHIPS AND OTHER POSITIONS HELD IN OTHER COMPANIES

Member of the Board of Directors, LVMH Moët Hennessy – Louis Vuitton SA

Chairman of the Executive Board, Berluti SA

Member of the Supervisory Board, Echos SAS

Member of the Board of Directors, Comité Colbert

#### DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Antoine Arnault has not held any other directorships or other positions in the last five years.

### BERNARD ARNAULT

22 avenue Montaigne – 75008 Paris

*Date of birth: 5 March 1949*

Date of appointment: 11 May 2004

Date of renewal: 27 April 2010

End of term of office: 3 May 2012

Number of Lagardère SCA shares held: 150

Bernard Arnault is a graduate of École Polytechnique. He was Chairman and Chief Executive Officer of Ferret-Savinel and Financière Agache and is currently Chairman and Chief Executive Officer of LVMH.

#### DIRECTORSHIPS AND OTHER POSITIONS HELD IN OTHER COMPANIES

**In France:**

Chairman and Chief Executive Officer, Christian Dior

Chairman, Groupe Arnault SAS

Director, Christian Dior Couture SA

Chairman of the Board of Directors, Château Cheval Blanc

Chairman of the Board of Directors, Louis Vuitton Foundation for Creation

Member of the Supervisory Board, Financière Jean Goujon SAS

Director, Carrefour SA

**Outside France:**

Director, LVMH International SA (Belgium)

Director, LVMH - Moët Hennessy Louis Vuitton Japan KK (Japan)

Director, LVMH - Moët Hennessy Louis Vuitton Inc. (USA)

#### DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Chairman of the Board of Directors, Christian Dior

Member of the Supervisory Board, Métropole Télévision "M6" SA

Director, Raspail Investissements SA

### MARTINE CHÊNE

64 rue du Parc – 34980 Saint Gély du Fesc

*Date of birth: 12 May 1950*

Date of appointment: 29 April 2008

End of current term of office: 2014 OGM[1]

Number of Lagardère SCA shares held: 150

(1) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

Martine Chêne joined the Lagardère group in 1984, and worked 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.

### DIRECTORSHIPS AND OTHER POSITIONS HELD IN OTHER COMPANIES

Martine Chêne exercises no positions in any other companies.

### DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Martine Chêne has not held any other directorships or other positions in the last five years.

## *GEORGES CHODRON DE COURCEL*

7 *bis* rue de Monceau – 75008 Paris

*Date of birth: 20 May 1950*

Date of appointment: 2 May 2006

Date of renewal: 3 May 2012

End of current term of office: 2016 OGM(1)

Number of Lagardère SCA shares held: 150

Member of the Appointments and Remuneration Committee of Lagardère SCA.

Georges Chodron de Courcel is an engineering graduate of the École Centrale de Paris. In 1972, he joined BNP where he became Head of Equity Research within the finance division in 1978 and General Secretary of Banexi in 1982. He then became Head of Asset Management, followed by Director of Corporate Finance. In 1989, Georges Chodron de Courcel was appointed Chairman of Banexi, followed by Head of French Retail Banking at BNP in 1990. In 1995, he became Deputy Managing Director, before assuming the role of Chief Operating Officer of BNP between 1996 and 1999.

Following the merger with Paribas in August 1999, Georges Chodron de Courcel was made Head of Corporate and Investment Banking at BNP Paribas from 1999 to 2003. He has been Chief Operating Officer of BNP Paribas since June 2003.

### DIRECTORSHIPS AND OTHER POSITIONS HELD IN OTHER COMPANIES

**In France:**

Director, Bouygues SA

Board Advisor (*censeur*), Scor SE

Director, Nexans SA

Director, Alstom SA

Director, FFP SA (Société Foncière, Financière et de Participations)

Director, Verner Investissements SAS

Board Advisor (*censeur*), 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 Rückversicherung Schweiz AG (Switzerland)

Director, Scor Switzerland AG (Switzerland)

Director, CNP (Compagnie Nationale à Portefeuille), Belgium

### DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Director, Banca Nazionale del Lavoro (Italy)

Chairman and Director, BNP Paribas UK Holdings Ltd (UK)

Director, BNP Paribas ZAO (Russia)

Board Advisor (*censeur*), Safran SA

Chairman, Compagnie d'Investissement de Paris SAS

Chairman, Financière BNP Paribas SAS

## *FRANÇOIS DAVID*

121 avenue des Champs-Elysées – 75008 Paris

*Date of birth: 5 December 1941*

Date of appointment: 29 April 2008

End of current term of office: 2014 OGM(1)

Number of Lagardère SCA shares held: 150

Member of the Audit Committee of Lagardère SCA.

Chairman of the Appointments and Remuneration Committee of Lagardère SCA.

François David is a graduate of the Institut d'Études Politiques de Paris and holds 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. François David was Chairman of the Board of Directors of Coface from 1994 to 2012.

### DIRECTORSHIPS AND OTHER POSITIONS HELD IN OTHER COMPANIES

**In France:**

Honorary Chairman, Coface group

Director, Vinci

Director, Rexel

Member of the Supervisory Board, Areva

Member of the Board of Directors, Natixis Coficine

Member of the Supervisory Board, Galatée Films

Member of the Board, Order of the Legion of Honour

### DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Chairman, International Credit Insurance & Surety Association (ICISA)

European Adviser, CityGroup

Chairman of the Board of Directors, Coface Services

Chairman, Centre d'Etudes Financières

Chairman, OR Informatique

Chairman of the Supervisory Board, Coface Kreditversicherung AG (Germany)

Chairman of the Board of Directors, Coface Assicurazioni (Italy)

(1) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

## PIERRE LESCURE

38 rue Guynemer – 75006 Paris

*Date of birth: 2 July 1945*

Date of appointment: 22 March 2000

Date of renewal: 29 April 2008

End of current term of office: 2014 OGM[(1)]

Number of Lagardère SCA shares held: 150

Member of the Appointments and Remuneration Committee of Lagardère SCA.

Pierre Lescure is a journalist who has previously occupied the positions of 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 Director of Théâtre Marigny in Paris.

### DIRECTORSHIPS AND OTHER POSITIONS HELD IN OTHER COMPANIES

**In France:**

Chairman, AnnaRose Productions SAS

Director, Havas Advertising

Member of the Board of Directors, Thomson SA

**Outside France:**

Member of the Board of Directors, Kudelski (Switzerland)

Member of the Executive Commission, Prisa TV (Spain) and Digital+ (Spain)

### DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Chairman, Lescure Farrugia Associés

Member of the Supervisory Board, Le Monde SA

## JEAN-CLAUDE MAGENDIE

19 rue Raynouard – 75016 Paris

*Date of birth: 24 May 1945*

Date of appointment: 27 April 2010

End of current term of office: 2014 OGM[(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 de Créteil/Paris*), and finally First President of the Paris Court of Appeal.

Jean-Claude Magendie has written a number of reports on civil law procedure and mediation, and was Secretary General for the study commission on Europe and the legal professions.

He was also a Member of the Commission for analysis on prevention of conflicts of interest in public life.

### DIRECTORSHIPS AND OTHER POSITIONS HELD IN OTHER COMPANIES

Member of the Scientific Committee of the National Institute of High Studies for Security and Justice

Contributor to *Gazette du Palais*

Member of the Board of Directors, Lextenso

Arbitrator and mediator

### DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

First President of the Paris Court of Appeal

Chairman, Acojuris (the Agency for International Legal Cooperation)

Member of the Commission for analysis on prevention of conflicts of interest in public life

## CHRISTIAN MARBACH

17 avenue Mirabeau – 78600 Maisons-Laffitte

*Date of birth: 9 October 1937*

Date of appointment: 2 April 1997

Date of renewal: 2 May 2006

End of term of office: 3 May 2012

Number of Lagardère SCA shares held: 406

Member of the Audit Committee of Lagardère SCA.

Christian Marbach is an engineering graduate of Corps des Mines and a former Chairman of the French innovation agency ANVAR.

### DIRECTORSHIPS AND OTHER POSITIONS HELD IN OTHER COMPANIES

Board Advisor (*censeur*), Sofinnova

### DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Director, Compagnie Générale de Géophysique-Veritas (C.G.G.)

Chairman, Oseo-Services (formerly "Agence des PME")

## HÉLÈNE MOLINARI

55 avenue Bosquet – 75007 Paris

*Date of birth: 1 March 1963*

Date of appointment: 3 May 2012

End of current term of office: 2016 OGM[(1)]

Number of Lagardère SCA shares held: 150

Hélène Molinari is a graduate of the École Polytechnique Féminine. She began her career in 1985 as a consultant at Cap Gemini and in 1987 joined the Robeco group to create Robeco France, where she was responsible for developing institutional sales. In 1991, she joined the Axa Group when Axa Asset Managers was created, where she was also responsible for institutional sales. In 2000, she was appointed Head of Marketing and e-Business at Axa Investment Managers and in 2004 became a member of the Management Committee as Head of Communications and Brand.

In 2005, she was head hunted by Laurence Parisot, newly-appointed Chairman of MEDEF, to join MEDEF as Head of Communications. The following year, she took over responsibility for the regional network and then became Deputy Chief Executive in charge of community involvement and development projects, whilst supervising a number of support functions including the Corporate Secretary's department.

In 2011, she was appointed Chief Operating Officer in charge of community involvement committees and special operations, including major events. Hélène Molinari is also a member of the Executive Board of MEDEF.

(1) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

### DIRECTORSHIPS AND OTHER POSITIONS HELD IN OTHER COMPANIES

Member of the Board of Directors, NQT (*Nos quartiers ont des talents*)

Member of the Board of Directors, EPA (*Entreprendre pour Apprendre*)

Committee member, JDE (*Les Journées de l'Entrepreneur*)

### DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Member of the Board of Directors, CELSA (*Centre d'Etudes Littéraires et Scientifiques Appliquées*)

## *JAVIER MONZÓN*

Avenida De Bruselas, 33-35, 28108 Arroyo de la Vega – Alcobendas, Madrid, Spain

*Date of birth: 29 March 1956*

Date of appointment: 29 April 2008

End of current term of office: 2014 OGM[1]

Number of Lagardère SCA shares held: 150

Having graduated with a degree in economics, Javier Monzón began his career with Caja Madrid where he stayed until 1984 having occupied the post of Corporate Banking Director. He then became Chief Financial Officer and subsequently Executive Vice-Chairman of Telefónica before taking up the position of Chairman at Telefónica International. He has also been a Worldwide Partner at Arthur Andersen and Managing Partner of Corporate Finance Consulting Services in Spain.

Javier Monzón has been Chairman of the Spanish technology company Indra since its formation in 1993.

### DIRECTORSHIPS AND OTHER POSITIONS 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)

### DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Permanent representative of Indra Sistemas SA to the Board of Directors of Banco Inversis SA (Spain)

Member of the Board of Directors, YPF SA (Argentina)

## *AMÉLIE OUDÉA-CASTÉRA*

313 Terrasses de l'Arche – Terrasse 3 – 92727 Nanterre

*Date of birth: 9 April 1978*

Date of appointment: 2 December 2009

Date of renewal: 3 May 2012

End of current term of office: 2016 OGM[1]

Number of Lagardère SCA shares held: 150

Member of the Audit Committee of Lagardère SCA.

(1) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

A former professional tennis player, Amélie Oudéa-Castéra is a graduate of the Institut d'Études Politiques de Paris, École Supérieure des Sciences Économiques Commerciales and École Nationale d'Administration. She holds a master's degree in law. She joined the AXA group in 2008 where she is now Head of Marketing, Services and Digital at AXA France.

### DIRECTORSHIPS AND OTHER POSITIONS HELD IN OTHER COMPANIES

Auditor, French National Audit Office (*Cour des Comptes*)

### DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Amélie Oudéa-Castéra has not held any other directorships or positions in the last five years.

## *DIDIER PINEAU-VALENCIENNE*

24-32 rue Jean Goujon – 75008 Paris

*Date of birth: 21 March 1931*

Date of appointment: 19 May 1998

Date of renewal: 29 April 2008

End of current term of office: 2014 OGM[1]

Number of Lagardère SCA shares held: 2,850

Member of the Audit Committee of Lagardère SCA.

Didier Pineau-Valencienne is a graduate of HEC Business School in Paris, Tuck School of Business Administration (Dartmouth College) and Harvard Business School. He is a former Chairman and Chief Executive Officer of Schneider SA, of which he is now Honorary Chairman.

### DIRECTORSHIPS AND OTHER POSITIONS HELD IN OTHER COMPANIES

**In France:**

Chairman of the Investment Committee, Sagard

Honorary Chairman, HEC Association

Director, BIPE Association

Advisor, Centre d'Enseignement Supérieur de la Marine

**Outside France:**

Member of the Trustees, American University of Paris

### DIRECTORSHIPS AND OTHER POSITIONS 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

Director, Swiss Helvetia Fund (USA)

Member of the Board of Overseers, Tuck School of Business Administration, Dartmouth College (USA)

Director, Fleury Michon

Chairman, Fondation HEC

## *FRANÇOIS ROUSSELY*

25 avenue Kléber – 75784 Paris Cedex 16

*Date of birth: 9 January 1945*

Date of appointment: 11 May 2004

Date of renewal: 3 May 2012

End of current term of office: 2016 OGM(1)

Number of Lagardère SCA shares held: 150

François Roussely is a graduate of the Institut d'Études Politiques de Paris, Paris University of Law and Economics, and École Nationale d'Administration. He is an honorary senior advisor to the French National Audit Office. He began his career in the French Ministry of Finance and the Economy and held several prominent positions in the French government, the Ministry of Defence and then the Ministry of the Interior from 1981 to 1997. He was Chairman and Chief Executive Officer of EDF from 1998 to 2004, then Chief Executive Officer of Crédit Suisse France, before becoming Deputy Chairman of Crédit Suisse Europe in 2009.

### DIRECTORSHIPS AND OTHER POSITIONS HELD IN OTHER COMPANIES

Honorary senior advisor, French National Audit Office (*Cour des Comptes*)

Deputy Chairman, Crédit Suisse Europe

Deputy Chairman, Fondation du Collège de France

Chairman, Budé Committee (Collège de France)

### DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Chairman and Chief Executive Officer, Crédit Suisse (France)

Chairman, Crédit Suisse Banque d'Investissement France

Honorary Chairman, EDF

## *SUSAN M. TOLSON*

41 rue du Faubourg-Saint-Honoré – 75008 Paris

*Date of birth: 7 March 1962*

Date of appointment: 10 May 2011

End of current term of office: 2015 OGM(1)

Number of Lagardère SCA shares held: 150

Susan M. Tolson graduated from Smith College in 1984 with a B.A. cum laude before obtaining an MBA from Harvard in 1988. She joined Prudential-Bache Securities as a corporate finance analyst in 1984 and subsequently took on the position of Investment Officer in Private Placements at Aetna Investment Management in 1988. In 1990, she joined The Capital Group Companies – a major private US investment fund formed in 1931 which currently manages assets of over a trillion dollars – where between April 1990 and June 2010 she successively served as a financial analyst, senior account manager and then Senior Vice-President, a position she left to join her husband in Paris.

Over the last 20 years, Susan M. Tolson has issued recommendations and made decisions relating to investments in numerous business sectors, including the media and entertainment industries.

(1) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

### DIRECTORSHIPS AND OTHER POSITIONS HELD IN OTHER COMPANIES

**In France:**

Member of the Board of Trustees, American University of Paris

Honorary Chair, American Friends of The Musée d'Orsay

Honorary Chair, American Women's Group in Paris

Director, Fulbright Commission

**Outside France:**

Director, America Media, Inc. and the American Cinémathèque

Member of the Los Angeles World Affairs Council, the Paley Center For Media and the Los Angeles Society of Financial Analysis

### DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Susan M. Tolson has not held any other positions in the last five years.

## *PATRICK VALROFF*

26 rue de Clichy – 75009 Paris

*Date of birth: 3 January 1949*

Date of appointment: 27 April 2010

End of current term of office: 2014 OGM(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. He began his career in the French civil service. 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 Crédit Agricole SA Group, which comprises Sofinco, Finaref, Crédit Agricole Leasing and Eurofactor, and subsequently served as Chairman and CEO of Sofinco. From May 2008 to December 2010, Patrick Valroff was Chief Executive Officer of Crédit Agricole Corporate and Investment Bank.

### DIRECTORSHIPS AND OTHER POSITIONS HELD IN OTHER COMPANIES

Director, Néovacs

### DIRECTORSHIPS AND OTHER POSITIONS 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'Écoute s'il pleut

Legal representative of Sofinco, Manager, SCI du Petit Bois

Legal representative of Sofinco, Manager, SCI du Rond Point

## 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 any 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 has entered into a service contract with Lagardère SCA or any of its subsidiaries, with the exception, as regards the Managing Partners, of the service agreement signed between Lagardère Ressources and LC&M (a company almost entirely owned by Arnaud Lagardère). 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 has been entered into between the Company and its major shareholders, or with its customers, suppliers or any other party pursuant to which any Supervisory Board member or Managing Partner was selected.

To the best of Lagardère SCA's knowledge, no potential conflict of interests exists with respect to Lagardère SCA between the duties of the members of the Supervisory Board or the Managing Partners 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 INTEREST 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 interest in the Company's share capital within a certain period of time, 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 interest in the Company's share capital within a certain period of time, except for:
  - the rules for trading in Lagardère SCA shares defined in the laws in force or the "Charter on trading in Lagardère SCA shares by Group employees";
  - the holding period set by the Supervisory Board since 2008 for free share awards (see the Special Report of the Managing Partners in section 7.3.5).

# 7.3 REMUNERATION AND BENEFITS AFR

## 7.3.1 MANAGING PARTNERS AND MEMBERS OF THE EXECUTIVE COMMITTEE

At 31 December 2012, the members of the Executive Committee were as follows:

| | | |
|---|---|---|
| Arnaud Lagardère, | General and Managing Partner | Managing Partners |
| Pierre Leroy, | Co-Managing Partner, Secretary General | Managing Partners |
| Dominique D'Hinnin, | Co-Managing Partner, Chief Financial Officer | Managing Partners |
| Thierry Funck-Brentano, | Co-Managing Partner, Chief Human Relations and Communications Officer | Managing Partners |
| Ramzi Khiroun | Spokesman for the Managing Partners, Chief External Relations Officer | |

**Members of the Executive Committee**

- receive immediate and deferred remuneration (retirement benefits);
- may be awarded share options and/or awarded 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). Arnaud Lagardère and Dominique D'Hinnin also receive remuneration from EADS for the duties they perform in their capacity as members of the Board of Directors of EADS. This remuneration is reported in the following tables but is not taken into account in 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 and may be supplemented by special bonuses.

