REFERENCE DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

2013

Lagardère

PROFILE

Lagardère, a world-class diversified 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 Services: Travel Retail and Distribution;*
- *Lagardère Active: Press, Audiovisual (Radio, Television, Audiovisual Production), Digital and Advertising Sales Brokerage;*
- *Lagardère Unlimited: Sports and Entertainment.*

REFERENCE DOCUMENT

including the Annual Financial Report

2013

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

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

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 4 April 2014 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 11 to 17; Chapter 4, pages 19 to 24; Chapter 5, pages 25 to 89; Chapter 6, section 6.1, pages 92 to 93; Chapter 6, section 6.2, pages 94 to 98; Chapter 7, pages 197 to 246; Chapter 8, pages 247 to 261; Chapter 9, pages 263 to 264) 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 194 to 195 of this Reference Document, and the information included by reference for 2011 and 2012 is covered by the Statutory Auditors' reports contained in pages 214 to 216 of the 2011 Reference Document and pages 196 to 197 of the 2012 Reference Document."

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 other 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 contained two observations:

- one concerning note 10 to the consolidated financial statements with respect to impairment losses on goodwill and other 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.

The Statutory Auditors' report on the consolidated financial statements for the year ended 31 December 2013 contains one observation concerning note 10 to the consolidated financial statements, which presents the assumptions used for impairment tests carried out on goodwill and other intangible assets, relating in particular to Lagardère Unlimited.

Paris, 3 April 2014

Arnaud Lagardère **For Arjil Commanditée-Arco**

Arnaud Lagardère Pierre Leroy

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

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 Tour First, 1, place des Saisons, 92037 Paris-La-Défense, France Member of the Versailles Regional Institute	29 June 1987	2017
Mazars represented by Bruno Balaire 61, rue Henri-Regnault, 92400 Courbevoie, France Member of the Versailles Regional Institute	20 June 1996	2014
Substitute Statutory Auditors		
Auditex Tour First, 1, place des Saisons, 92037 Paris-La-Défense, France	10 May 2011	2017
Patrick de Cambourg 61, rue Henri-Regnault, 92400 Courbevoie, France	29 April 2008	2014

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

This page is left intentionally blank.

2 CONSOLIDATED KEY FIGURES FOR 2013

2.1 CONSOLIDATED KEY FIGURES

(in millions of euros)	2013	2012	2011
Net sales	**7,216**	7,370	7,657
Recurring operating profit before associates[1]	**327**	339	402
Non-recurring/non-operating items	**1,193**	(216)	(1,003)
Income from associates[2]	**7**	105	112
Profit (loss) before finance costs and tax	**1,527**	228	(489)
Finance costs, net	**(91)**	(82)	(95)
Income tax expense	**(117)**	(40)	(105)
Profit (loss) for the year	**1,319**	106	(689)
o/w attributable to minority interests	**12**	17	18
o/w attributable to owners of the Parent	**1,307**	89	(707)
Total equity	**2,927**	2,991	3,024
Cash and cash equivalents (net debt)	**361**	(1,700)	(1,269)
Goodwill	**1,619**	1,799	1,837
Cash used in investing activities	**337**	648	352

(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 impairment losses.

2.2 PER SHARE DATA

(in euros)	2013		2012		2011	
	basic	diluted[1]	basic	diluted[1]	basic	diluted[1]
Profit (loss) attributable to owners of the Parent, per share	**10.22**	**10.09**	0.70	0.69	(5.56)	(5.56)
Equity attributable to owners of the Parent, per share	**22.27**	**21.98**	22.79	22.51	23.18	22.94
Cash flow from operations before change in working capital, per share	**3.55**	**3.50**	4.32	4.27	4.69	4.64
Share price at 31 December	**27.02**		25.285		20.40	
Dividend	**10.30[2]**		1.30		1.30	
Extra dividend	**6.00[3]**		-		-	

(1) The method used to calculate diluted earnings per share is described in note 15 to the consolidated financial statements.
(2) The Annual General Meeting on 6 May 2014 will be asked to approve a dividend of €10.30 per share, of which €1.30 corresponds to the ordinary portion of this dividend and €9 to the extraordinary portion, for which an interim dividend was paid following the Managing Partners' decision of 21 May 2013.
(3) The Annual General Meeting on 6 May 2014 will be asked to approve an extra dividend of €6 per share, to be deducted from share preniums.

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 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.

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 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 has already been seen, the financial difficulties encountered by certain broadcasters could lead to issues in recovering receivables, bankruptcies or mergers between broadcasters, 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 impairment 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 Services	Lagardère Active	Lagardère Unlimited
-1%	(18)	-	-	-
-0.5%	(1)	-	-	-
0%	-	-	-	-
0.5%	3	-	-	-
1%	3	-	-	-

3.1.2 SENSITIVE GEOGRAPHIC AREAS

Lagardère conducts business in many countries, and some of these countries are considered particularly sensitive to the risk of a credit and liquidity crisis. If a crisis is coupled with a recession in these countries, 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 states of these countries and their banking systems.

In 2013 the Group generated 3.7% of its net sales in countries such as Hungary, Morocco, Tunisia, Egypt, Argentina and – to a lesser extent – some countries with a lower rating.

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

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 free access channels can be expected to have similar consequences.

In both Europe and Asia over the past few 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 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, reducing 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.

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 has already been seen, 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 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 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 and the related settlements accepted by Lagardère Publishing.

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. 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 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 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. A rapid 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.

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 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.

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

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 3.1.1 and 3.2.2, there is no guarantee that these agreements will be renewed once they expire. 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, such as content creators (book authors and others) or specialists in sports markets, services or certain digital technologies. 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 (especially in Hungary in 2013) 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 points of sale.

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). This activity also subjects the Group to specific obligations, which primarily include broadcasting quotas and the contribution to audiovisual production. These 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

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

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 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 3.4.3 below.

The Group is not aware of any other risks that have occurred by breach 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 2013.

The main litigation and claims involving the Group are presented in note 35 to the consolidated financial statements for 2013 (see Chapter 6).

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% has applied to all books, irrespective of format (print or digital), since 1 January 2013. Following the same principle, which involves the activities of Lagardère Active, the French government announced its plans to bring the VAT rate applicable to online press (previously 20%) in line, as of February 2014, with the 2.1% VAT rate that already applies to printed press. As regards the VAT rate applicable to e-books, the European Commission has already initiated an infringement procedure under EU law against France and Luxembourg for applying a reduced VAT rate. The Commission could follow suit against France's reduced VAT rate for online press publications. Meanwhile, the European Commission is currently envisaging a general VAT reform at EU level.

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 2013 (see Chapter 6).

3.4.2 RISKS RELATED TO PAPER PRICE

Lagardère Active and Lagardère Publishing need to use large volumes of paper for their business activities. Total paper purchases reached nearly 213,000 tonnes in 2013, as described in 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 notably in paper prices in Europe 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 RISK

Credit and counterparty risks are described in note 29.2 to the consolidated financial statements for 2013 (see Chapter 6).

As also indicated in note 29, "The Group was unable to recover certain receivables in 2012 and 2013, notably related to (i) the bankruptcies of the US-based retailer Mercury and a number of bookstore groups 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 3.2.2 – Digital and mobile technologies.

3.5 OPERATIONAL RISKS AFR

3.5.1 INDUSTRIAL AND ENVIRONMENTAL RISKS

The industrial and environmental prevention and risk management policy is described in 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 2013 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.

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

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 33%.

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 3.2.3, as well as risks related in particular to fraud, information networks and systems, the organisation of events open to the public and the management of facilities, especially sports facilities, open to the public. The growth in the Group's airport sales business has increased its exposure to the risk of an extended disruption in air traffic.

3.5.4 INSURANCE POLICIES – RISK COVERAGE

The Group's insurance policy is described in 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 3.5.4.1 below, or as primary layer for non-significant amounts of risks 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 2013 and for the year 2014, 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 LEVEL OF COVERAGE

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 covered

Insurance policies cover notably the risks of fire/explosion, lightning, water damage or storms, 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 some potential 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 2014, 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 €150 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 covered

Liability insurance policies are subscribed at the level of the divisions or certain activities; they include coverages for public, product and professional liability in case of material damage or consequential loss or bodily injury caused to third parties, depending on the nature of their business and locations.

B) Limits 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 2014, 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 €57 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 2013, the overall budget for the main permanent insurance policies subscribed by the Group was estimated at 0.13% 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 REGISTERED OFFICE, ADDRESS, TELEPHONE

Registered 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 15 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 (whose commercial name has been Airbus Group since 2 January 2014), 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. Following a series of transactions carried out in coordination with the other joint shareholders, on 12 April 2013, Lagardère sold its entire interest for €2,283 million (€37.35 per share) by means of private placements through accelerated bookbuilding with qualified investors. The Lagardère group no longer owns any interest in EADS NV;
- **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 line) in 1999, and the share exchange offer for Hachette Filipacchi Médias (Magazine Publishing business line) 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.

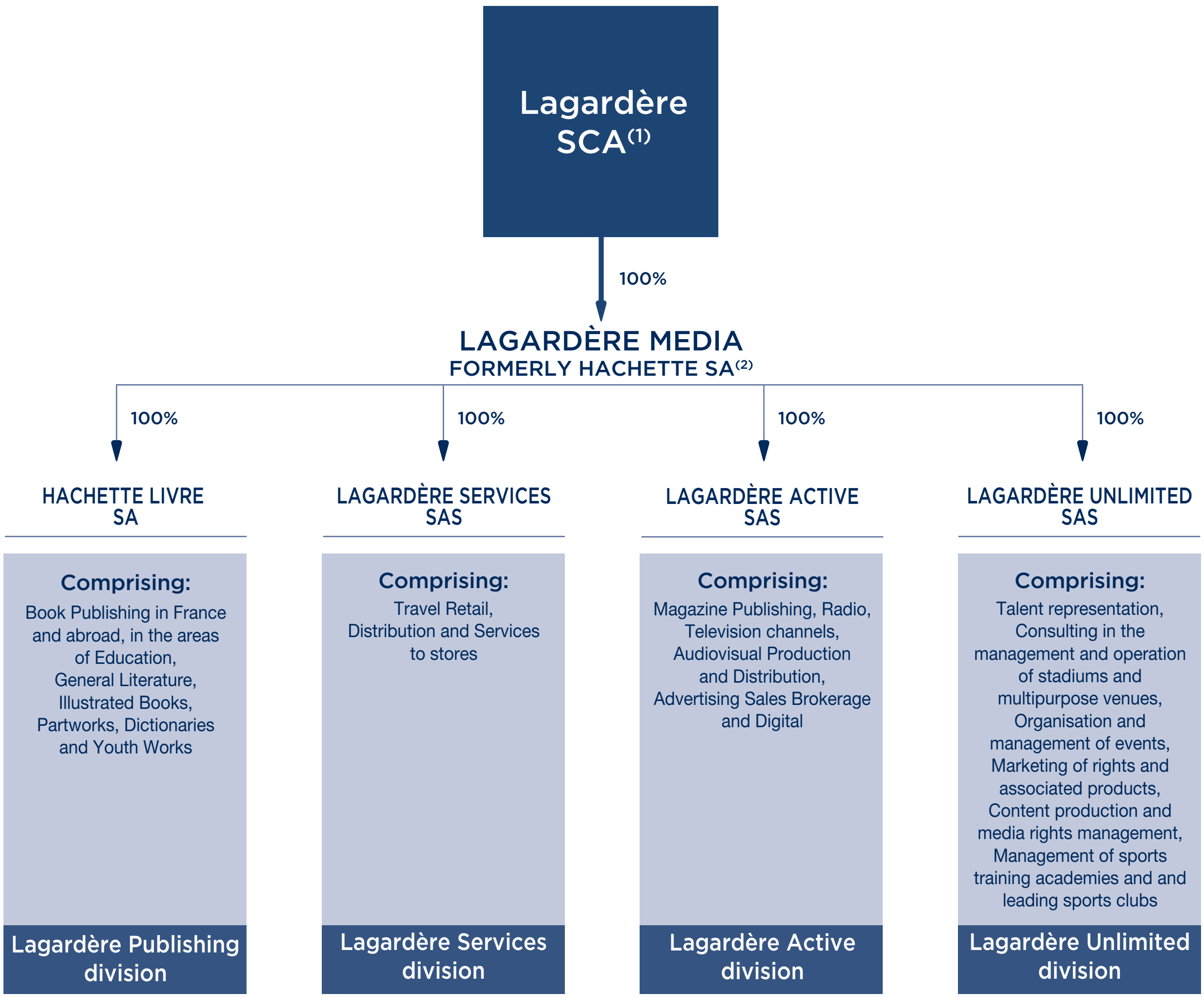
    In September 2012, Lagardère Services Travel Retail acquired ADR Retail Srl (since renamed Lagardère Services Travel Retail Roma), an operator of eight duty free/duty paid stores in two airports in Rome,
  - the combination of the Magazine Publishing, Audiovisual and Digital businesses within a new entity, 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 well 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 line 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 2014.
(2) 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 Services, also a fully-controlled French company and holding company for the Lagardère Services division (Relay stores, airport shops);
- 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, etc.), Digital and Advertising Sales Brokerage businesses via several sub-holding companies;
- 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 (434 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.