The fixed portion is paid in 12 equal monthly instalments over the year.

The variable portion is determined on the basis of rules defined in 2003 which have been consistently applied since that date. Each year, it comprises the following items, based on reference amounts determined for each individual:

- A qualitative component, taking into account each person's contribution to the development of the Group, changes in value added, the quality of management, the relevance of its organisation, the motivation of its teams and attention paid to social and environmental issues.
- A group performance-related component based on two inputs of equal importance in relation to the individual reference amount:
  - the percentage differential between the midpoint of the forecast rise in recurring operating profit before associates of companies in the Media segment – as announced to the market at the beginning of the year – and the actual rise in that recurring operating profit figure for the year concerned, at constant exchange rates;
  - 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 statement of cash flows for the year concerned.

  A further criterion related to the intrinsic change in recurring operating profit before associates as defined above was 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 2012, the relevant input-based formula results in the application of a factor of 1.02 to the reference amounts.

The variable portion of remuneration is determined by applying criteria to the reference amounts, given that the qualitative component and the input-based, performance-related component are the same for Executive Committee members as a whole.

Since the variable portion of salary can only be calculated after the year-end, it is paid during the following year.

#### B) PENSIONS

A supplementary pension plan was set up by LC&M on 1 July 2005 for members of the Executive Committee who are also executive officers or employees of LC&M.

The beneficiaries of this plan acquire supplementary 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 supplementary pension is capped at 35% of the benchmark remuneration.

The benchmark remuneration corresponds to the average gross annual remuneration received over the last five years (fixed + variable up to a maximum of 100% of the fixed portion), and cannot exceed 50 times the annual ceiling used to calculate social security contributions.

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 long-term disability.

After the beneficiary's death, 60% of the pension is transferable to the surviving spouse.

#### C) TERMINATION BENEFITS

Neither LC&M nor any other Group company has undertaken any commitment or given any promise to grant termination benefits 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 MEMBERS OF THE EXECUTIVE COMMITTEE

### A) GROSS REMUNERATION PAID

| | 2010 | 2011 | **2012** |
|---|---|---|---|
| **"Lagardère"** | (1) | (2) | **(3)** |
| Fixed salary and benefits in kind | 6,147,246 | 6,893,901 | **6,412,243** |
| Special bonuses | 1,204,000 | | **26,792** |
| Variable portion of salary (in respect of the previous year) | 3,626,623 | 4,250,475 | **3,047,000** |
| Attendance fees | 20,900 | 20,900 | **21,171** |
| **Total** | 10,998,769 | 11,165,276 | **9,507,206** |
| **"EADS"** | (4) | (4) | **(4)** |
| Fixed salary | 220,000 | 220,000 | **220,000** |
| Variable portion of salary (in respect of the previous year) | - | - | |
| Attendance fees | 110,000 | 75,000 | **135,000** |
| **Total** | 330,000 | 295,000 | **355,000** |

*(1) Arnaud Lagardère, Philippe Camus, Pierre Leroy, Dominique D'Hinnin, Thierry Funck-Brentano, Ramzi Khiroun (full-time) and Jean-Paul Gut (until 30 June).*
*(2) Arnaud Lagardère, Philippe Camus, Pierre Leroy, Dominique D'Hinnin, Thierry Funck-Brentano and Ramzi Khiroun (full-time).*
*(3) Arnaud Lagardère, Pierre Leroy, Dominique D'Hinnin, Thierry Funck-Brentano, Ramzi Khiroun (full-time) and Philippe Camus (until 30 June).*
*(4) Arnaud Lagardère and Dominique D'Hinnin in their capacity as members of the Board of Directors.*

The "Lagardère" variable portion of salary to be paid in 2013 for 2012 represents €3,692,780. Members of EADS' Board of Directors are no longer paid a variable component.

### B) SHARE OPTIONS

| Date of plan/AGM authorisation | Number of options originally granted | Exercise price | Number of beneficiaries | Options exercised in 2012 | Options forfeited at end-2012 | Options outstanding at end-2012 | Exercise period |
|---|---|---|---|---|---|---|---|
| **Subscription options** | | | | | | | |
| None | | | | | | | |
| **Share purchase options** | | | | | | | |
| Plans expired | | | | | | | |
| 19 Dec. 2001<br>23 May 2000 | 185,000 | €46.48 | 6 | 0 | 185,000 | 0 | 19 Dec. 2003 to 19 Dec. 2008 |
| 19 Dec. 2002<br>23 May 2000 | 185,000 | €51.45 | 6 | 0 | 185,000 | 0 | 19 Dec. 2004 to 19 Dec. 2009 |
| Plans in force | | | | | | | |
| 18 Dec. 2003<br>23 May 2000 | 178,000 | €51.45 | 5 | 0 | 30,333 | 149,643(*) | 18 Dec. 2005 to 18 Dec. 2013 |
| 20 Nov. 2004<br>11 May 2004 | 178,000 | €51.92 | 5 | 0 | 30,336 | 149,640 | 20 Nov. 2006 to 20 Nov. 2014 |
| 20 Nov. 2005<br>11 May 2004 | 240,000 | €56.97 | 5 | 0 | 50,000 | 190,000 | 21 Nov. 2007 to 21 Nov. 2015 |
| 14 Dec. 2006<br>11 May 2004 | 242,000 | €55.84 | 5 | 0 | 50,000 | 192,000 | 14 Dec. 2008 to 14 Dec. 2016 |

*(*) After adjustment in 2005.*

## C) FREE SHARE AWARDS

| Date of plan/AGM authorisation | Number of rights granted | Number of beneficiaries | Number of shares vested in 2012 | Number of shares cancelled at end-2012 | Number of outstanding rights at end-2012 | Vesting date |
|---|---|---|---|---|---|---|
| Plan expired in 2009 (the conditions of this plan were not fulfilled and the rights have lapsed) | | | | | | |
| 28 Dec. 2007<br>27 April 2007 | 107,000 | 7 | 0 | 107,000 | 0(*) | 29 Dec. 2009 |
| Plan in force | | | | | | |
| 1 Oct. 2009<br>31 Dec. 2009 | 126,000 | 6 | 21,155 | 7,690 | 21,155 | 2 Oct. 2011(**)<br>1 April 2012(***) |
| 17 Dec. 2010 | 126,000 | 5 | 10,000 | 29,000 | 87,000 | 17 Dec. 2012<br>1 April 2013(***) |
| 29 Dec. 2011 | 119,000 | 5 | 0 | 26,000 | 93,000 | 30 Dec. 2013<br>1 April 2014(***) |
| 25 June 2012 | 111,000 | 4 | 0 | 0 | 111,000 | 25 May 2014<br>2 April 2015(***) |

*(*) No shares vested under this plan since the stock market performance condition was not met at 29 December 2009.*
*(**) 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.*
*(***) For the Managing Partners.*

## 7.3.1.3 REMUNERATION AND BENEFITS OF THE MANAGING PARTNERS

### • Arnaud Lagardère

| Summary of remuneration and benefits | | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | 2011 | | **2012** | |
| | Amounts receivable | Amounts received | Amounts receivable | Amounts received | **Amounts receivable** | **Amounts received** |
| **"Lagardère"** | | | | | | |
| Fixed salary | 1,140,729 | 1,140,729 | 1,140,729 | 1,140,729 | **1,140,729** | **1,140,729** |
| Variable portion of salary | 1,366,800 | 1,044,480(1) | 804,000 | 1,366,800, | **1,432,320** | **804,000** |
| Special bonuses | - | - | - | - | **-** | **-** |
| Attendance fees | 7,000 | 7,125 | 7,000 | 6,840 | **4,750** | **6,514** |
| Benefits in kind | 12,764 | 12,764 | 14,698 | 14,698 | **20,499** | **20,499** |
| **Total** | 2,527,293 | 2,205,098 | 1,966,427 | 2,529,067 | **2,598,298** | **1,971,742** |
| **"EADS"** | | | | | | |
| Fixed salary | 100,000 | 100,000 | 100,000 | 100,000 | **100,000** | **100,000** |
| Variable portion of salary | - | - | - | - | **-** | **-** |
| Attendance fees | 20,000 | 20,000 | 30,000 | 30,000 | **80,000** | **80,000** |
| **Total** | 120,000 | 120,000 | 130,000 | 130,000 | **180,000** | **180,000** |
| **Overall total** | 2,647,293 | 2,325,098 | 2,096,427 | 2,659,067 | **2,778,298** | **2,151,742** |

*(1) Amounts paid for the previous year. Since the variable portion of salary can only be calculated after the year-end, it is paid during the following year.*

Since his appointment as General and Managing Partner in 2003, Arnaud Lagardère has not been awarded any share options or free shares.

- Share options granted during the year: none.
- Share 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 share options and performance shares granted | | | |
|---|---|---|---|
| | 2010 | 2011 | **2012** |
| Remuneration and benefits receivable for the year (details in previous table) | 2,647,293 | 2,096,427 | **2,778,298** |
| Value of share options granted during the year | N/A | N/A | **N/A** |
| Value of performance shares granted during the year | N/A | N/A | **N/A** |
| **Total** | 2,647,293 | 2,096,427 | **2,778,298** |

### • Philippe Camus (until 30 June 2012)

| Summary of remuneration and benefits | | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | 2011 | | **2012** | |
| | Amounts receivable | Amounts received | Amounts receivable | Amounts received | **Amounts receivable** | **Amounts received** |
| Fixed salary | 1,088,000 | 1,088,000 | 1,148,000 | 1,148,000 | **611,059** | **611,059** |
| Variable portion of salary | 444,050 | 378,480[(1)] | 307,500 | 444,050[(1)] | **167,660** | **307,500[(1)]** |
| Special bonuses | 166,000 | 166,000 | - | - | **26,792** | **26,792** |
| Attendance fees | - | - | - | - | | |
| Benefits in kind | - | - | - | - | | |
| **Total** | 1,698,050 | 1,632,480 | 1,455,500 | 1,592,050 | **805,511** | **945,351** |

[(1)] *Amounts paid for the previous year. Since the variable portion of salary 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 Philippe Camus' remuneration is paid in US dollars by Lagardère North America and is reinvoiced to Lagardère Capital & Management.*

| Rights to performance shares granted in 2012 | | | | | | |
|---|---|---|---|---|---|---|
| **Date of AGM authorisation** | **Date of plan** | **Number of shares awarded in 2012** | **Value under IFRS 2** | **Vesting date** | **End of lock-up period** | **Performance** |
| conditions | - | - | - | - | - | - |

- Share options granted during the year: none.
- Share 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 share options and performance shares granted | | | |
|---|---|---|---|
| | 2010 | 2011 | **2012** |
| Remuneration and benefits receivable for the year (details in previous table) | 1,698,050 | 1,455,500 | **805,511** |
| Value of share options granted during the year | N/A | N/A | **N/A** |
| Value of performance shares granted during the year | 656,270 | 352,560 | **N/A** |
| **Total** | 2,354,320 | 1,808,060 | **805,511** |

### • Pierre Leroy

| Summary of remuneration and benefits | | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | 2011 | | **2012** | |
| | Amounts receivable | Amounts received | Amounts receivable | Amounts received | **Amounts receivable** | **Amounts received** |
| Fixed salary | 1,062,000 | 1,062,000 | 1,474,000 | 1,474,000 | **1,474,000** | **1,474,000** |
| Variable portion of salary | 725,250 | 808,800(1) | 489,500 | 725,250 | **522,200** | **489,500(1)** |
| Special bonuses | 412,000 | 412,000 | - | - | **-** | **-** |
| Attendance fees | 7,000 | 6,650 | 7,000 | 6,460 | **7,125** | **7,057** |
| Benefits in kind | 7,514 | 7,514 | 7,743 | 7,743 | **8,430** | **8,430** |
| **Total** | 2,213,764 | 2,296,964 | 1,978,243 | 2,213,453 | **2,011,755** | **1,978,987** |

*(1) Amounts paid for the previous year. Since the variable portion of salary can only be calculated after the year-end, it is paid during the following year.*

| Rights to performance shares granted in 2012 | | | | | | |
|---|---|---|---|---|---|---|
| **Date of AGM authorisation** | **Date of plan** | **Number of shares awarded in 2012** | **Value under IFRS 2** | **Vesting date** | **End of lock-up period** | **Performance conditions** |
| 28 April 2009 | 25 May 2012 | 32,000 | 538,240 | 1 April 2015 | 1 April 2017 | (1) |

*(1) Based on changes in recurring operating profit before associates of the Media segment for 2013 and 2014 and net cash from operating activities for 2013 and 2014.*

The shares granted under this plan are subject to a number of vesting conditions described in the Special Report of the Managing Partners presented in section 7.3.5.

- Share options granted during the year: none.
- Share options exercised during the year: none.
- Performance shares granted during the year: 32,000
- Performance shares that vested during the year: 21,155.

Under the 2009 plan, 21,155 of the 25,000 free shares granted to Pierre Leroy vested in 2012, following the application of performance conditions provided for in the decision to award the shares.

| Total remuneration and benefits received and share options and performance shares granted | | | |
|---|---|---|---|
| | 2010 | 2011 | **2012** |
| Remuneration and benefits receivable for the year (details in previous table) | 2,213,764 | 1,978,243 | **2,011,755** |
| Value of share options granted during the year | N/A | N/A | **N/A** |
| Value of performance shares granted during the year | 733,990 | 421,200 | **538,240** |
| **Total** | 2,947,754 | 2,399,443 | **2,549,995** |

## • Dominique D'Hinnin

| Summary of remuneration and benefits | | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | 2011 | | **2012** | |
| | Amounts receivable | Amounts received | Amounts receivable | Amounts received | **Amounts receivable** | **Amounts received** |
| **"Lagardère"** | | | | | | |
| Fixed salary | 885,992 | 885,992 | 1,206,000 | 1,206,000 | **1,206,000** | **1,206,000** |
| Variable portion of salary | 722,000 | 627,200(1) | 580,000 | 722,000 | **564,800** | **580,000** |
| Special bonuses | 320,000 | 320,000 | - | - | **-** | **-** |
| Attendance fees | 7,125 | 7,125 | 7,000 | 7,600 | **7,600** | **7,600** |
| Benefits in kind | 5,677 | 5,677 | 6,022 | 6,022 | **8,013** | **8,013** |
| **Total** | 1,940,794 | 1,845,994 | 1,799,022 | 1,941,622 | **1,786,413** | **1,801,613** |
| | | | | | | |
| **"EADS"** | | | | | | |
| Fixed salary | 120,000 | 120,000 | 120,000 | 120,000 | **120,000** | **120,000** |
| Variable portion of salary | - | - | - | - | **-** | **-** |
| Attendance fees | 60,000 | 60,000 | 45,000 | 45,000 | **55,000** | **55,000** |
| **Total** | 180,000 | 180,000 | 165,000 | 165,000 | **175,000** | **175,000** |
| **Overall total** | 2,120,794 | 2,025,994 | 1,964,022 | 2,106,622 | **1,961,413** | **1,976,613** |

*(1) Amounts paid for the previous year. Since the variable portion of salary can only be calculated after the year-end, it is paid during the following year.*

| Rights to performance shares granted in 2012 | | | | | | |
|---|---|---|---|---|---|---|
| **Date of AGM authorisation** | **Date of plan** | **Number of shares awarded in 2012** | **Value under IFRS 2** | **Vesting date** | **End of lock-up period** | **Performance conditions** |
| 28 April 2009 | 25 May 2012 | 32,000 | 538,240 | 1 April 2015 | 1 April 2017 | (1) |

*(1) Based on changes in recurring operating profit before associates of the Media segment for 2013 and 2014 and net cash from operating activities for 2013 and 2014.*

The shares granted under this plan are subject to a number of vesting conditions described in the Special Report of the Managing Partners presented in section 7.3.5.

- Share options granted during the year: none.
- Share options exercised during the year: none.
- Performance shares granted during the year: 32,000
- Performance shares that vested during the year: none.

| Total remuneration and benefits received and share options and performance shares granted | | | |
|---|---|---|---|
| | 2010 | 2011 | **2012** |
| Remuneration and benefits receivable for the year (details in previous table) | 2,120,794 | 1,964,022 | **1,961,413** |
| Value of share options granted during the year | N/A | N/A | **N/A** |
| Value of performance shares granted during the year | 733,990 | 421,200 | **538,240** |
| **Total** | 2,854,784 | 2,385,222 | **2,499,653** |

### • Thierry Funck-Brentano

| Summary of remuneration and benefits | | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | 2011 | | **2012** | |
| | Amounts receivable | Amounts received | Amounts receivable | Amounts received | **Amounts receivable** | **Amounts received** |
| Fixed salary | 900,000 | 900,000 | 1,206,000 | 1,206,000 | **1,206,000** | **1,206,000** |
| Variable portion of salary | 791,750 | 600,400[(1)] | 578,500 | 791,750 | **601,800** | **578,500** |
| Special bonuses | 306,000 | 306,000 | - | - | **-** | **-** |
| Attendance fees | - | - | - | - | **-** | **-** |
| Benefits in kind | 7,892 | 7,892 | 8,576 | 8,576 | **10,628** | **10,628** |
| **Total** | 2,005,642 | 1,814,292 | 1,793,076 | 2,006,326 | **1,818,428** | **1,795,128** |

*(1) Amounts paid for the previous year. Since the variable portion of salary can only be calculated after the year-end, it is paid during the following year.*

| Rights to performance shares granted in 2012 | | | | | | |
|---|---|---|---|---|---|---|
| **Date of AGM authorisation** | **Date of plan** | **Number of shares awarded in 2012** | **Value under IFRS 2** | **Vesting date** | **End of lock-up period** | **Performance conditions** |
| 28 April 2009 | 25 May 2012 | 32,000 | 538,240 | 1 April 2015 | 1 April 2017 | (1) |

*(1) Based on changes in recurring operating profit before associates of the Media segment for 2013 and 2014 and net cash from operating activities for 2013 and 2014.*

The shares granted under this plan are subject to a number of vesting conditions described in the Special Report of the Managing Partners presented in section 7.3.5.