1 2 3 4 5 6 7 8 9 10 11

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)	2013	2012	2011
Lagardère Media	**291**	260	237
Other Activities	**5**	4	16
Total	**296**	264	253

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)	2013	2012	2011
Lagardère Media	**37**	383	98
Other Activities	**4**	1	1
Total	**41**	384	99

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

4.4.2 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 (store 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 stores in the Czech Republic), and (iii) purchases of minority interests in the Lagardère Publishing division.

4.4.3 MAJOR INVESTMENTS IN 2012

Like in 2011, purchases of property, plant and equipment and intangible assets principally concerned Lagardère Unlimited (sports rights) and Lagardère Services (store 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.

4.4.4 MAJOR INVESTMENTS IN 2013

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 (store refits).

Purchases of investments amounted related to several mid-sized acquisitions by Lagardère Publishing and Lagardère Services. For Lagardère Unlimited, this item relates to small acquisitions in the golf sector and to the payment of a guarantee deposit in connection with the AFC contract (World Sport Group).

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[1] includes the Group's **Book Publishing 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, that represent 60% of the world market. Hachette Livre is the world's third-largest trade book publisher for the general public and educational markets (number one in France, number two in the United Kingdom and Spain, number four 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 Services encompasses the **Travel Retail and Distribution businesses**. The division's development focuses on two business lines:

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

In 2014, 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:
  - a process of finding investors for LS distribution activities in Belgium, Hungary, Switzerland, Spain and Canada has been launched. Depending on the outcome, it could lead to the deconsolidation or the disposal of these activities in 2014;
  - small acquisitions to accelerate the rollout of business development plans are also possible.

Lagardère Active encompasses the **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 on several priorities:

- establishing a new organisation based on powerful brands in Magazine Publishing;
- pursuing a cost-control policy;
- 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 Unlimited is a global leader in **Sports and Entertainment**. Having built its expertise around six complementary key business lines, Lagardère Unlimited is positioned over the entire value chain:

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

In 2014, Lagardère Unlimited will continue the policy initiated in 2013 to assert its leadership in its markets, continue its multisport and Entertainment diversification policy and focus on support for rights holders, athletes and sponsors with significant added value.

Lagardère Unlimited also aims to continue to develop assets such as sporting events, and to consolidate its position in global sports (football, golf, tennis, mass events and Olympic sports). Lagardère Unlimited will also continue its expansion in growth regions such as South America, Africa, Asia and the Middle East.

***

Lagardère's strategy has three core goals:

- further acquisitions in promising segments:
  - Travel Retail: in emerging markets and sector-leading platforms offering significant potential;
  - Digital: investment in new digital models based on performance and commission;
  - TV production: in France and internationally. Development of international productions and low-cost formats such as scripted reality;
  - Promotion of brands and content: development of licences around the Group's brands (e.g., Elle);
  - Sport: especially internationally (emerging markets), in new sports (other than football) and with more reliable revenue streams (representation, marketing, consulting, etc.).
- maintenance and consolidation of leadership positions:
  - Lagardère Publishing: assertion of the publisher's position on the value chain, development of digital and consolidation of market positions;
  - Lagardère Active: refocus on multimedia and multichannel brands – with scope for international development wherever possible.
- continued divestment of:
  - activities in structural decline, without compromising their value;
  - minority positions: the disposal of interests in Marie Claire is a prime objective.

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

(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 2013: LAGARDÈRE MEDIA[1]

AFR

	2013	2012	2011	2010	2009
Contribution to consolidated net sales (in millions of euros)	**7,216**	7,370	7,657	7,966	7,892
Contribution to consolidated recurring operating profit before associates (in millions of euros)[1]	**372**	358	414	468	463
Number of employees[2]	**23,767**	23,818	26,493	28,212	29,028

(1) Recurring operating profit before associates (as defined in note 3.3 to the consolidated financial statements).
(2) 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 LAGARDÈRE PUBLISHING

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

The world's third-largest trade book publisher for the general public and educational markets[2] (number one in France[3], number two in the United Kingdom[4] and Spain[5], and number five in the United States[6]), 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 that 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. The 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.

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

(1) Lagardère Media houses the Group's main activities. Some additional activities are performed outside Lagardère Media, such as Matra Manufacturing & Services (formerly Matra Automobile), which, in addition to automobile spare parts, makes light electric vehicles (LEV) and markets 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. 2013 was characterised by:
- a 50% increase in sales of electric bikes thanks to an innovative product strategy on electric ATVs and bikes with automatic gearboxes,
- the 2014 City Bike prize awarded to Matra AGT,
- the opening of a Matra store in Paris,
- the discontinuation of the GEM quadricycle business in the final quarter of 2013 and the refocus on two-wheel bikes,
- a significant cyclical decline in the automobile spare parts activity, with obligations in respect of Renault expiring at the end of 2013.

Matra Manufacturing & Services reported a loss of approximately €7.8 million on net sales of approximately €19 million in 2013, recognised under "Other income from ordinary activities".

(2) 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 and Buchreport) and which are sometimes based on direct contacts with the groups in question (i.e., when annual financial reports are not available).

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

Central management functions in turn allow Hachette Livre to develop a single strategy for digital technologies, 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 third 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.

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 Le 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(2) 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 in the French market, these publishers will be merged in 2014, with retroactive effect from 1 January 2014, to allow them to compete under better conditions in a contracting higher education market.

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(3)

In the United Kingdom, Hachette UK was the second-largest publisher in 2013, with 12.8% of the printed book market (see section 5.2.1 - A). It has six activities: Octopus for illustrated books; Orion; Hodder & Stoughton; Headline; 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 Aique and Patria.

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

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, in 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.

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

(1) Hachette Livre's competitive positions reflect statistics provided by the Ipsos panels to which the division subscribes.
(2) Internal estimates.
(3) Source: Internal data, based on Nielsen BookScan in the United Kingdom and internal sources in Spain.

B) OPERATIONS DURING 2013

Contribution to consolidated net sales in 2013: €2,066 million (€2,077 million in 2012).

Breakdown of net sales by activity

	2013	2012
Education	**16.2%**	18.5%
Illustrated Books	**14.7%**	14.6%
General Literature	**41.5%**	39.9%
Reference	**3.6%**	4.2%
Other	**24.0%**	22.8%
Total sales	**100%**	100%

Breakdown of net sales by geographic area

	2013	2012
France	**32.3%**	32.5%
United Kingdom	**16.8%**	16.8%
United States	**21.3%**	20.3%
Spain	**6.3%**	7.6%
Other	**23.3%**	22.8%
Total sales	**100%**	100%

In 2013, the global publishing market recorded an inevitable decline in the wake of the phenomenal success of the Fifty Shades trilogy in English-language markets in 2012. In the main countries where the division operates, the market has returned to "normal" levels: down 1.8%[(1)] in France, down 2.8%[(2)] in the United States and down 6.5%[(3)] in the United Kingdom, excluding digital. The year was marked by the continuing difficulties in some bookstore chains suffering from an excessively uniform offering and overly centralised management. Against this backdrop, Internet sales platforms gained market share in printed books. The growth of e-books stalled in the United States, while sales of dedicated e-book readers declined in favour of multi-purpose tablets. This suggests that the American e-book market will soon even out at 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 it would make e-books an essential format for bestsellers and, subsequently, for some illustrated books, including travel guides, but would leave them in a minority in relation to printed books across the catalogue as a whole. Digital is following the same path in the United Kingdom, where it began two years after the United States, but it has been slow to take on in France, and remains almost non-existent in Spain.

Despite this situation, complicated by the absence of curriculum reform in France and Spain, Hachette Livre's net sales increased by nearly 2% at comparable exchange rates, driven by a good performance in general literature in the United Kingdom, the United States and France, as well as the international success of Partworks. More impressive still, Hachette Livre delivered higher operating profit – among the highest in the global publishing market.

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 content for e-books and tablets;
8. selective investments in high-growth markets such as 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;

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

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 piracy aggressively and 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.

B.1 In France

Despite a further contraction in the market (down 1.8% in value and 3.3% in volume), Hachette Livre, number one in France, achieved outstanding results in 2013, thanks in large part to the phenomenal success of Volumes 2 and 3 of the Fifty Shades trilogy published by Lattès (2 million printed copies and 207,000 e-books) and the successful launch of *Asterix and the Picts* (seven reprints and 2.3 million copies sold).

Noteworthy successes in general literature include:

- Lattès: *Inferno*, by Dan Brown (773,000 copies); *Moi, Zlatan Ibrahimovic*, by Zlatan Ibrahimovic and David Lagercrantz (73,000 copies); *Peut-on rire de tout ?* by Philippe Geluck (93,000 copies); and *La Première chose qu’on regarde*, by Grégoire Delacourt (131,000 copies).
- Grasset: *L’Appel du coucou (The Cuckoo’s Calling)*, by J.K. Rowling writing as Robert Galbraith (175,000 copies); and *Le Quatrième mur*, by Sorj Chalandon (winner of the Goncourt students’ prize, 132,000 copies).
- Fayard: *Du Bonheur, un voyage philosophique* by Frédéric Lenoir (126,000 copies).
- Calmann-Lévy: *Moi, Malala (I Am Malala)*, by Malala Yousafzai (70,000 copies); *Le Cinquième témoin (The Fifth Witness)*, by Michael Connelly (94,000 copies); and *L’Écorchée*, by Donato Carrisi (100,000 copies).
- Stock: *L’Identité malheureuse*, by Alain Finkielkraut (75,000 copies).