- Share options granted during the year: none.
- Share options exercised during the year: none.
- Performance shares granted during the year: 32,000
- Performance shares that vested during the year: none.

| Total remuneration and benefits received and share options and performance shares granted | | | |
|---|---|---|---|
| | 2010 | 2011 | **2012** |
| Remuneration and benefits receivable for the year (details in previous table) | 2,005,642 | 1,793,076 | **1,818,428** |
| Value of share options granted during the year | N/A | N/A | **N/A** |
| Value of performance shares granted during the year | 733,990 | 421,200 | **538,240** |
| **Total** | 2,739,632 | 2,214,276 | **2,356,668** |

## • Share 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 French partnership limited by shares<br>Grant date = date of decision by the Managing Partners to set up the plan | | | | | |
| Total number of shares under option[1] | 1,271,740[*] | 1,313,639[*] | 1,453,451[*] | 1,586,519[*] | 1,683,844 | 1,844,700 |
| of which shares available for subscription or purchase by Managing Partners and members of the Supervisory Board[1] | | | | | | |
| Arnaud Lagardère | 50,560 | 50,554 | 0 | 0 | 0 | 0 |
| Pierre Leroy | 30,336 | 30,333 | 40,444 | 40,447 | 50,000 | 50,000 |
| Philippe Camus | 20,224 | 20,222 | 30,333 | 30,336 | 50,000 | 50,000 |
| Dominique D'Hinnin | 30,336 | 30,333 | 40,444 | 40,447 | 50,000 | 50,000 |
| Thierry Funck Brentano | 30,336 | 30,333 | 40,444 | 40,447 | 50,000 | 50,000 |
| Start of exercise period | 19/12/2003 | 19/12/2004 | 18/12/2005 | 20/11/2006 | 21/11/2007 | 14/12/2008 |
| Option expiry date | 19/12/2008 | 19/12/2009 | 18/12/2013 | 20/11/2014 | 21/11/2015 | 14/12/2016 |
| Subscription or purchase price | €46.48[*] | €51.45[*] | €51.45[*] | €51.92[*] | €56.97 | €55.84 |
| Number of shares acquired at 28 March 2013 | 30,336[2] | - | - | - | - | - |
| Total number of share options cancelled or forfeited: | | | | | | |
| Arnaud Lagardère | 50,560 | 50,554 | - | - | - | - |
| Pierre Leroy | | 30,333 | - | - | - | - |
| Philippe Camus | 20,224 | 20,222 | 30,333 | 30,336 | 50,000 | 50,000 |
| Dominique D'Hinnin | 30,336 | 30,333 | - | - | - | - |
| Thierry Funck Brentano | 30,336 | 30,333 | - | - | - | - |
| Share options[1] outstanding at end-2012: | | | | | | |
| Arnaud Lagardère | 0 | 0 | - | - | - | - |
| Pierre Leroy | 0 | 0 | 40,444 | 40,447 | 50,000 | 50,000 |
| Philippe Camus | 0 | 0 | 0 | 0 | 0 | 0 |
| Dominique D'Hinnin | 0 | 0 | 40,444 | 40,447 | 50,000 | 50,000 |
| Thierry Funck Brentano | 0 | 0 | 40,444 | 40,447 | 50,000 | 50,000 |

*(1) Share purchase plans only.*
*(2) Exercised by Pierre Leroy on 20 December 2005.*
*(*) After adjustment on 6 July 2005.*

No options have been exercised under the 2003, 2004, 2005 and 2006 plans in view of Lagardère SCA share price trends.

## • Other information

| Managing Partners and members of the Supervisory Board | Employment contract[1] | | Supplementary pension plan | | Indemnities or benefits payable or likely to be payable due to a termination or change of function | | Indemnities payable under a non-competition clause | |
|---|---|---|---|---|---|---|---|---|
| | Yes | No | Yes | No | Yes | No | Yes | No |
| Arnaud Lagardère<br>Position: Managing Partner<br>Date of appointment<br>End of term of office<br>*Renewed on 11 March 2009 for a period of six years* | | X | X | | | X | | X |
| Pierre Leroy<br>Position:[a]<br>Date of appointment:<br>End of term of office: | N.A.[1] | | X | | | X | | X |
| Philippe Camus (until 30 June 2012)<br>Position:[a]<br>Date of appointment:<br>End of term of office: | N.A.[1] | | X | | | X | | X |
| Dominique D'Hinnin<br>Position:[b]<br>Date of appointment:<br>End of term of office: | N.A.[1] | | X | | | X | | X |
| Thierry Funck-Brentano<br>Position:[b]<br>Date of appointment:<br>End of term of office: | N.A.[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) 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, Chief Executive Officer of companies with a Board of Directors, Chairman of the Management Board, Chief Executive Officer of companies with a Management Board and Supervisory Board, and Managing Partner of French partnerships limited by shares (SCA).*

## 7.3.2 SUPERVISORY BOARD

### 7.3.2.1 REMUNERATION

At the Ordinary and Extraordinary General Meeting of 10 May 2011, the Company's shareholders raised the aggregate amount of annual attendance fees payable to Supervisory Board members from €600,000 to €700,000.

Each member of the Supervisory Board receives a basic portion of attendance fees. The following members also receive an additional portion of attendance fees corresponding to a multiple of the basic portion: members of the Audit committee (twice the basic portion), members of the Appointments and Remuneration Committee (one basic portion) and the Chairman of the Supervisory Board and the Committee Chairmen (one basic portion).

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.

In addition, half of the amount of the attendance fees paid is based on actual attendance rates at Supervisory Board and Committee meetings.

Attendance fees paid to members of the Supervisory Board were as follows in 2011, 2012 and 2013 (in euros):

| | 2011 for 2010 | 2012 for 2011 | **2013 for 2012** |
|---|---|---|---|
| Nathalie Andrieux | - | - | 30,050.51 |
| Antoine Arnault | - | - | 13,257.58 |
| Bernard Arnault | 10,762.76 | 10,000 | 2,651.52 |
| René Carron | 4,791.88 | - | - |
| Martine Chêne | 18,166.73 | 18,000 | 21,212.12 |
| Georges Chodron de Courcel | 34,071.71 | 38,000 | 42,424,24 |
| Xavier de Sarrau | 64,835.57(1) | 100,000(1) | 106,060.61(1) |
| François David | 90,904.98 | 93,333.33 | 102,525.25 |
| Pierre Lescure | 32,426.09 | 36,000 | 39,772.73 |
| Raymond H. Lévy | 68,483.01 | 60,000 | 19,444.44 |
| Jean-Claude Magendie | 10,008.86 | 20,000 | 18,560.61 |
| Christian Marbach | 56,600.06 | 60,000 | 19,444.44 |
| Bernard Mirat | 56,600.06 | 30,000 | - |
| Hélène Molinari | - | - | 15,909.09 |
| Javier Monzón | 14,464.75(1) | 20,000(1) | 21,212.12(1) |
| Amélie Oudéa-Castera | 56,600.06 | 56,666.67 | 60,101.01 |
| Didier Pineau-Valencienne | 53,473.59 | 54,666.67 | 63,636.36 |
| François Roussely | 16,315.74 | 18,000 | 21,212.12 |
| Susan M. Tolson | - | 8,000(1) | 18,560.61(1) |
| Patrick Valroff | 11,494.15 | 40,000 | 63,636.36 |
| **Total attendance fees paid** | **573,569.21** | **662,666.67** | **679,671.72** |

*(1) Less withholding tax.*

Raymond Levy received €73,467.80 in retirement benefits for 2012, as provided for in his original employment contract.

Following the recommendation by the Appointments and Remuneration Committee, the Supervisory Board proposed that the Managing Partners should arrange for Xavier 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 set at €240,000 per year with effect from 27 April 2010 when Xavier de Sarrau became Chairman of the Board.

### 7.3.2.2 SHARE OPTIONS

None.

### 7.3.2.3 FREE SHARE AWARDS

None.

## 7.3.3 TRANSACTIONS IN LAGARDÈRE SCA SHARES BY THE MANAGING PARTNERS AND MEMBERS OF THE SUPERVISORY BOARD AND THEIR RELATIVES DURING 2012

### 7.3.3.1 MANAGING PARTNERS

#### *ARNAUD LAGARDÈRE*

Arnaud Lagardère sold 420,714 shares under a trading mandate between 12 March and 20 March 2012.

#### *PHILIPPE CAMUS*

Philippe Camus sold 10,000 shares on 18 December 2012.

#### *PIERRE LEROY*

A total of 21,155 of the 25,000 free shares awarded to Pierre Leroy under the 2009 free share plan vested on 2 April 2012.

### 7.3.3.2 MEMBERS OF THE SUPERVISORY BOARD

#### *NATHALIE ANDRIEUX*

Nathalie Andrieux purchased 150 Lagardère SCA shares on 10 April 2012.

#### *ANTOINE ARNAULT*

Antoine Arnault purchased 150 Lagardère SCA shares on 4 April 2012, 1,000 Lagardère SCA shares on 29 March 2012, and sold 1,000 Lagardère SCA shares on 14 November 2012.

#### *HÉLÈNE MOLINARI*

Hélène Molinari purchased 150 Lagardère SCA shares on 20 April 2012.

***

To the best of the Company's knowledge, no other transactions in the Company's shares were carried out in 2012 by any Managing Partner or Supervisory Board member or any parties related to them.

## 7.3.4 OPTIONS TO SUBSCRIBE FOR OR PURCHASE SHARES OF LAGARDÈRE SCA OR ITS SUBSIDIARIES AWARDED TO EMPLOYEES

### SPECIAL REPORT OF THE MANAGING PARTNERS ON SHARE OPTIONS

Dear Shareholders,

Pursuant to the provisions of article L. 225-184 of the French Commercial Code (*Code de commerce*), please find below the required information related to transactions in share options carried out in 2012.

#### *GENERAL INFORMATION*

#### 1. LAGARDÈRE SCA

During 2012, no new options to subscribe for or purchase Lagardère SCA shares were awarded.

The main characteristics of the share option plans in force as of end-2012 are summarised in the table below.

| Plan | Number of beneficiaries | Number of options originally granted(*) | Exercise price (in euros) | Options exercised at end-2012 | Options forfeited at end-2012 | Options outstanding at end-2012 | Period of exercise |
|---|---|---|---|---|---|---|---|
| **Subscription options:** | | | | | | | |
| None | | | | | | | |
| **Purchase options:** | | | | | | | |
| Plans in force: | | | | | | | |
| 18 Dec. 2003 | 445 | 1,437,250 | €51.45 | 42,522 | 244,123 | 1,166,806 | 18 Dec. 2005 to 18 Dec. 2013 |
| 20 Nov. 2004 | 481 | 1,568,750 | €51.92 | 10,660 | 278,443 | 1,297,416 | 20 Nov. 2006 to 20 Nov. 2014 |
| 21 Nov. 2005 | 495 | 1,683,844 | €56.97 | - | 255,605 | 1,428,239 | 21 Nov. 2007 to 21 Nov. 2015 |
| 14 Dec. 2006 | 451 | 1,844,700 | €55.84 | - | 209,600 | 1,635,100 | 14 Dec. 2008 to 14 Dec. 2016 |
| **Total** | | | | | **987,771** | **5,527,561** | |

*(*) Before the adjustments of 6 July 2005 for the 2003 and 2004 plans.*

It should be noted that no options were exercised during 2012 due to share price levels, which ranged between €20 and €25.

### 2. SUBSIDIARIES

In the course of 2012, no new share options were granted by companies under the majority control of Lagardère SCA.

There are no longer any plans in force, or which expired in 2012, within the Company's subsidiaries.

### *SPECIFIC INFORMATION ON MANAGING PARTNERS, MEMBERS OF THE SUPERVISORY BOARD AND EMPLOYEES*

In 2012, Lagardère SCA's Managing Partners, members of the Supervisory Board and their legal representatives did not exercise any purchase options and consequently did not acquire any Lagardère SCA shares under the share purchase options granted to them in fiscal years 2002 to 2006.

**The Managing Partners**

## 7.3.5 FREE SHARES OF LAGARDÈRE SCA OR ITS SUBSIDIARIES AWARDED TO EMPLOYEES

### SPECIAL REPORT OF THE MANAGING PARTNERS ON FREE SHARE AWARDS

Dear Shareholders,

Pursuant to article L. 225-197-4 of the French Commercial Code (*Code de commerce*), please find below the required information on the free shares awarded during 2012.

***

The policy on the award of free shares is intended primarily to give the Lagardère group's executives worldwide a stake in the Group's growth and consequent rise in value, in the same way as the policy on the award of share purchase options.

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 secure its continued growth as part of an established long-term strategy.

**1.** The first free share award plan, implemented on 28 December 2007 and involving 594,350 shares awarded to 387 individuals, included a 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 award, this condition was not met; accordingly the plan lapsed on 29 December 2009.

Several other plans were implemented between 2009 and 2012.

Under the 2009 plan, 21,155 shares vested in 2012 for one of the senior managers of the Company, which were created as part of a share capital increase through capitalisation of reserves.

Under the 2010 plan, 384,050 shares vested in 2012 for employees residing in France, and 1,500 shares vested for the inheritors of an employee residing outside of France. These shares were issued as part of a share capital increase through capitalisation of reserves.

No shares have vested under the 2011 and 2012 plans.

The main characteristics of these plans at 31 December 2012 are summarised in the table below:

| Date of the plan | Total number of rights awarded | Total number of rights eliminated | Total number of shares vested | Number of outstanding rights |
|---|---|---|---|---|
| 1 October and 31 December 2009 | 571,525 | 15,040 | 424,405 | 132,080 |
| 17 December 2010 | 634,950 | 32,700 | 386,050 | 216,200 |
| 15 July and 29 December 2011 | 650,000 | 28,300 | - | 621,700 |
| 25 June 2012 | 645,800 | 6,000 | - | 639,800 |
| **Total** | **2,502,275** | **82,040** | **810,455** | **1,609,780** |

**2.** In 2012, based on the authorisation given by the General Meeting of 28 April 2009 (14th resolution), Arnaud Lagardère, in his capacity as Managing Partner of the Company, awarded 645,800 free Lagardère SCA shares (representing 0.492% of the total number of shares comprising the share capital) to 427 employees and senior managers of Lagardère SCA and companies related to it within the meaning of legal provisions.

**a.** The characteristics of the main award of 25 June 2012 are as follows:

- Number of beneficiaries: 424 persons.
- Number of shares awarded: 549,800 shares, (representing 0.417% of the total number of shares comprising the share capital).
- Vesting period: two years; the shares awarded will not fully vest until 26 June 2014, on the condition that at that date the beneficiaries have neither resigned nor been terminated or dismissed for serious or gross negligence.
- Holding period: two years; once fully vested, the shares must be kept in a registered account until 26 June 2016 inclusive, at which time they will become transferable and may be traded under the terms and conditions established by applicable legal provisions.

For beneficiaries who reside overseas for tax purposes, the vesting period has been set at four years, i.e., until 26 June 2016; in exchange, pursuant to a decision by the General Meeting, these beneficiaries are not subject to any holding period.

The value of the shares awarded was €19.71 per share at the opening of trading on the Paris stock exchange on 25 June 2012. In accordance with IFRS, this same value was €16.98 per share for the shares vesting in 2014, and €14.35 per share for the shares vesting in 2016.

**b.** On 25 June 2012, Arnaud Lagardère, in his capacity as Managing Partner, awarded to Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano, employees of Lagardère Capital & Management and Co-Managing Partners, the right to receive 32,000 free shares each (representing 0.0244% of the number of shares comprising the share capital). The award followed a decision taken by the Supervisory Board in accordance with the provisions of the AFEP-MEDEF Code governing such awards, and was subject to the condition that the value of the share rights awarded would not exceed, for each individual concerned, one third of his total annual remuneration.

The characteristics of this award and the conditions to which it is subject are as follows:

- Vesting period: the shares awarded will not fully vest until 1 April 2015 subject to the fulfilment by that date of the following performance and presence conditions.
- Performance conditions: 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 given the diversity of its activities. Consequently, three objectives were adopted: the first based on the change in recurring operating profit before associates for Lagardère Media companies in 2013 and 2014 by comparison with the target 2013 and 2014 recurring operating profit before associates communicated as market guidance; the second based on the change in net cash from operating activities in 2013 and 2014 compared with the figures defined in the Consolidated Annual Budgets prepared at the start of the year. If each of these objectives is met, the free shares assigned to each objective (i.e., one quarter of the total quantity per objective) will be awarded in full; if between 0% and 100% of the objective is met, the free shares will be awarded in proportion to the percentage of the objective that is fulfilled, in linear fashion.

  Lastly, the third objective is based on achievement in 2014 by Lagardère SCA of a recurring operating profit before associates for Lagardère Media companies at least equal to the average recurring operating profit achieved in 2012 and in 2013. If this objective is not achieved, then the number of shares resulting from application of the three objectives described above will be reduced proportionately.
- Presence conditions: in order for the shares to fully vest, Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano, must still be serving as executives of Lagardère SCA on 1 April 2015; this condition will be deemed met in the event of their removal from their executive position or non-re-appointment for reasons other than negligence.
- Holding of shares:
  - All of the fully vested shares must be held in a registered account for a period of no less than two years, i.e., from 1 April 2015 to 1 April 2017.
  - pursuant to a decision by the Supervisory Board on 12 March 2008, 25% of the fully vested shares 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 fully vested shares must be held in a registered account until the value of the Lagardère SCA shares held is at least equal to one year of the beneficiary's fixed and variable gross remuneration; this condition will be assessed at the start of each year in light of the average December share price and the fixed and variable remuneration received or payable in respect of the preceding year.

At the close of the mandatory holding 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 trading periods established by Lagardère SCA in the "Charter on trading in Lagardère SCA shares by Group employees".

The value of the rights to shares awarded was €19.71 per share at the opening of trading on the Paris stock exchange on 25 June 2012. In accordance with IFRS, this same value was €16.82 for the shares that will vest in April 2015.

***

The total number of free shares awarded during 2012 to the ten largest beneficiaries who are not Managing Partners or members of the Supervisory Board of Lagardère SCA was 129,000 free Lagardère SCA shares, representing an average of 12,900 rights per person.

**The Managing Partners**

# 7.4 ORGANISATION, OPERATION AND CONTROL OF THE COMPANY AND THE GROUP

AFR

## 7.4.1 DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

### 7.4.1.1 CONTROL ENVIRONMENT

#### *7.4.1.1.A GENERAL ORGANISATION OF THE GROUP*

The consolidated financial statements of the Lagardère group included 428 companies in 2012 (the full list of consolidated companies can be found in the notes to the consolidated financial statements).

The Group's operating activities include:

- Media activities: Book Publishing, Distribution and Services, Magazine Publishing, Radio/Television, Audiovisual Production, New Media and business lines related to the Sports business and Entertainment. These operating activities are controlled through Hachette SA (named Lagardère Media for commercial purposes), respectively via the following companies: Hachette Livre, Lagardère Services, Lagardère Active and Lagardère Unlimited;
- other smaller business activities or those with no operating relationship with the Media businesses, which constitute the “Other Activities” segment and are under the control of Lagardère SCA;
- the 7.39% interest in EADS NV, held through a subsidiary itself owned by the French State and the Lagardère group.