Grasset won a number of literary prizes, in addition to the Goncourt students’ prize: the Prix Renaudot for *Naissance*, by Yann Moix, the Prix Femina for *La Saison de l’ombre*, by Leonora Miano, the Femina essay prize for *Dictionnaire amoureux de Marcel Proust*, by Raphaël and Jean-Paul Enthoven and co-published with Plon, and the Foreign First Novel Prize for *Les Cent derniers jours (The Last Hundred Days)*, by Patrick McGuinness.

Lattès also won the Prix Flore for *Tout cela n’a rien à voir avec moi*, by Monica Sabolo.

Hachette Education, Didier and Hatier experienced a year without curriculum reform, which had a negative effect on sales, despite strong performances in the extra-curricular and export segments.

Illustrated books showed resilience in a market dampened by the crisis, particularly in practical and travel guides and, to a lesser extent, in youth works. In this division, the publishing event of the year was the runaway success of *Astérix chez les Pictes*, which was reprinted seven times and sold 2.3 million copies.

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 November, academic publishers Dunod and Armand Colin were merged to help them cope with a changing market that is turning to the Internet and digital.

B.2 Outside France

United States

After a year buoyed (up 10.6%) by the phenomenal success of the Fifty Shades trilogy in 2012, the trade book market (including printed books, e-books and audio books) eased back by 2.9% to what remains a satisfactory level.

This figure includes a 2.6%(1) decline in printed books, but above all virtual stabilisation for the first time in the market share of e-books in value at 23.3%(1) of general literature trade publishing sales in 2013 (compared with 23% in 2011). The percentage of adults who said they had read an e-book in the last year nevertheless swelled from 23% in 2012(2) to 69% in 2013. 14% of Americans listened to an audio book during the year.

Hachette Book Group (HBG) followed the same pattern as the trade book market, with e-books generating 30% of net sales in 2013 (compared to 24% in 2012), thanks to its pervasive presence in bestseller lists.

The number of HBG’s releases listed among the New York Times bestsellers grew once again, reaching 206 printed books and 84 e-books, a new record for the division. Among these releases, 35 print books and 17 e-books made it to the number one spot on this authoritative list.

Professional website Digital Book World, which ranks publishers on the basis of the number of digital bestsellers published during the year, awarded first place to HBG in the first half of 2013. It was only overtaken by Penguin Random House in the second half, after the two groups’ merger in June.

Noteworthy bestsellers in print and e-book formats included:

- Grand Central: *The Longest Ride* and *Safe Haven*, by Nicholas Sparks; *King & Maxwell* and *The Hit*, by David Baldacci; and *It’s all Good*, by Gwyneth Paltrow.
- Little, Brown and Company: *David and Goliath*, by Malcolm Gladwell; *I Am Malala*, by Malala Yousafzai; and *The Goldfinch*, by Donna Tartt.
- Little, Brown Books for Young Readers: *Beautiful Creatures,* by Kami Garcia and Margaret Stohl; *Monster High,* by Lisi Harrison, and the final volume of the Middle School Story series by James Patterson.

In July, HBG acquired Hyperion, Walt Disney’s general-interest publishing imprint for adults, and its catalogue of over a thousand titles.

United Kingdom and the Commonwealth

The British market saw sales of printed books fall by 12.2% in value under the combined impact of the economic crisis and the unfavourable comparison with 2012, marked by the triumph of E.L. James’s hit Fifty Shades trilogy, while e-book sales increased by 17.8% to account for 23.36% of the total market(3).

With 14.5% market share (all formats combined), Hachette UK is the second-largest market player behind the giant formed by the June 2013 merger of Penguin and Random House. Digital now accounts for 19% of net sales.

---

(1) Source: AAP.
(2) Source: Pew Research Center.
(3) Source: Publishers Association.

Of the total of 112 Hachette UK books to reach the authoritative *Sunday Times* bestseller list, 19 reached number one. *My Autobiography*, by Sir Alex Ferguson, recorded the highest sales of the year in the UK, with 1.4 million copies sold.

Other releases to enjoy convincing market success include *The Goldfinch*, by Donna Tartt (Little, Brown); *The Cuckoo's Calling*, by Robert Galbraith (the pseudonym of J.K. Rowling) and the paperback of this author's previous novel, *The Casual Vacancy*.

Two authors, Michael Connelly (published by Orion) and Nora Roberts, with J.D. Robb (published by Piatkus), topped the one million mark in e-book sales.

Hachette UK authors won 26 major literary awards in 2013, including four National Book Awards and a Digital Book Award for the iPad version of *The World Atlas of Wine*, published by Octopus.

Hodder Education acquired Galore Park, a publisher of textbooks and workbooks.

The Australian market continued to suffer from direct imports by air of American and British books by certain Internet platforms that handle individual orders and include shipping. The market has not yet fully recovered from the 2011 disappearance of REDgroup, a leading network of bookstores. Hachette Livre's sales in Australia suffered in due proportion.

Spain and Latin America

Spain's severe economic crisis continued to affect the publishing market. In this extremely tough climate, the central government and most regional authorities have shelved curriculum reforms that would have required new textbooks. Despite a further decline of 12.8% in net sales, the division outperformed the broader market thanks to the extra-curricular segment, the new Asterix comic book and Latin America.