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 the level of the Group's parent company and of its divisions.

Lagardère SCA itself has no personnel; almost all of 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. Furthermore, Lagardère Capital & Management employs the members of the Executive Committee under the conditions set out in sections 7.3.1 and 7.5 of this report.

#### *7.4.1.1.B THE GROUP'S MANAGEMENT BODIES*

##### B.1 THE MANAGING PARTNERS

The General Management of the Company is the responsibility of the Managing Partners, who are appointed by the general partners after approval of the Supervisory Board. The Managing Partners represent the Company in its relations with third parties and engage its responsibility. The Managing Partners are responsible for:

- drawing up the strategy of the Group;
- guiding development and control;
- taking the major management decisions required for this and ensuring those decisions are implemented both at the level of the parent company and in the various divisions.

##### B.2 GOVERNING, MANAGING AND SUPERVISORY BODIES OF THE DIVISIONS

Operating activities are conducted by legally independent companies grouped together in the following business divisions: Lagardère Publishing, Lagardère Services, Lagardère Active and Lagardère Unlimited.

Each division has its own organisation, which has been set up by its Manager under the Managing Partners' control; the various companies and resources in the division are functionally grouped together under a specific holding company: Hachette Livre for the Lagardère Publishing division, Lagardère Services for the Distribution division, etc.

Each division Manager is responsible for the general management of the holding company.

Thus, all the members of these holding companies' governing, managing and supervisory bodies are appointed by Lagardère SCA through its subsidiary Lagardère Media as the sole shareholder of the said companies.

The division senior managers and their subsidiaries exercise their responsibilities under the control of their governance or supervisory bodies. The Group takes care to ensure that the majority of members of those governance and supervisory bodies are Group representatives.

#### *7.4.1.1.C* INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORK, RESPONSIBILITIES, OBJECTIVES AND SCOPE

##### C.1 INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORK AND ACTIVITIES

The Group applies the Internal Control and Risk Management Framework recommended by the French financial markets authority (*Autorité des marchés financiers* – 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 points for attention described in the framework and the associated implementation guidelines.

This description has been prepared by the Risk and Internal Control Department, with the support of the Group's Audit Department and Legal Department.

##### C.2 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 its assets;
- reliability of financial information;

and in general to contribute to the control of its businesses, 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.

#### C.3 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 framework in place at EADS NV is described in the 2012 EADS NV Registration Document. Canal+ France is covered by the Vivendi Group internal control framework, which is described in Vivendi Group's 2012 Annual Report.

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 DEFINITION OF RESPONSIBILITIES AND POWERS

The role of the Group's main strategic management bodies is described in section 7.4.1.1. In order to fulfil its responsibilities, the Managing Partners rely on various committees and the Group's Corporate Departments.

### *7.4.1.2.A MAIN MANAGEMENT COMMITTEES AND MONITORING ACTIVITY*

#### A.1 THE EXECUTIVE COMMITTEE AND LAGARDÈRE MEDIA'S OPERATING COMMITTEE

The Executive Committee brings together the Managing Partners and the Group's spokesperson on a regular basis. It enlists the help of any of the Group's senior managers it considers to be of use to accomplish its mission.

Lagardère Media's Operating Committee is made up of the members of the Executive Committee as well as, in particular, the division senior managers, and it meets every month.

Business reviews are conducted each month for each division to monitor activity within the divisions. The General and Managing Partner, the Group's Chief Financial Officer (a Managing Partner) as well as the manager of each division and the divisions' CFOs generally take part in these reviews.

#### A.2 THE FINANCIAL COMMITTEE

After the Executive Committee, the Financial Committee is the most important entity for the monitoring and control of the Group's operating activities.

The Financial Committee is chaired by the Group's Chief Financial Officer who is a Managing Partner and includes representatives from the Group's Corporate Departments concerned by the topic discussed in order to provide 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 division concerned:

- the budget for the coming year and the three-year plan;
- the annual financial statements;
- any significant investments (or disposals) and commitments made, e.g., through the acquisition of shareholdings in non-Group companies.

#### A.3 OTHER COMMITTEES

Among the other committees, the Reporting Committee, also chaired by the Group's Chief Financial Officer, conducts a monthly review with all the divisions' 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 division on a monthly basis, and in order to take any necessary corrective action.

The Financial Risk Committee also prepares, under the responsibility of the Group's Chief Financial Officer, a monthly analysis of cash flows and balances for each division, 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.

### *7.4.1.2.B THE GROUP'S CORPORATE DEPARTMENTS*

The Secretary General, the Chief Financial Officer and the Chief Human Relations, Communications and Sustainable Development Officer, all three Managing Partners and members of the Executive Committee are responsible for organising and guiding the Group's Corporate Departments necessary for the implementation, monitoring and follow-up of decisions taken by the Managing Partners.

The Group's Corporate Departments, their teams and the corresponding material resources are primarily grouped together within a single company, Lagardère Ressources, a wholly-owned subsidiary of Lagardère SCA. This company is chaired by the Group Secretary General. It employs almost 160 people who report respectively depending on their duties, to the Managing Partners mentioned in the paragraph above, with the exception of the Group Audit Department which reports directly to Arnaud Lagardère as General and Managing Partner.

As the tasks entrusted to these Corporate Departments 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 0.9% of net sales (or gross margin for Lagardère Services).

The Corporate Departments perform the following duties delegated by the Managing Partners:

- providing expert technical and logistical support to the Managing Partners and the Executive Committee within the scope of their strategic management of the Group;
- establishing standards and recommending best practices for the entire Group to strengthen control of its operations;
- organising reporting to ensure the Group's financial management and monitor the operations of the divisions;
- ensuring that Lagardère SCA complies with its regulatory requirements;
- making divisions aware of certain regulatory issues and offering them relevant technical and methodological support;
- offering the branches support regarding technical issues or special operations;
- since March 2011, as expressly delegated by the General and Managing Partner acting in his capacity as Chairman of Lagardère Unlimited's Management Committee, the management of the Human Resources, Legal and IT Departments is handled by the corresponding Corporate Departments.

Some of the Corporate Departments are more specifically involved in the implementation of internal control and risk management within the Group, mainly the following departments: the Group Audit Department, the Group Legal Department, and in the Finance Department, the Management Control Department, the Accounting Department, the Group IT Department and the Risk and Internal Control Department.

### 7.4.1.3 HUMAN RESOURCES POLICY AND SKILLS MANAGEMENT

The Lagardère group's performance depends directly on the skills of its employees and the suitability of resources. The Group's divisions 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 section 5.3 – Corporate Social Responsibility and corporate citizenship – Ethics.

The Group strengthened its skills management initiatives in 2012. In the fourth quarter of 2012, the Human Resources Department recruited new members for the team that is in charge of managing talent within the Group. A Talent Management Policy was set out and shared throughout the Group at end-2012.

### 7.4.1.4 APPLICABLE LAWS AND STANDARDS

The Group's business is governed by a certain number of laws and specific regulations, as set out in section 3.3.1.

As explained in section 5.3.1.2 – The Corporate Social Responsibility reference framework, the Lagardère group endeavours to respect a certain number of rules established by national and international bodies regarding business enterprises.

Internally, Lagardère has drawn up a Sustainable Development charter which, through its purchasing policy, seeks to involve all partners in respect of the Group's values and commitments.

The "Lagardère Group Code of Conduct", updated in 2012, sets out a collection of guidelines at Group level, deriving directly from the values of Lagardère and providing a set of shared standards for all Lagardère employees.

The Charter on trading in Lagardère SCA shares by Group employees, which complements the section of the Lagardère Group Code of Conduct on "confidentiality" and "trading in marketable securities", describes the constraints incumbent on Group employees in such matters.

The information system security policy sets out the practices to be complied with and the resources to be implemented to protect the information systems throughout the Group.

The "commitment procedure", which follows on from the "investment procedure", was updated in 2012 to better take into account the Group's activities and define certain best practices. It sets out the process and criteria for validating projects involving significant investments, disposals and commitments within the Lagardère group.

The Group wanted to strengthen its anti-fraud processes by rolling out a policy in 2012 to improve the prevention, detection and processing of cases of fraud.

Where necessary, these charters and principles can be adapted to the specificities of the Group's divisions. Internal and external principles specific to the Group's businesses are also applied.

The self-assessment internal control questionnaire described in section 7.4.1.10.B provides the entire Group 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.

The persons involved in the Group's financial reporting process must adhere to a set of reference standards defining the common principles for preparing the consolidated financial statements and monitoring forecasts. In particular, the Lagardère Group Reporting Manual, which is currently being updated, includes guidelines for consolidation procedures, and a set of definitions of the main indicators used in the consolidated reporting package. User and operator guides for the management system used throughout the Group are available and provide 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 included in the notes to the financial statements and the applicable treatment;
- specific instructions issued when changes occur in accounting standards or their application such as when annual impairment tests are being prepared for intangible assets and goodwill arising upon acquisitions.

The divisions 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 Department.

### 7.4.1.5 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 divisions are responsible for managing their own information systems. However, there are also Group applications, such as the single management system presented below in section 7.4.1.6.G – Financial reporting.

The IT Department supervises these systems and ensures they are in line with the Group's objectives in the long term. It works in liaison with the Risk and Internal Control Department on the management of IT risks in the light of objectives regarding reliability and continuity of operation, legal and regulatory compliance, and data confidentiality.

#### *7.4.1.5.A SINGE MANAGEMENT SYSTEM FOR CONSOLIDATED FINANCIAL AND ACCOUNTING INFORMATION*

As explained in section 7.4.1.6.G – Financial reporting, below, the overall consolidated financial reporting cycle is based on common principles and uses a single database and management system shared by all teams in the finance departments in charge of reporting the information required, whether specific to management indicators or intended for publication.

#### *7.4.1.5.B RELIABILITY OF DATA ENTRY*

The single management system includes blocking controls which help prevent incidents and anomalies, and improve the reliability of data entry.

### 7.4.1.6 PROCEDURES, METHODS, TOOLS AND PRACTICES

#### *7.4.1.6.A COMMITMENTS, INVESTMENTS AND DIVESTMENTS*

The Group's commitment procedure applies to:

- financial investments or divestments;
- acquisitions and disposals of significant property, plant and equipment or intangible assets;

- significant financial commitments (particularly off-balance sheet commitments and contractual obligations);
- guarantees issued;
- any financing operations (loans or advances to third parties).

Limits have been set based on the type of operation. 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 criteria defined by the Group's Finance Department.

This procedure does not apply to cash management or to capital increases by consolidated and/or controlled companies through incorporation of current account advances.

### 7.4.1.6.B FINANCE AND CASH MANAGEMENT

The Treasury and Financing Department has a procedure to define the circumstances in which it uses banks for external financing or cash management services.

#### B.1 EXTERNAL FINANCING

As a general rule, only Lagardère SCA uses medium- or long-term bank or market financing, and finances the divisions itself. Apart from the financing of normal business operations, the divisions retain responsibility for some previously-negotiated transactions, or specific operations such as securitisation; however, these operations require advance authorisation and are reported to the Group's Finance Department on a regular basis.

#### B.2 CASH MANAGEMENT

Cash investments must be in fixed-income instruments issued by high-quality entities, with maturities appropriate to the planned duration of the investments. Speculative or high-risk investments are not permitted.

#### B.3 HEDGING POLICY AND MARKET RISK MONITORING

The hedging policy and market risk monitoring is described in note 29 and section 29.1.

The Group's General Management and the divisions' financial managers regularly adjust the hedging policy and the corresponding control system in the light of the resulting priorities.

### 7.4.1.6.C PURCHASING, SALES AND SALES ADMINISTRATION

The practices and procedures for purchasing and sales are defined by the Group's divisions under the responsibility of their managers, in compliance with the Group's shared principles, particularly regarding the segregation of duties.

The Purchasing and Real Estate Department is part of the Group's Finance Department and manages the Group's policy concerning these two areas.

### 7.4.1.6.D COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

#### D.1 COMPLIANCE WITH THE MAIN LAWS AND REGULATIONS APPLICABLE TO LAGARDÈRE SCA

The Group Legal Department, which reports to the Group Secretary General, is responsible for ensuring compliance with the main laws and regulations applicable to Lagardère SCA.

In particular, this department examines mergers and acquisitions (partnerships, acquisitions, disposals, internal restructurings, etc.) that are significant for Lagardère SCA, and supervises Lagardère SCA's financing operations and off-balance sheet commitments.

The Group Legal Department also ensures that all regulations that may concern Lagardère SCA as the ultimate holding company of the Group (antitrust laws, competition law, etc.) are properly applied.

It is involved in all legal aspects of the business of Lagardère SCA and the companies at the head of each business division. In this capacity, it monitors the application of stock exchange regulations since Lagardère SCA is listed on Euronext Paris Compartment 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 Legal Department, to record corporate information on features of each of the Group's French and foreign entities.

In order to strengthen the implementation of a compliance procedure within the Group, in 2012 the Managing Partners conducted an analysis to redefine the areas of compliance that apply to the Group's businesses, the method for developing programmes and how to roll these programmes out. The procedure was also established to redefine the principles of organisation specifically for compliance both at the level of Lagardère SCA and the divisions.

#### D.2 COMPLIANCE WITH THE MAIN LAWS AND REGULATIONS APPLICABLE TO THE DIVISIONS

The Group Legal Department is informed of all procedures introduced in each 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 their external advisors.

Within the scope of the compliance analysis mentioned above, the Managing Partners made it a priority to prepare a pilot anti-corruption programme to be rolled out within the division Lagardère Unlimited. This programme is ready and will be implemented in 2013 – first in the Europe/Africa region and then in the US and Asia regions of the division.

### 7.4.1.6.E PROTECTION OF THE GROUP'S PROPERTY AND RIGHTS

#### E.1 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 divisions own a large number of undeniably well-known brands, which are directly managed and protected by the units.

As the Lagardère brand is being used through the Group's activities, and due to the resulting exposure, Lagardère SCA is careful about protecting the Lagardère brand and regularly extends international protection to cover areas where the Group is currently in development or expanding.

Protection for the Lagardère brand is established in all the continents.

Furthermore, Lagardère SCA implemented licensing agreements for use of its brands by the four divisions when necessary.

#### E.2 LITIGATION MANAGEMENT

The Group Legal Department manages all litigation involving Lagardère SCA, and any litigation involving the divisions when the potential consequences in financial terms or in terms of 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.

#### 7.4.1.6.F SECURITY OF INFORMATION SYSTEMS

The Group's IT Department updates and distributes an information system security policy within the Group proposing guidelines, practices and resources to be implemented within each entity to protect the information systems and the data they contain. The operating entities are responsible for rolling out this policy locally.

#### 7.4.1.6.G FINANCIAL REPORTING

##### G.1 THE REPORTING SYSTEM: FREQUENCY AND TIMING

The Lagardère group's reporting system is structured by divisions. It is decentralised, hence each division 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 by function as well as management indicators specific to each business type.

The overall reporting cycle is based on common principles and uses a single database and management system shared by all teams in the finance departments in charge of reporting the information required, whether specific to management indicators or intended for publication.

This unified organisation of the cycle relies on the finance departments of each Operating Unit, and the Group's Finance Department. Under the supervision of the latter, 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.

##### G.2 PREPARATION OF BUDGETS

During the final quarter of the calendar year, all 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 (loss) before finance costs and tax;
- net finance costs;
- profit (loss) for the year;
- cash flows from operations;
- free cash flow;
- total cash from (used in) operating and investing activities;
- capital increases;
- dividends;
- capital employed;
- net debt.

These data are integrated into the single database referred to above, and used in preparing the Group's annual budget and three-year plan.

##### G.3 MONTHLY GROUP REPORTS, INTERNAL REPORTING

Each Group company's finance department enters data from its own monthly accounts into the Group's financial database.

For each entity, these data include a balance sheet, an income statement and a statement of cash flows 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 Department and submitted to the Managing Partners and Group's principal managers. This document lists the changes in the following key indicators for each division, with comments for each division:

- sales;
- operating profit (loss) before associates;
- income (loss) from associates and other information;
- net finance costs;
- income tax expense;
- net income (loss) before discontinued operations and minority interests;
- cash flows from operations before changes in working capital;
- changes in working capital;
- income taxes paid, interest paid and received;
- net purchases of property, plant and equipment and intangible assets;
- free cash flow;
- net cash from financing activities;
- total cash from (used in) operating and investing activities;
- change in cash and cash equivalents or net debt;
- capital employed;
- cash and cash equivalents or net debt.

The Monthly Group Report is presented to the Group's Chief Financial Officer before final distribution.

In the context of the Financial Risk Committee, the Finance Department also prepares a monthly analysis of cash flows and balances for each division, 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.

##### G.4 INTERIM AND ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

Additional information is supplied for the establishment of the interim 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.

##### G.5 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.

### 7.4.1.7 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 on the Group's intranet, which is accessible to all employees.

A set of applications and collaborative software packages are also available through the Group's intranet, so that information can be appropriately communicated to everyone according to their needs, both in Corporate Departments and divisions.

## 7.4.1.8 RISK MANAGEMENT PROCEDURES

Like any company, Lagardère is exposed to a variety of risks in the course of its business activities. The principal exposures identified are described in Chapter 3 – Risk factors. The Group pays particular attention to risk management, by the business division as well as at central level, where summary reports are prepared.

### *7.4.1.8.A ORGANISATION OF RISK MANAGEMENT*

#### A.1 BASIC PRINCIPLES

The Group accepts exposure to a controlled level of business risk in the course of its business activities.

Risk management procedures 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 procedures 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 procedures cannot guarantee that all risks the Group may encounter in the future have been correctly analysed or even identified.

#### A.2 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 risks that can only be assessed at Group level or that 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 Corporate Departments play a support, monitoring and coordination role in this respect.

Within the Finance Department, the Risk and Internal Control Department is in charge of proposing and managing the risk management policy. Working closely with the other Corporate Departments and the divisions, the Risk and Internal Control Department provides methodological support and advice, particularly for the identification, analysis and quantification of risks, and also when financial or insurance coverage is set up. It is responsible for preparing a report summarising 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.

### *7.4.1.8.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 7.4.1.6.G – Financial reporting, particularly impairment tests and monitoring of off-balance sheet commitments;
- risk intelligence activities by the various Corporate Departments and divisions;
- the commitment 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, such as the investigation of risks in IT systems and networks.

Lagardère SCA and its divisions implement a 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.