Its bestsellers in 2013, according to the country's main lists (*El Cultural - El Mundo*, *Abc Cultural* and *La Vanguardia*) were *Asterix y los Pictos* (173,000 copies, published by Bruño); *Yo soy Malala*, by Malala Yousafzai (46,000 copies, all languages and territories combined), published by Alianza Editorial; *Pan Casero*, by Iban Yarza, published by Larousse; *Antologia Catedra de Poesia de las Letras Universales*, published by Cátedra; and *Yinn. Fuego Azul*, by Ana Alonso, published by Anaya Infantil y Juvenil.

Algaida Editores and its imprint Bóveda responded to the fall in the fiction market with new releases in the emerging genres of romance and thrillers, and a new series of cookbooks at affordable prices.

At Alianza Editorial, aside from *Yo soy Malala*, important releases included the Catalan edition of *The Bewildered*, by Amin Maalouf (published last year in Spanish), *La hija criada (The Housemaid's Daughter)*, by Barbara Mutch, and *Los hombres mojados no temen la lluvia*, a thriller by Juan Madrid, which won the Quiñones prize.

Anaya Educación was hit by the total absence of curriculum reform and the very constrained fiscal situation throughout the country. Barcanova and Bruño Educación faced the same problems.

The 10th Anaya de Literatura Infantil y Juvenil prize was won by Jordi Sierra i Fabra, one of Spain's most popular youth writers.

In 2013, Bruño Educación devoted itself to consolidating its pre-school sales, building up its catalogue of digital publications for all levels, and protecting its market share in "additional extra-curricular material".

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 released a number of textbooks, focusing above all on developing and updating material relating to the *Reforma Integral de la Educación Básica* (RIEB), which seeks to take into account the challenges facing the country in the 21st century. The success of *Yo soy Malala*, the Mexican release of which was timed to coincide with the global launch, was also worthy of note.

Partworks

Generally considered to be more sensitive to purchasing power fluctuations than books, partworks enjoyed a stellar year in 2013, again reporting positive net sales growth. Partworks are sold per issue in news-stands and by subscription, and 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.

2013 saw 54 new releases and 21 re-releases in 10 different countries. Noteworthy bestsellers were *World Currencies* in Japan (1.6 million copies), *Marvel Super Heroes* in Germany (920,000 copies) and *Mini-pâtisseries* in France (2 million copies).

B.3 Objectives and achievements in 2013

Hachette Livre focused on four key objectives in 2013:

1. carefully manage overheads and capital expenditure in order to maintain margins in an uncertain economy, with purchasing power falling in all the division's markets;
2. continue to strengthen negotiating capacity with major Internet platforms;
3. unearth international bestsellers that can be published in all the division's countries;
4. pursue its organic growth in trade books.

These initial objectives were met and/or surpassed. Operating costs remained stable, and restructuring was successfully carried out in the countries that were worst affected by the difficult economic climate (Spain and New Zealand). The prices of e-books in the United States have stabilised at a satisfactory level thanks to action taken by Hachette Livre since 2010. 2013 saw an abundance of bestsellers, which generated strong growth in the trade book segment.

C) OUTLOOK

As we expected, the global book market demonstrated its resilience by passing the year without suffering a dramatic decline, despite the unfavourable 2012 comparison base. Consolidation increased in the publishing sector, however, both in France (Flammarion acquired by Gallimard) and abroad (merger between Penguin and Random House). Given the growing prominence of Internet heavyweights and the weakening 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.

1 2 3 4 5 6 7 8 9 10 11

5.2.2 LAGARDÈRE SERVICES

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

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

LS travel retail operates a total of 4,028 stores, including 3,554 in Europe, Middle East and Africa, 233 in Asia-Pacific and 241 in North America.

Lagardère Services focuses its development on two business lines:

- LS travel retail covers retail operations in travel areas and concessions across three business segments: Travel Essentials, Duty Free & Luxury, and Food Service. The business line breaks down its operations into three geographic areas: Europe, Middle East and Africa (EMEA), Asia-Pacific (ASPAC) and North America.
- LS distribution operates distribution and services activities 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	x	x	x	x	x	
Marketing services	x	x	x	x	x	x
Integrated retail(2)	**x**	**x**	**x**	**x**		

(1) Fast-moving consumer goods.
(2) 1,197 stores in 2012 and 1,045 in 2013.

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 service;
- 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 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 Service in travel areas.

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 330 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 Service

Lastly, with its long-standing presence in French hospitals (196 sales outlets), LS travel retail is stepping up its expansion in food service concessions.

LS travel retail operates 337 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 (7,724 sales outlets, 450 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 was stable at 32% in 2013.

Its competitors are major local players such as TDS/WPS (Time Warner group), Comag (The News Group) and Kable. Major changes took place in the market in 2012, with the takeover of Comag by The News Group (TNG, largest US wholesaler) from Hearst Group and 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 52% 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 money transfers, telephony, etc.).

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

LS distribution also has an extensive network of 1,045 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 2013

Contribution to consolidated net sales in 2013: €3,745 million (€3,809 million in 2012).

Breakdown of net sales by activity

	2013	2012
LS travel retail	**60.1%**	56.3%
LS distribution	**39.9%**	43.7%
of which integrated retail	**16.5%**	18.3%
of which distribution	**23.4%**	25.4%
Total sales	**100%**	100%

Breakdown of net sales by geographic area

	2013	2012
France	**28.7%**	28.0%
Europe	**57.6%**	58.5%
North America	**5.9%**	6.1%
Asia-Pacific	**7.8%**	7.4%
Total sales	**100%**	100%

Sales grew by 1.7% in 2013 on a reported basis or 0.9% on a like-for-like basis.