### *7.4.1.8.C MANAGEMENT PROCEDURES FOR THE PRINCIPAL RISKS*

#### C.1 RISKS ASSOCIATED WITH THE ECONOMIC ENVIRONMENT AND BUSINESS ACTIVITY

The management of risks related to economic and business activity forms an integral part of the Group's decision-making process.

Among other duties, General Management of each division is responsible for monitoring risks related to the economic climate, air traffic and the worldwide advertising markets, technological developments such as the expansion of digital products and tools, and changes in consumer behaviour.

The Group has a strategic plan for each division, primarily covering the risks referred to above.

In addition, 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.

#### C.2 LEGAL RISKS

The management procedures for legal risks are an integral part of the relevant internal control procedures as described in section 7.4.1.6.

#### C.3 MARKET RISKS (LIQUIDITY, INTEREST RATE, EXCHANGE RATE AND EQUITY RISK)

The following description is taken from note 29 to the consolidated financial statements:

“The Group has implemented a policy aimed at reducing market risks by applying authorisation and internal control procedures and by using risk management tools to identify and quantify these risks. Derivatives are used exclusively for non-speculative hedging transactions.”

Regarding 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 entities with high quality credit ratings, with maturities appropriate to the planned duration of the investment. The vehicles used for the Group’s cash investments are always non-speculative and risk-free.

There are no derivatives related to these investments."

### C.4 RISKS RELATED TO PAPER PRICES

Lagardère pays particular attention to changes in paper prices: Lagardère Publishing's paper purchases are supervised by its Technical Department, and Lagardère Active's paper purchases are supervised by its Magazine Publishing Department.

The risk of unfavourable developments in paper prices can be alleviated by the inclusion of price smoothing clauses in purchasing contracts whenever it is possible to negotiate such clauses on acceptable economic terms.

### C.5 CREDIT AND COUNTERPARTY RISKS

The following description is taken from note 29.2 to the consolidated financial statements:

“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, measures are taken to progressively introduce monitoring procedures that are appropriate for the types of credit risk faced by the entity concerned.

The Group has set up periodic reporting on counterparty risks to monitor its overall risk exposure to its principal counterparties, the variations in accumulated receivables, and the level of related provisions, and to oversee the measures put in place for managing this type of risk. [...]

The Cash Management and Financing Department is responsible for ensuring that the financial institutions with which the Group does business are of good quality.”

### C.6 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.

#### C.6.1 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 each business line.

In view of the industrial past of certain Lagardère sites, the Group remains vigilant in relation to any environmental damage that may come to light.

#### C.6.2 Assessment of impacts

Due to the limited nature of the Group’s exposure to industrial and environmental risks, costs related to the assessment, prevention and remediation of those risks are included in the relevant investment and expense items and are not separately valued.

### C.7 OTHER OPERATIONAL RISKS

The Group's divisions put in place specific anti-fraud processes for their businesses, organisation and IT systems. In order to bolster existing procedures and processes, in 2012, Lagardère SCA organised an awareness programme for the Group's employees and rolled out a policy to improve the prevention, detection and processing of cases of fraud.

As mentioned in section 7.4.1.6.F, the Group's IT Department updates and distributes an information system security policy that the operating entities are responsible for rolling out locally.

In addition, the Group's IT Department, together with the Risk and Internal Control Department, carry out recurrent internal-assessment surveys for IT system and network security. A survey was conducted in 2012, on the following areas:

- assessment of risk exposure;
- assessment and remediation of risks;
- organisation of data security;
- information security policy;
- management of assets, property and equipment;
- security as regards human resources;
- physical and environmental security;
- operation and security of information systems;
- control of access;
- acquisition, development and maintenance;
- management of incidents;
- legal and regulatory compliance.

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. The entities also receive recommendations based on the results of the surveys.

The Group is also continuing to extend its secure communication network, both in France and abroad.

### C.8 INSURANCE POLICIES – RISK COVERAGE

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 damage, business interruptions and liability. Depending on the type of risk, coverage consists of permanent policies and temporary or specific policies.

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 Department is in charge of overseeing use of insurance in the Group, and plays a coordination and advisory role in this respect.

## 7.4.1.9 CONTROL ACTIVITIES

Control activities are designed to ensure that the necessary measures are in place to control the risks that may have an impact on achieving objectives.

### *7.4.1.9.A CONTROL BY DIVISIONS OF THEIR OPERATIONAL PROCESSES*

The divisions implement their own internal control systems to cover their day-to-day activities. These systems are made up of a combination of resources and take various forms depending on the organisation of the division as well as the business lines, the size of the division, its geographic location and the regulatory constraints of its operating entities.

Most of these control activities are described in the self-assessment questionnaire common to the entire Group listed in section 7.4.1.10.B and cover the following areas:

| Cycle | Process |
|---|---|
| **Purchasing** | Purchasing |
| **Finance** | Customer accounts |
| | Tax |
| | Supplier accounts |
| | General accounting |
| | Investments |
| | Cash |
| | Assets |
| **Risk management** | Risk management |
| | Insurance management |
| **Legal** | Legal |
| | Legal secretary |
| **Human resources** | Expense claims |
| | Payroll |
| | Human resource management |
| | Personnel administration |
| **Information systems** | Information systems |
| **Sales** | Distribution |
| | Sales management |

### 7.4.1.9.B CONTROL BY THE CORPORATE DEPARTMENTS OF PROCESSING CARRIED OUT WITHIN THE GROUP

#### B.1 THE GROUP'S FINANCIAL MANAGEMENT

The consolidated financial statements are drawn up at the end of each month (except for January and July), which allows the Corporate Department responsible for consolidation to regularly review the financial information reported by the divisions.

The Group's Chief Financial Officer monitors the divisions' and the Group's cash flow position each month, with the assistance of a number of the Corporate Departments. When these positions are monitored, the ratios that pertain to the Lagardère group and the banks involved in cash management are also monitored.

The Group's Chief Financial Officer reviews the divisions' and the Group's counterparty risks every two months, with the assistance of a number of the Corporate Departments. This review provides details, by division and at Group level, of the counterparty risks relating particularly to customers, the investment portfolio and hedging instruments.

At year-end the Financial Committee, described in section 7.4.1.2.A.2, also validates the annual budget and the three-year plan proposed by each of the divisions. Each month the Reporting Committee, described in section 7.4.1.2.A.3, is responsible for verifying that the budget is adhered to by each of the divisions.

Finally, as stipulated in the Group's investment procedure, the Financial Committee reviews any significant investments, divestments and commitments.

#### B.2 MONITORING LEGAL AFFAIRS

The Group Legal Department is informed by the divisions of exceptional transactions planned, including:

- planned acquisitions and disposals, which are reported under the procedure described in section 7.4.1.4. The Legal Department 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.

Within the scope of the Group's legal reporting, the Group Legal Department also requires the divisions to provide, whenever necessary and in real time, the information and documents relating to the following topics:

- relations with national or supranational administrative bodies;
- control of activities (in terms of organisation of the division as regards legal and regulatory compliance);
- exceptional transactions;
- disputes representing an annual financial impact of more than €5 million or involving a risk for the Group's image;
- non-competition commitments;
- change of control clauses;
- use of the “Lagardère”, “Hachette” and “Matra” brands;
- investments;
- fraud/corruption.

#### B.3 OTHER AREAS

The Corporate Departments have also put in place exchanges with the divisions allowing them to receive information about the processes carried out within the Group, particularly as regards information systems, sustainable development, human resources management, risk management and internal control. These exchanges generally take place with the General Management of each division and in certain cases the operating entities of the divisions. The exchanges involve implementing policies and reporting process, and are based on a network of correspondents who liaise with the operating entities.

### 7.4.1.10 PERMANENT MONITORING OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The Lagardère group continuously strengthens the monitoring of its internal control and risk management systems.

#### 7.4.1.10.A PERMANENT MONITORING OF THE RISK MANAGEMENT SYSTEM

As mentioned in section 7.4.1.8.A.2, the Risk and Internal Control Department proposes and manages the Lagardère group's risk management policy.

As part of its work, the Risk and Internal Control Department is responsible for preparing a report summarising the Group's risks, monitoring and alerting the Managing Partners and the divisions, and analysing the Group's cross-business risks. More specifically:

- The Risk and Internal Control Department provides methodological support and advice, particularly for the identification, analysis and quantification of risks, and also when financial or insurance coverage is set up.
- The Department provides support to the Managing Partners by analysing the Group's cross-business or specific risks. It is involved when there are significant financing activities, and it handles specific assignments.
- It is involved, as necessary, in helping implement control measures for specific risks identified within the Group.
- The Department is responsible for establishing risk mapping for each division, particularly by defining a shared methodology. It pursued this risk mapping in 2012. The Risk and Internal Control Department monitors the main risks identified and puts in place related control measures.

The Risk and Internal Control Department is also responsible for an insurance programme for members of the Supervisory Board and the Group's entities. Every year, it prepares a consolidated overview of the insurance programmes rolled out within the Group and plays a support role for the Group's entities as regards the management of their own insurance programmes (i.e., taken out in their own name). Certain entities also call on the Risk and Internal Control Department to manage all or part of their insurance programme.

In order to fulfil its responsibilities, the Risk and Internal Control Department collaborates with the Corporate Departments and a network of correspondents within the divisions, particularly the divisions' Chief Financial Officer.

#### 7.4.1.10.B PERMANENT MONITORING OF THE INTERNAL CONTROL SYSTEM

The Risk and Internal Control Department is responsible for managing the Group's internal control system. To accomplish this mission, the Department has a dedicated Internal Control Manager since 2011. This Manager has a correspondent in each division, the Internal Control Manager, who is responsible for managing the internal control system within his/her division. The Internal Control Manager of each division reports to a member of his/her division's Management, most often the Chief Financial Officer. This organisation makes it possible to provide stronger and more efficient monitoring of the internal control system throughout the Group.

As explained in section 7.4.1.9 – Control activities, an internal self-assessment procedure is implemented every year for internal control within Lagardère SCA's main entities/subsidiaries. This procedure is managed by the Internal Control Managers and consolidated by the Risk and Internal Control Department. It helps the continuous improvement process for the control and efficiency of processing within the Lagardère group's entities.

The methodology is based on defining a Group reference framework (shared with all the divisions) consisting of seven financial processes, ten operational processes and two risk management processes covered by 209 points of control. Two divisions have also added questionnaires specific to their businesses.

The self-assessment aims to identify the applicability, efficient implementation and traceability of each of these points of control, and to establish a stronger formal definition of internal control procedures and ensure their adoption by all operational managers. The Internal Control Managers analyse the results of the self-assessment for their respective divisions, and a report is presented to the Managing Partners and the Audit Committee for the entire Group. This information is used by operational management in their quality assessment of the internal control procedures that they oversee, and for the implementation of improvement plans. It is included in the scope of audits carried out by the Group's Audit Department.

Each division senior manager also sends a detailed report to the Chairman of the Supervisory Board on risk management and internal control within his/her division. This report includes analysis of the results from the self-assessment questionnaires.

#### 7.4.1.10.C SPECIFIC CASE OF THE PERMANENT MONITORING OF INFORMATION SYSTEMS

##### C.1 SECURITY

As described in section 7.4.1.8.C.7, the Group's IT Department, together with the Risk and Internal Control Department, carries out regular surveys to assess the security of the IT systems and networks, contributing to improve the security of those systems and networks.

Based on this survey, the IT Department makes recommendations to the entities concerned to ensure that the level of security is satisfactory based on the Lagardère group's IT security policy.

##### C.2 CHANGES IN THE SINGLE MANAGEMENT SYSTEM

The single management system described in section 7.4.1.6.G – Financial reporting, and its settings are upgraded to the latest versions as often as necessary. Specific resources (as described in 7.4.1.5) are dedicated to data integrity, availability and confidentiality.

#### 7.4.1.10.D AUDIT OF THE SYSTEMS

The Group's Audit Department, supervised by the Managing Partners, audits the internal control and risk management systems, as well as the related reporting processes, as set out within the Lagardère group. Audits are conducted as part of the annual audit plan or following specific requests from the Managing Partners, the Group's Finance Department or from the division senior managers. The Audit Department's scope of intervention includes all fully-consolidated companies. The audit plan is established on a multi-annual basis and includes:

- coverage of Group entities on a rotating basis;
- taking into account the needs of the Group's and the divisions senior managers;
- audits of the risk management and internal control systems that need to be reviewed based on the risk mapping or analyses performed by the Group's Risk and Internal Control Department;
- audits of cross-functional themes relevant to the divisions and/or their subsidiaries;
- audits related to the internal control self-assessment system.

The Group's Audit Department may also conduct consulting or operational assistance assignments on specific projects at the request of the Managing Partners or the divisions, specific assignments involving reviews of operational and financial risks, audits relating to merger/acquisition projects, or ad hoc audits with entities facing incidents involving fraud. Audit assignments are conducted following a standard process, involving in particular monitoring by the Department of the action plans resulting from its audits.

The mission of the Group's Internal Audit Department, its powers and responsibilities are set out in an internal audit charter. The Group's Audit Department presents to the Audit Committee the annual audit plan, a summary of the work carried out, the resulting conclusions and details of their application, as well as business indicators that make it possible to assess the effectiveness of its work.

The Group's Audit Department uses a recruitment policy in order to maintain its technical skills (e.g., related to computerised audit) and language skills (to be able to work in the languages that are used the most within the Group). The Department helps spread the risk management and internal control culture within the Group through its audits, as well as through professional mobility for its employees.

#### 7.4.1.10.E 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 the 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 material weaknesses in 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.

#### 7.4.1.10.F CHANGES IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The Lagardère group continued to strengthen its internal control and risks management systems in 2012 following on from the actions undertaken since 2010:

- The Group's Audit Department pursued its strategy of strengthening the audit process and establishing the audit plan, particularly by improving coverage of significant entities within the Group and cross-business risk management systems;
- In 2012, in collaboration with the divisions, the Risk and Internal Control Department and the IT Department ensured that the self-assessment questionnaire and the IT security questionnaire were better taken into account;
- Lagardère SCA improved the Group's existing systems by updating and rolling out several concrete policies in terms of engagement, ethics, fighting fraud, human resource management, etc., and by improving existing guidelines used to calculate non-financial indicators related to Corporate Social Responsibility regulations.

## 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 (*Code de commerce*) concerning the membership of the Supervisory Board, the application of the principle of balanced representation of women and men on the Board, the conditions under which the Board's work is prepared and organised and the internal control and risk management procedures applied by the Company.

This report was prepared under the responsibility of the Chairman of the Supervisory Board and with the assistance of the Board Secretary. It was reviewed by the Appointments and Remuneration Committee at its meeting of 19 February 2013 and by the Audit Committee at its meeting of 5 March 2013.

All preparatory work for this report (including interviews with Management) was presented to the Supervisory Board which approved the terms of the report at its meeting of 7 March 2013.

### 1. MEMBERSHIP OF THE SUPERVISORY BOARD

In accordance with the Company's Articles of Association, the Supervisory Board is composed of a maximum of fifteen members. One half of the Board is re-appointed every two years. The Board also decided that members would be appointed for a maximum term of four years.

At 31 December 2012, the Board comprised the following fifteen members: Xavier de Sarrau (Chairman), Nathalie Andrieux, Antoine Arnault, Martine Chêne, Georges Chodron de Courcel, François David, Pierre Lescure, Jean-Claude Magendie, Hélène Molinari, Javier Monzón, Amélie Oudéa-Castéra, Didier Pineau-Valencienne, François Roussely, Susan M. Tolson and Patrick Valroff.

These members (listed in section 7.2.3 of this Reference Document) form a competent, independent and attentive Supervisory Board, fully able to represent shareholders' interests.

In view of its control duties, the Board considers it necessary to have a majority of independent members.

A review of each member of the Supervisory Board's position by the Appointments and Remuneration Committee has concluded that thirteen Supervisory Board members – or more than four fifths of the Board – currently qualify as "independent" directors in the light of the "criteria" for independence contained in the AFEP-MEDEF Code on corporate governance for listed companies, which it has taken as a benchmark framework for analysis. The thirteen members concerned are:

- Xavier de Sarrau;
- Nathalie Andrieux;
- Antoine Arnault;
- Martine Chêne;
- François David;
- Pierre Lescure;
- Jean-Claude Magendie;
- Hélène Molinari;
- Javier Monzón;
- Didier Pineau-Valencienne;
- François Roussely;
- Susan Tolson;
- Patrick Valroff.

However, as regards the independence criteria defined by the Supervisory Board, the following members are considered "non-independent" for the following reasons:

- Georges Chodron de Courcel, Chief Operating Officer of BNP Paribas, a significant bank for the Group;
- Amélie Oudéa-Castéra, wife of the Chairman of Société Générale, a significant bank for the Group. In view of the uncertainty regarding the application of the relevant legal provisions to the situation of Amélie Oudéa-Castéra, the Supervisory Board, through the Appointments and Remuneration Committee, decided to apply a strict interpretation of the criterion set out in the AFEP-MEDEF Code, notwithstanding the fact that it considers her status to be strictly independent.

## 2. 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 Articles of Association, 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 its 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 Annual General 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 the French financial markets authority (*Autorité des marchés financiers* – 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 2013. During 2012, the Supervisory Board met four times with an average attendance rate of 91.5% (see the attendance table below):

- on 8 March, with an attendance rate of 93%, mainly to examine the parent company and consolidated financial statements and the general business position and outlook, undertake preparatory work for the Annual General Meeting, approve the report of the Chairman of the Supervisory Board and finalise his report to the shareholders;
- on 6 June, with an attendance rate of 87%, mainly to examine Group developments, the impact of digitalisation on the Group (study and presentation made by Patrick Valroff on behalf of the Audit Committee), Lagardère Active's strategic view (presentation given by Denis Olivennes and his team) and listen to the conclusions of the external assessment of the operation and work of the Supervisory Board and its committees (presentation given by the firm responsible for the assessment);
- on 5 September, with an attendance rate of 93%, mainly to examine the interim parent company and consolidated financial statements and the business position and outlook, follow up on the conclusions of the assessment of the Board's operation and work – the Board also reviewed the Group's financial comwmunication (presentation given by the Chief Investor Relations Officer);
- on 5 December, with an attendance rate of 93%, mainly to examine the general state of business, listen to presentations on the role of the Supervisory Board in a French partnership limited by shares (*société en commandite par actions* – SCA) (presentation given by Jean-Claude Magendie), the review of the Group's policy on succession planning and talent management (Audit Committee's study and presentation entrusted to François David) and of the value of the Group's assets compared to the share price (Dominique D'Hinnin).

  Following the Supervisory Board meeting, the members met without the Managing Partners in attendance.

• Members' attendance at Supervisory Board and Committee meetings in 2012

| Member of the Board | Attendance rate at Supervisory Board meetings | Attendance rate at Audit Committee meetings | Attendance rate at Appointments and Remuneration Committee meetings |
|---|---|---|---|
| Nathalie Andrieux | 100% | 100% | |
| Antoine Arnault | 66.6% | | |
| Bernard Arnault | 0% | | |
| Martine Chêne | 100% | | |
| Georges Chodron de Courcel | 100% | | 100% |
| François David | 100% | 83.3% | 100% |
| Raymond H. Lévy | 100% | 100% | |
| Pierre Lescure | 75% | | 100% |
| Jean-Claude Magendie | 75% | | |
| Christian Marbach | 100% | 100% | |
| Hélène Molinari | 100% | | |
| Javier Monzón | 100% | | |
| Amélie Oudéa-Castéra | 100% | 83.3% | |
| Didier Pineau-Valencienne | 100% | 100% | |
| François Roussely | 100% | | |
| Xavier de Sarrau | 100% | 100% | |
| Susan M. Tolson | 75% | | |
| Patrick Valroff | 100% | 100% | |

## 3. SUPERVISORY BOARD COMMITTEES

### 3.1 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 consistency of the accounting methods used for the Lagardère SCA parent company and consolidated financial statements, and to monitor the process for preparing 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 General Meeting;
- to ensure that the Company has internal control and risk management procedures, particularly procedures for (i) preparation 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 and risk management procedures;
- 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 achievements;
- 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 related-party agreement, is monitored regularly. 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 (positions held in general or financial management or in an audit firm), academic background or specific knowledge of the Company's business. The expert knowledge of the members of the Audit Committee is described in section 7.2.3 of this Reference Document.

At 31 December 2012, the Audit Committee comprised Xavier de Sarrau (Chairman), Nathalie Andrieux, François David, Amélie Oudéa-Castéra, Didier Pineau-Valencienne and Patrick Valroff, more than two thirds of whom are independent members (see section 1 of this report).

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.

In addition, Audit Committee members reserve the right to interview the Statutory Auditors without Management in attendance.

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 2012, in February, March, May, August, October and November.

All meetings were attended by all Committee members, except for the meetings of May and November when the attendance rate was 80% and 83.3% respectively.

The February meeting involved a review of the impairment tests on intangible assets for the purposes of the financial statements for the year ended 31 December 2011.

The March meeting was held to examine the consolidated financial statements for 2011, and for the presentation and examination of the Chairman's draft report on internal control and risk management.

In May, the Committee focused on the internal audit activity and reviewed remuneration of the Statutory Auditors. The Group's internal control self-assessment system was presented by the Risk and Internal Control Department. Lastly, the Committee reviewed the state of relations with Lagardère Capital & Management.

The purpose of the August Audit Committee meeting was to examine the consolidated financial statements for the first half of 2012. The conclusions of the follow-up assessment of the risk, internal control and internal audit functions, conducted by an external specialist, were also presented at the meeting.

In October, the Committee was given an update on Group human capital and skills management, and succession planning by a Committee member, as well as a presentation by the Group Legal Department on the main litigation and claims involving the Group.

At the last meeting of the year in November, the Committee reviewed internal audit activities during the second half of 2012 and the audit plan for 2013. It was also given a presentation on the Group's financial valuation and its quantified strategic priorities.

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 Deputy Chief Financial Officer, the Central Accountancy Director, the Director of Risk and Internal Control and the Group's Legal Director.

When the Audit Committee reviewed the financial statements, the Chief Financial Officer gave a presentation of the Group's risk exposure and significant off-balance sheet commitments.

### 3.2 APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee was formed on 27 April 2010 by the Supervisory Board and its main tasks, in application of its internal rules, 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 interest 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 related-party 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 share options and free share awards and the proportion they represent of the Managing Partners' total remuneration.
  - to propose the overall amount of attendance fees to be paid to members of the Supervisory Board and Committees as submitted to the Annual General Meeting, and the rules for determining and distributing the amount of attendance fees, in particular based on members' attendance 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 performed by the Appointments and Remuneration Committee.

At 31 December 2012, the Appointments and Remuneration Committee comprised François David (Chairman), Georges Chodron de Courcel and Pierre Lescure, two thirds of whom are independent members (see section 1 of this report).

In 2012, the Committee met twice in January and February and all members were present at both meetings.

During its meeting in January, the Committee analysed the composition of the Board and Committees, and the independence of members and reviewed the re-appointment and replacement of members whose terms of office were expiring. The Committee considered the objectives of diversifying the Board, in terms of business-specific skills and expertise but also parity between men and women as set by the Copé-Zimmerman law and included in the AFEP-MEDEF Code. The Committee reviewed the background of a preliminary selection of candidates proposed by an independent recruitment agency. Finally, the Committee conducted its annual assessment of the terms and conditions for free share awards to Managing Partners.

During its meeting in February, the Committee approved a list of candidates to be proposed to the Supervisory Board.

These meetings took place in the presence of the Chairman of the Supervisory Board and the Group's Secretary General.

## 4. EVALUATION OF THE MEMBERSHIP AND OPERATION OF THE SUPERVISORY 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, and in accordance with the recommendations of the AFEP-MEDEF Code, the Supervisory Board decided in 2009 to introduce an assessment procedure of the membership, organisation and operation of the Board and its committees in order to assess the preparation and quality of their work.

Consequently, the Supervisory Board carried out self-assessments in 2010 and 2011. In 2012, an external agency was tasked with the assessment which focused on Board members' answers to a questionnaire, individual interviews with members, a documented analysis as well as an informative benchmark that compares the Company's governance with a qualified sample of SCAs, benchmark family-owned businesses or same-sector companies.

The conclusions of this assessment were presented at the Supervisory Board's meeting of 6 June 2012.

The areas for improvement gathered from this assessment were then examined by a working group of Board members with particular skills in governance. The working group issued various proposals that were adopted by the Supervisory Board during its meeting on 5 September 2012.

These proposals included:

- implementing a procedure for integrating new Board members and senior managers in order to quickly provide them with information on the Group (operations, business lines, strategy, etc.). This procedure is also offered to all current Board members;
- apart from formal Board and Committee meetings, opening up meetings of the Chairman of the Board with the Managing Partners to members of the Board;
- as regards committees, better communication to the Supervisory Board of the work completed by the committees;
- implementing an annual meeting of Supervisory Board members without the Managing Partners in attendance;

- more systematic delivery of documents upstream from the Board and outside of Board meetings, e.g., analysts' reports on Lagardère SCA.

## 5. COMPLIANCE WITH FRENCH CORPORATE GOVERNANCE REGULATIONS – AFEP-MEDEF

The Company has applied the corporate governance principles brought together in the AFEP-MEDEF Code of Corporate Governance for Listed Companies (*Code de gouvernement d'entreprise des sociétés cotées*) revised in April 2010. This Code is available in 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 an executive board and supervisory board, and partnerships limited by shares, must make the necessary adjustments. By its very principle, a partnership limited by shares has a 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 Articles of Association as a partnership limited by 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.

| **Provisions of the AFEP-MEDEF Code set aside or partially applied** | **Explanation** |
|---|---|
| **Independence criteria** | |
| "Not to be an employee or executive director of the corporation, or an employee or director of its parent or a company that it consolidates, and not having been in such a position for the previous five years" | It is deemed that Martine 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. |
| "Not to have been a director of the corporation for more than 12 years" | It is deemed that the fact of having been a Board member for more than 12 years does not disqualify such member as an independent member; on the contrary, it is considered an asset in a control role. |

## 6. SPECIFIC RULES FOR ATTENDANCE AT GENERAL MEETINGS BY SHAREHOLDERS

These rules are set out in the Articles of Association (articles 19 to 22), and included for the most part in Chapter 8, section 8.2.6 – General Meetings, of the Reference Document. The Company's Articles of Association can be consulted on its website (Investor relations – Corporate governance – Articles of Association).

## 7. 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 Department, supported by the Audit and Legal Departments, has been given responsibility for defining a method for presenting internal control and risk management procedures in the Reference Document and monitoring their application.

This includes asking the head of each 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 Department, 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 2012 Reference Document.

The internal control and risk management procedures in existence at EADS NV 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 (*CODE DE COMMERCE*), 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 S.C.A. and in accordance with article L. 226-10-1 of the French Commercial Code (*code de commerce*), we hereby report on the report prepared by the Chairman of your company pursuant to this article for the year ended 31 December 2012.

It is the Chairman's responsibility to prepare and submit for the Supervisory Board's approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by article L. 226-10-1 of the French Commercial Code (*code de commerce*) relating to matters such as corporate governance.

Our role is to:

- report on any matters as to 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 the accounting and financial information,

- confirm that the report also includes the other information required by article L. 226-10-1 of the French Commercial Code (*code de commerce*). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

#### Information on internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards 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 the 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 the 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 the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with article L.226-10-1 of the French Commercial Code (*code de commerce*).

#### Other information

We confirm that the report prepared by the Chairman of the Supervisory Board also contains the other information required by article L. 226-10-1 of the French Commercial Code (*code de commerce*).

French language original signed at Paris La Défense and Courbevoie, on 29 March 2013

**By the statutory auditors**

| | |
|---|---|
| Mazars | Ernst & Young et Autres |
| Bruno Balaire | Jeanne Boillet |

## 7.5 TRANSACTIONS WITH RELATED PARTIES (MANAGING PARTNERS AND MEMBERS OF THE SUPERVISORY BOARD)

AFR

### 7.5.1 TRANSACTIONS WITH LAGARDÈRE CAPITAL & MANAGEMENT (LC&M)

Lagardère Capital & Management (LC&M), controlled and chaired by Arnaud Lagardère and with 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 financial and global power of a Group with net sales of €7.4 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 accomplish its mission, LC&M employs the principal senior managers forming the Group's Executive Committee. The role of the Executive Committee is to assist the Managing Partners in their duties, i.e., to determine the Group's strategy and lead its development, and to take the resulting necessary management decisions and implement them globally at parent company level and in the Group's different business activities. LC&M bears the entire cost of senior managers' salaries and the related overheads as well as the fees billed by any French and/or international consultants that they may work with.

LC&M's mission is carried out within the framework of its agreement with Lagardère Ressources (formerly Matra Hachette Général), which is responsible for managing all of the Group's corporate resources. 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 LC&M 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. These expenses are examined each fiscal year by the Audit Committee which issues an opinion on their changes and developments. After examination by the Audit Committee, this remuneration package was approved by the Supervisory Board on 12 March 2004.

***

As a result, in 2012, LC&M invoiced €22.7 million to the Group, versus €22.1 million in 2011. Total payroll costs recognised by LC&M amounted to €19.1 million. This figure corresponds to €10.1 million for gross salaries, not including payroll taxes and the pension provision (€6.3 million). After deducting other expenses (support costs reimbursed to the Group for €1.9 million and fees and miscellaneous expenses for €0.8 million), this left operating profit after tax from the above agreement of €0.7 million.

## 7.5.2 AGREEMENTS ENTERED INTO WITH MEMBERS OF THE SUPERVISORY BOARD

None – See section 7.2.4.2.

# 8

# OTHER INFORMATION ON THE COMPANY



Items appearing in the Annual Financial Report are cross-referenced with the following symbol AFR

# 8.1 SHARE CAPITAL

AFR

## 8.1.1 AMOUNT AND CHANGES IN THE SHARE CAPITAL

### 8.1.1.1 AMOUNT

On 31 December 2012, 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 |
|---|---|---|---|---|---|---|
| **2007** | Reduction of share capital<br>Exercise of options | (8,561,474)<br>3,529 | (52,224,991)<br>21,526 | (437,478,371)<br>198,368 | 818,191,517<br>818,213,044 | 134,129,757<br>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 |
| **2011** | Award of free shares to employees | 403,250 | 2,459,825 | - | 802,372,869.60 | 131,536,536 |
| | Reduction of share capital by cancelling shares | 403,250 | 2,459,825 | - | 799,913,044 | 131,133,286 |
| **2012** | Award of free shares to employees | 407,205 | 2,483,950.5 | - | 802,258,799.60 | 131,540,491 |
| | Reduction of share capital by cancelling shares | 407,205 | 2,483,950.5 | - | 799,913,044.60 | 131,133,286 |

As shown in the above table, all changes in the share capital over the last six years result from shares awarded to employees and the share capital reduction by cancellation of treasury shares.

## 8.1.2 TREASURY SHARES

### 8.1.2.1 AMOUNTS

At 31 December 2012, the Company directly held 3,274,993 of its own shares (par value: €6.10), representing 2.50% of the total share capital at that date. The total cost of these shares was €130,733,307.69.

Based on the average weighted market price of Lagardère SCA's shares in December 2012 (€24.84 per share) a provision of €49,375,586.84 was recorded, reducing the total carrying amount of treasury shares directly held by the Company to €81,357,720.85.

### 8.1.2.2 SHARE BUYBACK PROGRAMMES: SHARES ACQUIRED, SOLD, TRANSFERRED OR CANCELLED

#### *A) TRANSACTIONS CARRIED OUT IN 2012*

Due to the economic and financial environment, buyback transactions carried out by the Company in 2012 under the authorisations granted by the Annual General Meetings of 10 May 2011 and 3 May 2012 only fulfilled two of the following four major objectives: awarding of shares to beneficiaries of share purchase option plans or free share plans, reducing the share capital, acquiring shares for the purpose of being kept and subsequently tendered in exchange or payment for acquisitions, and promoting 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 2011, the Company:

- acquired 745,772 shares for a total price of €15,933,942.00 or an average per-share price of €21.37;
- sold 836,272 shares for a total price of €17,446,017.81 or an average per-share price of €20.86.

**2. Partial reallocation for other uses**

The following reallocation was made: 407,205 shares acquired for the purpose of being kept and subsequently tendered in exchange were reallocated to reducing the share capital.

**3. Reduction of share capital**

The Company cancelled 407,205 shares in 2012.

### B) POSITION AT 31 DECEMBER 2012

At the end of 2012, the 3,274,993 shares directly held by the Company representing 2.50% of the share capital were allocated as follows:

- 3,113,678 shares to be awarded to employees in the future, representing 2.37% of the share capital;
- 151,815 shares for the purpose of being kept and subsequently tendered in exchange or payment for acquisitions, representing 0.12% of the share capital;
- 9,500 shares for promoting liquidity of the market for Lagardère SCA's shares, representing 0.007% of the share capital.

Lagardère also held rights to purchase 2,574,552 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 share purchase option plans awarded between 2003 and 2006.

| 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 Dec. 2013 |
| **2004** | 1,360,420 | 51.92 | 20 Nov. 2014 |

### C) TRANSACTIONS CARRIED OUT UNDER THE AUTHORISATION GRANTED BY THE ANNUAL GENERAL MEETING OF 3 MAY 2012

The General Meeting of shareholders of 3 May 2012 renewed the authorisation granted to the Managing Partners by the Annual General Meeting of 10 May 2011 to purchase Lagardère SCA shares representing up to 10% of the share capital, for a maximum amount of €400 million, and at a maximum per-share purchase price of €40, mainly for the following purposes:

- to award free shares to employees;
- to keep the shares for subsequent exchange or payment in consideration for acquisitions and other external growth transactions;
- to promote 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 (*Autorité des marchés financiers – AMF*);
- to reduce 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 15 May 2012.

This authorisation was granted for an 18-month period starting on 3 May 2012.

Under this authorisation, between 3 May 2012 and 28 February 2013, the Company purchased 644,432 shares for a total price of €14,242,693.47 and sold 709,432 shares for a total price of €15,635,329.08 on the market, under the liquidity contract referred to above.

The Company cancelled 386,050 shares as indicated above.

***

The Annual General Meeting of 3 May 2013 will be asked to renew this authorisation.

## 8.1.3 OTHER SECURITIES AND RIGHTS GIVING ACCESS TO THE COMPANY'S SHARE CAPITAL

### 8.1.3.1 SECURITIES

None of the existing securities give or potentially give immediate or future access to the Company's share capital.

### 8.1.3.2 SHARE SUBSCRIPTION OPTIONS

At 31 December 2012, 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 AWARDS

The shares due to be remitted to employees between 2013 and 2016 as a result of free share awards made in 2009, 2010, 2011 and 2012 will be new shares created through a capital increase by capitalising reserves; the maximum number of shares to be created for that purpose would amount to 1,609,780 shares of a par value of €6.10 each, representing a maximum share capital dilution of 1.23% which could be offset by cancelling an equivalent number of treasury shares as was the case in 2011 and 2012.

## 8.1.4 AUTHORISED, UNISSUED SHARE CAPITAL

The Ordinary and Extraordinary General Meeting of 10 May 2011 authorised the Managing Partners, for a period of 26 months:

- to issue, with or without preferential subscription rights, securities giving immediate or future access to the Company's share capital, within the following limits:
  - maximum nominal amount of capital increases which may result from authorised issues, representing 37.5% of the current share capital: ≃ €300 million,
  - maximum authorised amount for debt issuances: €2,500 million;
- to increase the share capital by capitalising reserves or premiums and award free shares to shareholders (or increase the par value of existing shares) within the limit of 37.5% of the current share capital: ≃ €300 million.

The Ordinary and Extraordinary General Meeting of 28 April 2009 authorised the Managing Partners, for a period of 38 months:

- to award free shares or share 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 number of free shares awarded each year to employees and senior managers of the Group cannot be greater than 0.5% of the total number of shares making up the share capital, and the number awarded to each senior manager cannot be greater than 0.025%;
  - the number of share options awarded each year cannot give the right to purchase and/or subscribe for more than 1.5% of the total number of shares making up the existing share capital, and the number awarded to each senior manager cannot exceed 0.075%.

Only the authorisation relating to awards of free shares was used in 2009, 2010, 2011 and 2012.