Adjusted for the impact of the discontinuation of tobacco sales and the change in the method of accounting for prepaid phone cards in Hungary, net sales increased by 0.3% on a reported basis in 2013.

Travel Retail generated 60.1% of consolidated net sales in 2013, compared with 56.3% in 2012. Retail activities (Travel Retail and integrated retail) accounted for 76.6% of consolidated net sales in 2013, compared with 74.6% in 2012, due to acquisitions in 2013 (primarily in food service in Germany) and 2012 (Czech Republic, Pacific, Switzerland and Italy), new contract wins in 2013 (food service in France and the United States, fashion in China and Spain) and the ramp-up of contracts won in 2012 (China, Malaysia, Reunion Island).

The product diversification policy for both retail activities and Press Distribution reduced the print media component of sales from 46.2% in 2012 to 43.0% in 2013.

The 2013 market environment was marked by continued but considerably slower growth in air traffic compared with 2012, and a further acceleration of the decline in the press market.

Business suffered from the economic crisis (particularly in Europe and North America) and geopolitical tension.

Continued growth in air traffic

After a drop of 2.7% in 2009 and increases of 6.3% in 2010, 5% in 2011 and 4.2% in 2012, 2013 saw growth of 3.5% in global air traffic, with increases of 2.6% in Europe (compared to 2.0% in 2012), 0.8% in North America (1.3% in 2012) and 6.8% in Asia-Pacific (7.3% in 2012)[(1)].

Air traffic has not yet returned to its 2007 level in North America.

Acceleration of the decline in print media sales

The decline in the press market has accelerated, with volumes down between 7% and 12% depending on the country.

Lower volumes have been partially offset by higher prices.

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

- growth in air traffic;
- network expansion (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);
- improved purchasing conditions.

Lagardère Services' concessions portfolio expanded considerably during the year, especially in the Duty Free & Luxury and Food Service activities, where 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 2013.

B.1 Travel Retail

Europe, Middle East and Africa (EMEA)

In France, net sales at directly operated Relay France stores (Travel Essentials) edged down by 0.4% compared with 2012. Sound growth in Food & Beverage sales (snacks up 12% and packaged food products up 7.2%) partially offset the decline in tobacco (1.6%) and press (7.2%) sales over the year. The RATP and SNCF networks were hard hit by this decline. Hospital networks and regional airports reported growth of 3.4% and 6.1% respectively compared to the previous year.

Sales were also down for entities other than Relay:

- La Cure Gourmande stores were strongly impacted by the fall in consumer spending, with sales down 11.9% compared with 2012;
- Sales were down at Eiffel Tower souvenir shops, affected by the extensive renovations conducted throughout the year.

The decline was partially offset by the strong performance of Fnac stores, which posted sales growth of 26.7%.

Sales generated in airports by the Relay@ADP joint venture were satisfactory, growing by 5.8% in 2013, thanks largely to openings of Air de Paris souvenir shops.

Duty Free & Luxury recorded sales growth of 4.4% in France in 2013.

The modernisation of sales outlets, further new business initiatives and the performance of training policy again helped generate earnings growth that exceeded the increase in air traffic (up 1.7% for Aéroports de Paris, 1.6% in Lyon, 0.3% in Marseilles and 2.6% in Nice).

2013 also saw the consolidation of Aelia's presence in regional airports, with a large number of innovative operations (opening of pop-up shops and launch of a Fragonard sales outlet in Nice) and the renewal of major contracts, including the Marseilles concession.

Paris-Charles de Gaulle Airport benefited from the first full-year impact of its new retail areas in terminals A/C and S4, and continued its modernisation campaign, opening two new multistores of nearly 600 sq.m. in terminal 2F.

After a year of changes to its scope of consolidation and its business portfolio in 2012, the United Kingdom recorded net sales growth of 3.8% compared with 2012, largely as a result of sales growth in its major platforms, such as London City Airport (10.4%) and Glasgow (10.7%).

While 2012 only included three months of operation, LS travel retail Roma experienced, as expected, a year of transformation in 2013, with the complete renovation of the eight sales outlets at Rome's Fiumicino Airport and the signing of a new collective bargaining

(1) Source: ACI, at end-October 2013 and end-October 2012.

agreement. Net sales per passenger increased strongly, in line with the assumptions of the acquisition business plan.

In Germany, net sales were up 3.4%, boosted by the full-year impact of openings in 2012, which added 7.3 percentage points to growth. Excluding network changes, net sales were down 7.8% in the wake of the shift in flows at Frankfurt Airport following the opening of Terminal 1A+ in October 2012. The development of Food Service activities contributed 3.8 percentage points of growth, with the opening of ten sales outlets in the Frankfurt Railway Station food court and the acquisition of 19 Coffee Fellows outlets in 2013. The company now has 122 sales outlets.

In Poland, net sales grew by 4.9%, including growth of 12.3% in the Food Service network and 16.6% in the Duty Free business, which benefited from a favourable environment, with increased footfall in T2 sales outlets in Warsaw following the closure of T1 for refurbishment, and traffic diverted to Warsaw after the closure of the Modlin regional airport between December 2012 and October 2013. The network totalled 745 sales outlets, an increase of 31 compared to 2012.

In the Czech Republic, the 5.6% increase in net sales in 2013 was driven by the expansion of the network of Food Service outlets and the improvement of the Duty Free offering. Accordingly, while the legacy businesses of the Relay and Inmedio sales outlets edged down 0.4% due to the decline in press sales, the Duty Free businesses (25 airport outlets) achieved growth of 8.5% over the year, with three new sales outlets and a more aggressive sales policy (marketing efforts, better training, etc.). At the same time, the Food Service activity, which includes Paul and Costa sales outlets and the Mr. Baker concept, grew by 21.0%, driven by significant network expansion (14 sales outlets, including ten new Mr. Baker outlets).