Concerning securities that do not give access to the Company's capital, it should be noted that the Annual General Meeting of 10 May 2011 renewed the authorisation granted to the Managing Partners to issue, on one or more occasions, bonds and securities other than securities giving 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 2012

Number of shareholders: 82

Number of shares: 12,220,705 or 9.32% 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 2012

These pledges concern 12,190,179 shares held by Lagardère Capital & Management (LC&M), or 9.30% 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 2012: 131,133,286

Number of shares listed on 31 December 2012: 131,133,286

Listed on: NYSE-Euronext Paris – Compartment A

### 8.1.6.2 DIVIDENDS, SHARE PRICES AND TRADING VOLUMES

- **Dividends per share**

| YEAR OF PAYMENT | Number of shares entitled to dividend | Dividend (euros per share) | Tax credit (euros per share) | Gross dividend (euros per share) | Total dividends (in millions of euros) |
|---|---|---|---|---|---|
| **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 |
| **2011** | 126,997,338 | 1.30 | None | 1.30 | 165.10 |
| **2012** | 127,461,743 | 1.30 | None | 1.30 | 165.70 |

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 euros) | Date of high | Low for month (in euros) | Date of low | Closing price (in euros) | Average opening price (in euros) | Average closing price (in euros) | Number of shares traded | Total amount traded (in euros millions) | Number of trading days |
|---|---|---|---|---|---|---|---|---|---|---|
| **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 | 7 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 |
| April | 31.19 | 4 April | 28.50 | 18 April | 29.64 | 29.99 | 29.88 | 8,597,120 | 257.07 | 19 |
| May | 29.97 | 3 May | 27.44 | 25 May | 28.38 | 28.68 | 28.62 | 23,992,334 | 684.66 | 22 |
| June | 29.47 | 8 June | 25.57 | 16 June | 29.13 | 27.33 | 27.26 | 11,840,960 | 324.12 | 22 |
| July | 29.60 | 4 July | 26.65 | 29 July | 27.12 | 28.14 | 28.10 | 8,420,417 | 237.20 | 21 |
| August | 27.53 | 1 Aug. | 20.56 | 9 Aug. | 23.80 | 23.43 | 23.20 | 16,631,109 | 384.96 | 23 |
| September | 22.42 | 1 Sept. | 16.81 | 23 Sept. | 18.51 | 19.14 | 19.02 | 13,871,509 | 271.29 | 22 |
| October | 20.39 | 28 Oct. | 17.03 | 4 Oct. | 19.47 | 19.08 | 19.12 | 7,655,442 | 145.53 | 21 |
| November | 19.95 | 4 Nov. | 16.02 | 25 Nov. | 18.07 | 17.85 | 17.86 | 10,698,854 | 192.29 | 22 |
| December | 20.61 | 30 Dec. | 17.62 | 1 Dec. | 20.40 | 18.80 | 18.86 | 9,483,326 | 178.15 | 21 |
| **2012** | | | | | | | | | | |
| January | 22.69 | 19 Jan. | 20.30 | 2 Jan. | 21.73 | 21.74 | 21.75 | 8,825,043 | 192.31 | 22 |
| February | 23.37 | 7 Feb. | 21.05 | 14 Feb. | 22.48 | 22.00 | 22.00 | 8,845,801 | 186.47 | 21 |
| March | 24.25 | 27 March | 21.65 | 9 March | 23.13 | 23.14 | 23.22 | 11,356,010 | 261.65 | 22 |
| April | 23.35 | 30 April | 20.45 | 23 April | 22.90 | 21.98 | 21.97 | 10,358,397 | 227.19 | 19 |
| May | 23.76 | 7 May | 19.00 | 31 May | 19.15 | 21.31 | 21.17 | 12,083,124 | 261.23 | 22 |
| June | 22.20 | 29 June | 18.48 | 13 June | 21.99 | 19.72 | 19.79 | 10,117,827 | 199.78 | 21 |
| July | 22.88 | 16 July | 20.74 | 26 July | 21.98 | 22.15 | 22.11 | 8,118,541 | 179.63 | 22 |
| August | 23.48 | 17 Aug. | 21.58 | 30 Aug. | 22.34 | 22.60 | 22.62 | 5,874,375 | 132.71 | 23 |
| September | 24.70 | 13 Sept. | 21.25 | 28 Sept. | 21.25 | 22.44 | 22.37 | 8,518,599 | 193.20 | 20 |
| October | 21.87 | 5 Oct. | 20.34 | 15 Oct. | 21.08 | 20.98 | 20.98 | 6,529,748 | 136.98 | 23 |
| November | 23.30 | 30 Nov. | 20.21 | 13 Nov. | 23.14 | 21.60 | 21.69 | 5,610,467 | 122.23 | 22 |
| December | 25.95 | 6 Dec. | 23.15 | 3 Dec. | 25.28 | 24.71 | 24.84 | 9,317,046 | 229.81 | 19 |
| **2013** | | | | | | | | | | |
| January | 27.00 | 29 Jan. | 25.00 | 15 Jan. | 26.63 | 25.79 | 25.90 | 8,550,051 | 221.37 | 22 |
| February | 27.43 | 28 Feb. | 25.70 | 21 Feb. | 27.34 | 26.21 | 26.26 | 6,515,740 | 172.19 | 20 |

*Source: 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.

(1) "Significant investments" are shareholdings above €150 million.

## 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

| | At 31 December 2012 | | | At 31 December 2011 | | | At 31 December 2010 | | |
|---|---|---|---|---|---|---|---|---|---|
| SHAREHOLDERS | 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(*) | 12,190,179 | 9.30 | 14.94 | 12,610,893 | 9.62 | 15.12 | 12,610,893 | 9.62 | 14.01 |
| French institutional investors | 22,017,157 | 16.79 | 17.25 | 24,406,973 | 18.61 | 19.63 | 20,595,221 | 15.71 | 17.54 |
| Non-French institutional investors | 83,866,083 | 63.95 | 57.44 | 77,207,268 | 58.88 | 52.59 | 83,037,247 | 63.32 | 56.33 |
| Private investors | 7,890,270 | 6.02 | 8.29 | 11,184,361 | 8.53 | 10.52 | 9,035,507 | 6.88 | 9.94 |
| Employees and Group Savings Plan investment funds | 1,903,308 | 1.45 | 2.08 | 1,958,593 | 1.49 | 2.14 | 1,755,470 | 1.34 | 2.18 |
| Treasury shares | 3,266,289 | 2.49 | - | 3,765,198 | 2.87 | - | 4,098,948 | 3.13 | - |
| **Total** | **131,133,286** | **100** | **100** | **131,133,286** | **100** | **100** | **131,133,286** | **100** | **100** |

*(*) Arnaud Lagardère, Lagardère SAS and its subsidiary Lagardère Capital & Management.*

Of the 1.45% of capital held by Group employees, 0.42% is held via the Group Savings Plan investment funds or directly under employee profit-sharing and savings schemes required by law.

At 31 December 2012, the share capital was held by 67,602 shareholders and intermediaries directly registered in the Company's register; non-French shareholders, who are not residents in France and are represented by intermediaries registered in the Company's register on their behalf, constitute the majority of the Non-French institutional investors listed in the table above, holding 63.95% of the shares making up the share capital.

### 8.1.8.2 REGULATORY SHAREHOLDING THRESHOLDS CROSSED IN 2012

On 14 March 2012, Qatar Investment Authority (via its subsidiary Qatar Holding LLC) declared that its holding had increased to above the threshold of 10% of the Company's voting rights.

### 8.1.8.3 ACTIONS IN CONCERT WITH OTHER GROUPS

None.

### 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 2012 was 163,156,157.

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 2012 amounted to 166,422,846.

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 Articles of Association, the number of voting rights to be taken into consideration for assessing whether disclosure thresholds have been crossed is the total number of rights to vote at meetings, i.e., 163,156,157 at 31 December 2012.

The percentage of voting rights held by Supervisory Board members was 0.005% (0.004% of the capital).

### 8.1.8.5 PRINCIPAL SHAREHOLDERS

Arnaud Lagardère, personally and via his two companies, Lagardère SAS and LC&M, is the largest permanent shareholder in the Lagardère group with 9.30% of the capital and 14.94% of the rights to vote at meetings. In accordance with the Company's Articles of Association (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, 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 2012, Qatar Investment Authority (via its subsidiary Qatar Holding LLC) held 12.827% of the share capital and 10.309% 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 2013 in Chapter 4, section 4.3.

## 8.2 PRINCIPAL PROVISIONS OF THE COMPANY'S ARTICLES OF ASSOCIATION

AFR

### 8.2.1 CORPORATE PURPOSE

The Company's corporate purpose is, in France and abroad:

- to acquire any form of interests or investments in all types of company or business, whether French or foreign, by any appropriate means;
- to manage any type of transferable security portfolio and to carry out any related spot or forward 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 property transactions related to the above purposes or to any other purpose related thereto which would be likely to promote and develop the Company's business.

### 8.2.2 MANAGING PARTNERS

**1.** The Company is managed by one or more Managing Partners (*Gérants*).

Following the death of Jean-Luc Lagardère on 14 March 2003, the Supervisory Board, at its meeting of 26 March 2003, approved Arco's proposal to appoint Arnaud Lagardère as Managing Partner for a six-year term.

For information:

- The Company is now managed by two Managing Partners: Arnaud Lagardère and the French joint-stock corporation (*société anonyme*) Arjil Commanditée-Arco.
- On 11 March 2009, the Supervisory Board approved the general partners' proposal to renew 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 Articles of Association, approved the following persons as the Company's legal representatives upon proposal of the general partners:
  - Arnaud Lagardère, Chairman and Chief Executive Officer;
  - Philippe Camus, Deputy Chairman and Chief Operating Officer;
  - Pierre Leroy, Deputy Chairman and Chief Operating Officer;
  - Dominique D'Hinnin, Chief Operating Officer;
  - Thierry Funck-Brentano, Chief Operating Officer.
- On 30 June 2012, Philippe Camus left the Lagardère group and stood down from all of his positions, including those he held in Arjil Commanditée-Arco, and as a result his duties as a Managing Partner.

**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 below.

**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 the law or the Articles of Association to the General Meeting of shareholders and the Supervisory Board.

In accordance with the law, each Managing Partner may authorise and grant, in the name of the Company, 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 Managing Partner who is a natural person is 80 years.

**6.** The term of office of a Managing Partner cannot exceed six years but is renewable.

Any Managing Partner wishing to resign must inform the other Managing Partners, the general partners and the Chairman of the Supervisory Board by registered letters with acknowledgement 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 that is also a Managing Partner of the Company changes its own Managing Partner(s), the Chairman of its Board of Directors and/or its Chief Operating Officer(s), it is 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 or Partners who remain 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, under the conditions provided for in paragraph 2 above.

When a sole Managing Partner's office terminates, one or more new Managing Partners are appointed, or the outgoing sole Managing Partner is reappointed, under the conditions provided for in paragraph 2 above. However, pending such appointment, the Company shall be managed by the general partner or partners who may delegate all necessary powers for the management of the Company until the new Managing Partner or Partners have 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 under the conditions provided for 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 among shareholders who are neither general nor Managing Partners.

**2.** The members of the Supervisory Board 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 that is 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 in office may be more than 75 years old. If this proportion is exceeded, the oldest member is 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 the Company's interests require and in any event at least once every six months.

Meetings may be called by the Chairman of the Board or, in his absence, by one of the Deputy Chairmen, or by at least half of the Board members, or by each of the Company's Managing Partners or general partners.

At least half of the members must be present in order for the Board's decisions to be valid.

The decisions are made by a majority vote of the members present or represented. In the event of a tied vote, the Chairman has the casting vote.

In calculating the quorum and majority, Board members attending the meeting via video conferencing or other telecommunications 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 parent company 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 ten days of such notice. Notice 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.

The Supervisory Board may, if it deems it necessary, after having informed the Managing Partners in writing, call an Ordinary or Extraordinary General Meeting of shareholders, in compliance with the legal provisions relating to calling meetings.

The Supervisory Board has, by law, the right to receive from the Managing Partners the same documents as are made available to the Statutory Auditors.

**2.** The appointment or re-appointment of any Managing Partner must be approved by the Supervisory Board. Should Arco be appointed as Managing Partner, the Supervisory Board's approval has to be obtained, not in respect of Arco itself, but in respect of its Chairman and General Managers.

The Supervisory Board has a maximum of 20 days from receiving notice from the general partners in which to grant or refuse its approval 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 Articles of Association, 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 paragraphs, the general partner(s) shall designate a third person. If the Supervisory Board fails to approve the appointment of the said third candidate, the appointment shall be submitted to the shareholders in an Ordinary General Meeting, which may only refuse the candidate by a vote of a two-third majority of the shareholders present or represented.

**3.** If Arco becomes a Managing Partner of the Company, from the date of 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 agreement of the Supervisory Board, which must approve or refuse this proposal 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 Articles of Association, shall be deemed to have resigned from its office as Managing Partner, effective immediately.

**4.** Any transaction for the transfer of Arco shares or the issue of transferable securities by Arco, which might alter its control immediately or in the future, is subject to 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.

Should the transaction take place without the approval of the Supervisory Board, Arco, by virtue of Article 18-5 of the Articles of Association, shall automatically lose its status as general partner, effective immediately.

**5.** The approval of the Supervisory Board required in paragraphs 3 and 4 above shall be 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 shall not be required in the event of a transfer of Arco shares by way of inheritance.

## 8.2.4 GENERAL PARTNERS (ARTICLE 18)

**1.** The general partners (*Associés Commandités*) are:

- Arnaud Lagardère,

  domiciled at 4 rue de Presbourg – 75116 Paris, France
- Arjil Commanditée-Arco,

  A French joint-stock corporation with share capital of €40,000

  having its head office at 4 rue de Presbourg – 75116 Paris, France

  and registered with the Paris Trade and Companies Registry under number: 387 928 393 RCS.

**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 shall not be wound up in the case of the death or incapacity of a natural person who is a general partner, nor in the event of liquidation of a corporate person who is a general partner.

**4.** Any natural person who is a general partner and who is also a Managing Partner ceases to be a general partner, automatically and effective immediately, if he is dismissed as Managing Partner for just cause under the terms of Article 10–6.

**5.** Any corporate entity which is a general partner automatically ceases to be a general partner, effective immediately, in the event that a sale or subscription of shares which is likely to change its control has been carried out in the absence of consent to such a transaction by the Supervisory Board, as provided in article 14-4 of the Articles of Association.

In either case the Articles of Association are automatically amended accordingly. 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 parent company financial statements for 2012 are as follows (in thousands of euros):

### • Balance sheet

| | |
|---|---|
| **Assets** | |
| Accounts receivable | 20,221 |
| Cash and cash equivalents | 2 |
| **Total** | **20,223** |
| | |
| **Liabilities and shareholders' equity** | |
| Total equity | 20,174 |
| Accounts payable | 49 |
| **Total** | **20,223** |

- **INCOME STATEMENT**

| | |
|---|---|
| Operating revenues | 0 |
| Operating expenses | 29 |
| *Operating loss* | *(29)* |
| Financial income | 68 |
| Financial expenses | 0 |
| *Net financial income* | *67* |
| *Net exceptional income* | *0* |
| Income tax expense | 13 |
| **Net profit for the year** | **25** |

### *RIGHTS OF THE GENERAL PARTNERS (ARTICLE 18 B)*

A general partner who is not also a Managing Partners (*commandités non-gérants*) does not participate directly in the management of the Company, except as described in Article 10–6.

General partners exercise all the prerogatives attributed to their status by law and the Articles of Association.

By reason of the unlimited joint and several liabilities they assume, a general partner who is not also a Managing Partner has the right to see all books and documents of the Company and to ask in writing the Managing Partners any questions concerning the management of the Company. The Managing Partners must answer such questions in writing as promptly as possible. In addition, in consideration for their unlimited joint and several liabilities, general partners are entitled to specific remuneration calculated in accordance with the provisions of Article 25.

### *DECISIONS OF THE GENERAL PARTNERS (ARTICLE 18 C)*

**1.** The decisions of the general partner(s) may be made either at 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 vote.

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 sole Managing Partner or by one of the Managing Partners 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 Articles of Association requires:

- a unanimous decision by the general partners;
- a decision by the Extraordinary General Meeting, passed by a two-third majority of the votes of shareholders present or represented, including votes cast by mail.

## 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 the law or under the Articles of Association.

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 of them. If the meeting is called by the Supervisory Board, it is chaired by the Chairman of the Supervisory Board 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 Chairman.

The duties of vote tellers (*scrutateurs*) are performed by the two shareholders having the greatest number of shares, either directly or by way of proxy, and who are present and accept 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 register, ensure that discussions are properly held, settle any differences that may arise in the course of the meeting, count the votes cast and ensure their validity and ensure 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. The 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 General Meeting examines the management report prepared by the Managing Partners, the report of the Supervisory Board and the Statutory Auditors' reports. 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 Articles of Association. In addition, the Annual 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 as being exclusively within the authority of an Extraordinary General Meeting.

With the exception of resolutions concerning the election, resignation or dismissal of Supervisory Board members and the approval of the appointment of a Managing Partner (after the Supervisory Board has exercised its power of veto twice within two months in accordance with section 8.2.3 – Powers of the Supervisory Board), resolutions may only be passed at an Ordinary General Meeting with the unanimous and prior consent of the general partners. This consent must be obtained by the Managing Partners prior to the said Ordinary General Meeting.

Apart from the case expressly provided for in the last paragraph of section 8.2.3, such resolutions are passed by a majority vote of the shareholders present, represented or having voted by mail at this meeting.

### 8.2.6.3 EXTRAORDINARY GENERAL MEETINGS (ARTICLE 21)

Extraordinary General Meetings may validly deliberate on:

- any amendments of the Articles of Association for which approval by an Extraordinary General Meeting is required by law, including, but not limited to, and subject to the provisions of the Articles of Association, the following:
  - an increase or reduction of the Company's share capital,
  - a change in the terms and conditions of share transfers,
  - a change in the composition of Ordinary General Meetings or in the shareholders' voting rights at Ordinary or Extraordinary General Meetings,
  - a change in the purposes of the Company, its duration or its head office, subject to the powers granted to the Managing Partners to transfer the Company's head office pursuant to the Articles of Association,
  - the transformation of the Company into a company having another legal form, such as a French joint-stock corporation or a limited liability company (*société à responsabilité limitée*);
- the winding-up of the Company;
- the merging of the Company;
- and all other matters on which an Extraordinary General Meeting may validly decide in accordance with the 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 agreement of only a majority of the general partners.

The agreement of the general partner(s) must be obtained by the Managing Partners, in advance of the Extraordinary General Meeting.

### 8.2.6.4 ATTENDANCE AND REPRESENTATION AT MEETINGS, PROXIES, DOUBLE VOTING RIGHTS (ARTICLE 19)

Each shareholder has the right to attend General Meetings and to take part in the deliberations, either personally or through a proxy, subject to proof of his identity and providing his name was recorded in the nominative shareholders' account kept by the Company at 00.00 hours, Paris time, on the third working day preceding the meeting.

Subject to inclusion of the relevant decision by the Managing Partners in the public notice of a meeting and the notice of call of meeting sent to shareholders, shareholders may participate in General Meetings by means of video conferencing technology, and vote in these meetings by electronic means of communication. The Managing Partners shall fix the practicalities of this method of attendance and voting after consulting the Supervisory Board. The technologies used must guarantee, as the case may be, a continuous and simultaneous transmission of the deliberations of the meeting, the security of the means used, verification of the identity of those participating and voting and the integrity of the votes cast.

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; or [(1)]
- 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 Chairman of the General Meeting casts a vote in favour of the 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.

If a shareholder decides, after a decision of the Managing Partners taken in accordance with the terms of the second paragraph of this section, either to vote by mail, or to give a proxy to another shareholder, or to send a proxy to the Company without indicating the name of a proxy-holder, by sending the corresponding form by an electronic means of communication, his electronic signature must:

- either take the form of a secure electronic signature as defined by law at that time;
- or result from the use of a reliable identification procedure guaranteeing the connection between the shareholder and the document to which his identity is attached or from any other procedure for identification and/or verification admitted by law at that time.

At each General Meeting, each shareholder has a number of votes equal to the number of shares he owns or represents, as evidenced by the share register on the fifth working day prior to the

(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.

meeting. However, voting rights double those attributed to other shares as a proportion of the share capital they represent – two votes for each share – are attributed to all those shares which are fully paid-up and which have been registered in the name of the same shareholder for at least four years. In addition, shareholders entitled to double voting rights on the date on which the Company was transformed into a French partnership limited by shares (*société en commandite par action – SCA*), retain their double voting rights.

Furthermore, where the Company's share capital is increased by incorporation of reserves, profits or issue premiums, a double voting right is granted, from the date of issue, in respect of registered shares distributed free of charge to the holder of shares which originally carried double voting rights.

Transfer of title to a share results in the loss of the double voting rights. However, transfer as a result of inheritance, the liquidation of commonly-held property between spouses or an *inter vivos* gift to a spouse or to a 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 double voting rights, which may be exercised within the resulting company or companies if the Articles of Association of the said companies recognise such rights.

For pledged shares, the right to vote is exercised by the owner. For shares where beneficial ownership and bare ownership are separated, the right to vote is exercised by the beneficial owner (*usufruitier*) at Ordinary General Meetings, and by 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, an SCA has two categories of partner: general partners and limited partners.

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 tender offer. However, it would not be possible to take control over general partners' meetings, and consequently, no third party could single-handedly amend the Company's Articles of Association.

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 amend the Articles of Association 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.

(1) Powers of the Supervisory Board, paragraph 2 in section 8.2.3 on the appointment or re-appointment of any 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 acknowledgement of receipt, or by any similar means for non-French shareholders, 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 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 AFR

## 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):

### SALE BY LAGARDÈRE ACTIVE OF THE MAJORITY OF ITS INTERNATIONAL MAGAZINE PUBLISHING BUSINESS TO HEARST CORPORATION INC.

Lagardère Active sold its International Magazine Publishing (PMI) business to Hearst Corporation Inc. in the following countries:

- 31 May 2011: United States, Italy, Spain, Japan, the Netherlands, Hong Kong, Mexico, Taiwan, Canada and Germany;
- 3 June 2011: Russia and Ukraine;
- 29 July 2011: United Kingdom;
- 30 November 2011: China (excluding the Marie Claire joint venture);
- 1 February 2012: China (Marie Claire joint venture).

Activities in the Czech Republic were not sold to Hearst Corporation Inc., but to a local partner (for the same price as that offered by Hearst Corporation Inc.) who wished to exercise its pre-emptive right.

All of the activities impacted by the sale prior to 31 December 2011 were deconsolidated in the parent company financial statements and represent an amount of €648 million.

Lagardère granted a licence to Hearst under the Elle brand (for magazines, Internet, mobile, and all digital and audiovisual media), which will not affect merchandising licensing. As a result, Lagardère will receive an annual royalty payment from Hearst, based on Elle net sales generated by Hearst in the countries concerned.

In some countries, Lagardère retained real estate assets in which the PMI business is operated, worth some €40 million.

### SALE OF LAGARDÈRE'S INVESTMENT IN LE MONDE INTERACTIF

On 16 December 2011, Lagardère Active Broadband sold its 34% equity share in Le Monde Interactif to Société Éditrice du Monde, which now fully owns Le Monde Interactif.

This transaction was carried out following Lagardère's sale of its 17.27% equity share in Le Monde SA on 2 November 2010 to the new investors who took control of the Le Monde group through its recapitalisation.

### SALE OF THE RADIO BUSINESS IN RUSSIA

On 23 December 2011, Europa Plus France sold its Radio business in Russia (Europa Media Group and its subsidiaries) and Advertising Sales Brokerage business (Média Plus) to several private Russian investors for US$162 million (€123 million).

### ACQUISITION OF LEGUIDE.COM

On 7 May 2012 Lagardère SCA, acting in the name and on behalf of its Lagardère Active division, made a voluntary contractual tender offer for all of the shares of LeGuide.com, the leading online shopping guide company on the European market. This offer was made in cash for a purchase price of €24 per share.

Following a statement published by the Board of Directors of LeGuide.com, Lagardère Active decided to increase the purchase price of its public contractual offer from €24 to €28.

Further to this offer and the simplified public tender offer from 6 to 19 September 2012 at the same price of €28 per share, Lagardère Active held, at 31 December 2012, 96.42% of the share capital and 96.3% of the voting rights of LeGuide.com for a purchase price of €95,859,937.

The admission of LeGuide.com's shares to trading on the NYSE Euronext stock exchange was maintained.

The acquisition of this leading aggregation platform will enable Lagardère to expand the digital activities portfolio of its Lagardère Active division. It will increase the division's growth prospects in the Digital segment by adding know-how that is specific and complementary to its own activities, particularly in terms of performance-based monetisation[(1)], while remaining true to its positioning in respect of generating audiences and turning them into revenue streams.

### ACQUISITION BY AELIA, A SUBSIDIARY OF LAGARDÈRE SERVICES, OF ADR RETAIL, THE DUTY FREE CONCESSIONS OPERATOR IN ROME'S FIUMICINO AND CIAMPINO AIRPORTS

On 28 September 2012, Aelia, a subsidiary of Lagardère Services, acquired ADR Retail Srl, since renamed "LS travel retail Roma", and became the operator of eight duty free/duty paid stores in Rome's Fiumicino and Ciampino airports.

These stores specialise in the sale of spirits, tobacco, perfumes, cosmetics, gourmet food and souvenirs and cover a total area of 3,143 $m^2$. As of 2013, this total surface area will increase by over 51% to 4,760 $m^2$ and all the sales outlets will be rebranded Aelia Duty Free, the duty free concept developed by LS travel retail.

As a result of this acquisition, Lagardère Services now ranks second in the sector in Europe.

(1) Performance-based monetisation: compensation model under which the comparison shopping website is paid according to the volume of traffic redirected on the e-merchant website.

## 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 2012, particularly the following:

- On 6 October 2009, Lagardère SCA carried out a five-year €1 billion bond issue on the Luxembourg Stock Exchange regulated market. The bonds are redeemable in 2014 and pay an annual coupon of 4.875%.
- On 26 January 2011, Lagardère SCA signed a new multi-currency syndicated loan for €1,645 million (drawn to the extent of €670 million at 31 December 2012), which replaced the 2005 syndicated loan of €2,200 million due to mature in 2012 and signed by Lagardère SCA on 22 June 2005. The new loan is for a five-year term and bears interest at the Euribor rate (or equivalent for other currencies), plus an initial margin of 0.90%.
- On 31 October 2012, Lagardère SCA carried out a five-year €500 million bond issue on the Luxembourg Stock Exchange regulated market. The bonds are redeemable in 2017 and pay an annual coupon of 4.125%. Out of the overall proceeds of the issue, €122.8 million was used to partially redeem the Company's €1 billion bond issue due in 2014 (see above).

# 8.4 REAL ESTATE PROPERTY

The total gross value of property, plant and equipment belonging to the Lagardère group is €1,719 million.

This includes the gross value of land (€235 million) and buildings (€508 million). The net book value of land and buildings is €422 million, i.e., approximately 4.5% of the balance sheet total, and includes four properties with net book value of €125 million at 31 December 2012, rented to third parties (in France, Switzerland, Spain and Italy).

In view of the nature of the Group's business activities, the value represented by real estate property is not significant.

# 9

# RECENT DEVELOPMENTS AND OUTLOOK



Items appearing in the Annual Financial Report are cross-referenced with the following symbol AFR

# 9.1 RECENT DEVELOPMENTS (SINCE 1 JANUARY 2013) AFR

## 9.1.1 SIGNIFICANT EVENTS

### 9.1.1.1 LAGARDÈRE IS TAKING LEGAL ACTION AGAINST VIVENDI AND GROUPE CANAL+ FOR THE RESTITUTION OF €1.6 BILLION IN CASH TO CANAL+ FRANCE

In its capacity as a Canal+ France shareholder, Lagardère has summoned Vivendi and Groupe Canal+ (hereinafter "the Vivendi group") to appear in the Paris commercial court on March 21, 2013, for the purposes of obtaining a restitution from the Vivendi group to Canal+ France of its cash, which amounted to close to €1.6 billion on November 30, 2012.

Lagardère believes that the Vivendi group is making permanent use of Canal+ France's entire cash surplus under a cash management agreement, the legality of which Lagardère contests.

Lagardère considers that the use made by the Vivendi group of this cash management agreement has caused significant harm to Canal+ France, since it:

(i) receives a very low interest, which does not take into account either the amounts at stake or the permanent nature of its use by the Vivendi group;

(ii) is providing low-cost funding for the goals pursued by the Vivendi group's wholly-owned subsidiaries;

(iii) is exposed to financial risks that are not justified given the absence of any guarantee protecting Canal+ France.

Lagardère believes that this action is necessary to defend Canal+ France's corporate interests.

Lastly, Lagardère regrets that this situation, which was created by the Vivendi group, has caused a deadlock preventing Canal+ France, as things stand, from going ahead with an IPO in normal conditions.

### 9.1.1.2 THE LAGARDÈRE GROUP ENTERS INTO AN AGREEMENT TO SELL ITS 25% STAKE IN THE AMAURY GROUP FOR €91.4 MILLION

On 2 April 2013, the Lagardère group announced that it had entered into an agreement providing for the sale of its stake of nearly 25% in Les Éditions P. Amaury, the holding company of the Amaury group (media and organisation of sports events), for a total price of €91.4 million.

This disposal will take place via a capital reduction carried out by Les Éditions P. Amaury through the buyback of its own shares from the Lagardère group, once the deal has been approved by the Board of Directors and the General Shareholders' Meeting of Les Éditions P. Amaury.

### 9.1.1.3 END OF THE EADS NV SHAREHOLDERS' AGREEMENT BETWEEN LAGARDÈRE, DAIMLER AND THE FRENCH GOVERNMENT

In July 2000, Lagardère, Daimler and the French government entered into a shareholders' agreement providing for their joint control of EADS NV.

The agreement came to an end on 2 April 2013 following, in particular, the adoption of a new governance by the Extraordinary General Meeting of EADS NV on 27 March 2013 (see section 5.2.2.1-A3).

## 9.1.2 MAJOR CHANGES IN THE GROUP'S FINANCIAL AND COMMERCIAL POSITION

None.

## 9.1.3 TREND INFORMATION

### 9.1.3.1 LAGARDÈRE MEDIA

#### A) *LAGARDÈRE PUBLISHING*

Business levels at the beginning of 2013 were generally strong, in particular in France with the publication of the last two volumes of *Cinquante nuances de Grey* (*Fifty Shades of Grey*).

#### 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 2013 has been a difficult period for advertising revenue and news-stand sales.

#### C) *LAGARDÈRE SERVICES*

The year began in a seriously deteriorated climate (economic environment, decrease in the demand for printed products). However, the division benefited from the continued growth of its Travel Retail business, thanks to an increase in international air traffic (particularly in emerging countries), contributions from acquisitions carried out in 2012 and the development of the sales outlet network.

Due to seasonal effects in the business, results are lower in the first half than in the second half of the year.

#### D) *LAGARDÈRE UNLIMITED*

Business levels at the beginning of 2013 met expectations but were down slightly from levels observed in 2012. This is mainly the result of a less favourable calendar in Asia (the lack of significant events at the beginning of the year) but also the unfavourable change in the Asian Football Cup (AFC) contract, which was switched from a buy-out contract to a commission contract.

#### 9.1.3.2 EADS

See the press release published by EADS on 27 February 2013 (www.eads.net).

## 9.2 OUTLOOK AFR

### 9.2.1 LAGARDÈRE MEDIA

In 2013, the Media recurring operating profit before associates is expected to increase by 0% to 5% at constant exchange rates, compared to 2012.

This guidance is based notably on the assumption of a circa 5% decrease of advertising sales for Lagardère Active.

### 9.2.2 EADS

See the press release published by EADS on 27 February 2013 (www.eads.net).

## 9.3 EARNINGS FORECAST AFR

None.

This page is left intentionally blank.

# 10

# DOCUMENTS ON DISPLAY

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 – Regulated Information" section of the Company's website (www.lagardere.com):

- Annual financial reports/reference documents for the last five years;
- Interim financial reports for the last five years;
- Monthly information on the share capital and voting rights;
- Information on share buybacks;
- Description of share buyback programmes;
- Annual General Meeting documents for the last five years;
- The latest version of the Company's Articles of Association.

# 11

# CROSS-REFERENCE TABLE FOR THE REFERENCE DOCUMENT

IN ACCORDANCE WITH ANNEX 1 OF EUROPEAN REGULATION NO. 809/2004

(*) Refers to chapter and section numbers of the Reference Document.

| | Information | Section No.(*) |
|---|---|---|
| **7** | **ORGANISATION CHART** | 4.3 |
| 7.1 | Brief description of the Group | 4.3 |
| 7.2 | Principal subsidiaries | 4.3 |
| **8** | **PROPERTY, PLANT AND EQUIPMENT** | 3.5/8.4 |
| 8.1 | Existing or planned material property, plant and equipment (owned or leased) and any major encumbrances thereon | 8.4 |
| 8.2 | Environmental issues that may affect the issuer's utilisation of property, plant and equipment | 3.5 |
| **9** | **OPERATING AND FINANCIAL REVIEW** | 5.2.1/6 |
| 9.1 | Financial position | 6.2 |
| 9.2 | Operating results | 6.2 |
| | 9.2.1 Significant factors materially affecting operating income | 6.2.2 |
| | 9.2.2 Explanation of changes in net sales or revenues | 6.2.2 |
| | 9.2.3 External factors that have materially affected (or could materially affect) the Company's operations | 5.2.1/6.2.2 |
| **10** | **CAPITAL RESOURCES** | 6 |
| 10.1 | Information concerning capital resources | 6.3 (note 26.6) |
| 10.2 | Cash flows | 6.3 (note 25) |
| 10.3 | Information on the borrowing requirements and funding structure | 6.3 (note 28) |
| 10.4 | Restrictions on the use of capital resources | 6.3 (notes 26 and 27) |
| 10.5 | Anticipated sources of funds | — |
| **11** | **RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES (IF MATERIAL)** | — |
| **12** | **TREND INFORMATION** | 9.1.3 |
| 12.1 | Significant business trends since the end of 2012 | 9.1.3 |
| 12.2 | Trends and events reasonably likely to affect prospects for 2013 | — |
| **13** | **PROFIT FORECASTS OR ESTIMATES** | 9.3 |
| **14** | **MANAGEMENT AND SUPERVISORY BODIES** | 7 |
| 14.1 | Information on members of management and supervisory bodies | 7.2 |
| 14.2 | Conflicts of interests | 7.2.4.3 |
| **15** | **REMUNERATION AND BENEFITS** | 7.3 |
| 15.1 | Remuneration of senior managers and members of the Supervisory Board | 7.3.1/7.3.2 |
| 15.2 | Provisions for pension, retirement and other benefits | 7.3 |

(*) Refers to chapter and section numbers of the Reference Document.

(*) Refers to chapter and section numbers of the Reference Document.

| | Information | Section No.(*) |
|---|---|---|
| **21** | **ADDITIONAL INFORMATION** | 4/7/8 |
| 21.1 | Share capital | 8.1 |
| 21.1.1 | Authorised capital, subscribed capital | 8.1.1/8.1.4 |
| 21.1.2 | Shares not representing capital | – |
| 21.1.3 | Treasury shares | 8.1.2 |
| 21.1.4 | Convertible securities, exchangeable securities or securities with warrants attached | 8.1.3 |
| 21.1.5 | Terms and conditions governing acquisition rights or obligations over authorised but unissued capital and capital increases | – |
| 21.1.6 | Options granted on shares of certain Group companies | 8.1.7 |
| 21.1.7 | History of the share capital over the last six years | 8.1.1 |
| 21.2 | Memorandum and Articles of Association | 4.1/8.2 |
| 21.2.1 | Corporate purpose | 8.2.1 |
| 21.2.2 | Provisions of the Articles of Association and charters related to members of management and supervisory bodies | 7.4.2/8.2.2/8.2.3/8.2.4 |
| 21.2.3 | Rights, preferences and restrictions attached to each class of the existing shares | 8.2.4/8.2.6 |
| 21.2.4 | Procedure for changing shareholders' rights | 8.2.5 |
| 21.2.5 | Calling general meetings of shareholders and conditions for attendance | 8.2.6 |
| 21.2.6 | Provisions of the statutes, charter or Articles of Association that would have an effect of delaying, deferring or preventing a change in control of the Company | 7.4.2/8.2.2/8.2.3/8.2.4 |
| 21.2.7 | Disclosure of shareholdings exceeding specific thresholds | 8.2.8 |
| 21.2.8 | Conditions for a change in the share capital, where such conditions are stricter than is required by law | 8.2.6.3 |
| **22** | **MATERIAL CONTRACTS (LAST TWO YEARS)** | 8.3 |
| **23** | **THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTERESTS** | – |
| **24** | **DOCUMENTS ON DISPLAY** | 10 |
| **25** | **INFORMATION ON SIGNIFICANT HOLDINGS (SUBSIDIARIES AND AFFILIATES)** | 4.3/5.2 and 6.3 (note 38) |

(*) Refers to chapter and section numbers of the Reference Document.

**Document prepared by the Corporate Communications Department**
Design: Sugar Pepper & Salt
Photo credits: © Gilles Bassignac/Lagardère; Frédérik Froument/Lagardère
Production: BRIEF

**www.lagardere.com**

**Document prepared by the Corporate Communications Department**
This document is printed on paper from environmentally certified sustainably managed forests. It carries PEFC certification based on the physical separation model (chain of custody number 10-31-1222).

IMPRIM'VERT

PEFC™ **10-31-1222 / Certifié PEFC** / pefc-france.org