In Romania, net sales increased by 4.8% in 2013, thanks to network expansion, which brought in 2.5 percentage points of growth. Seven new sales outlets were opened in 2013, compounding the full-year impact of the 13 openings in 2012.

Excluding network changes, net sales increased by 2.3% on the back of a steep increase in tobacco sales.

In Bulgaria, the network is growing steadily, with 90 sales outlets at year-end, primarily in shopping malls and metro stations (ten additional stores compared to 2012). The subsidiary bolstered its presence in Food Service and diversified its portfolio of brands with Hello!, 1 Minute, Café Inmedio, Bistro Inmedio and the Subway® franchise. Net sales increased by 22.7% in 2013, with growth of 4.4% excluding network changes.

Asia-Pacific

In Asia-Pacific, net sales were up 5%, reflecting:

- a favourable comparison base related to the acquisition of Duty Free Stores Wellington Ltd (16 Duty Free outlets in New Zealand and Australia) in July 2012 (12 months of net sales in 2013, compared to six months in 2012),
- more than offsetting the sharp decline in press and book sales (net sales down 9% at constant scope in these categories in the Newslink retail network) and the closure in early 2013 of six Purely sales outlets in Perth.

Excluding network changes, Newslink and Purely ended the year with sales down 1% and up 4.6% respectively. Unfavourable factors in the trading environment for Newslink included the strong Australian dollar in the first half and a further significant drop in book and press sales. Purely was buoyed by a high level of souvenir sales and business initiatives.

In Asia, strong sales growth of 29.3% stemmed from continued air traffic and network growth in Singapore, Malaysia and China. Lagardère Services now has 97 outlets in the region (an increase of 23 compared with 2012).

In Hong Kong, the drop in press and English book sales was tempered by an effective strategy of diversifying the product mix and the introduction of the So Chocolate concept. In China, after the closure of non-strategic networks in 2012, 2013 was marked by strong growth in fashion sales in airports (Xi'an, Shenzhen). Lastly, in Singapore, growth was generated by fashion (following openings in 2012), Travel Essentials (with new openings of souvenir concepts) and So Chocolate outlets alike.

North America

With a network totalling 241 sales outlets (157 in Canada and 84 in the United States), Travel Retail activity was stable in 2013, down 0.4% or 1.0% excluding network changes, despite declines of 9.2% in press sales and 10.4% in books, after tremendous efforts made to diversify into food, souvenirs and portable accessories.

Including network changes, growth came to 0.6 percentage points (despite the network being reduced by six outlets). Growth was driven by the favourable impact of openings in 2013 (JFK T8, Houston, Detroit, Los Angeles and Trudeau) and the full-year impact of 2012 openings (Austin, Pearson and Edmonton).

In 2014, the subsidiary will step up its diversification strategy, with the opening of several Food Service outlets in Los Angeles.

B.2 Distribution

Integrated retail activities

In Belgium, retail sales were up 0.3% thanks to a strong performance in tobacco (attributable to higher prices) and food, which offset falling press and telephone card sales.

Sales followed the same trend, both excluding and including network changes (growth of 0.3%).

In Spain, the economic environment was not as bleak as in 2012: business was down 2.8% in press sales outlets in both Spain and Portugal, compared with a decline of 10.1% in 2012. Trends improved significantly in the final quarter compared to the rest of 2013, thanks to a recovery in air traffic in most airports.

Diversification projects were launched to make up for the flagging press market. At the end of 2013, the network had seven La Cure Gourmande outlets, seven Jeff de Bruges outlets, one Discover outlet (souvenirs) and one Hello! outlet, which opened in November 2013.

The two fashion boutiques opened in Malaga and Alicante in 2011 grew by 9.4% over the year. The division's fashion operations will be strengthened in 2014 with the gain of a concession in luxury fashion in 2013. The subsidiary will open three new stores at Madrid Airport, one in Barcelona, one in Malaga and one in Valencia in 2014.

Net sales were down 1.1% in Switzerland, due chiefly to the structural decline in press sales.

Naville's retail sales were down a slight 2.6% year on year in 2013, under the impact of a sharp decline of 9.7% in press sales. The network numbered 180 sales outlets at the end of 2013.

The Payot chain, which has 11 bookstores and four Nature & Découvertes stores, posted growth of 1.6% in 2013, driven by increased footfall in bookstores.

In Hungary, a 2012 law that came into force on 15 July 2013 transformed the distribution of tobacco into a state monopoly. The strict application of this law has significantly reduced the number of retailers, from 42,000 to about 6,000. The law had a significant impact on our business in 2013 (loss of €35 million in net sales). Retail sales were down a very substantial 42.3% following the end of tobacco sales and the restatement in the accounts of sales of telephone cards (impact of €25 million on sales, now recognised as commission income as opposed to sales). The network of news-stands numbered 101 at end-2013, representing 137 closures compared to 2012 following the implementation of the

Tobacco Act. The network under the Relay and Inmedio banners stood at 327 sales outlets, 16 fewer than in 2012.

Distribution activities

The distribution business was marked by negative performances in all countries in 2013 in the wake of the continued sharp decline in press markets exacerbated by the economic crisis, although trends recovered slightly in the second half, especially in the final quarter. Continued, sustained diversification in all countries partially offset the decline in press sales.

In Belgium, AMP's distribution activities reported a 5.3% decline in net sales in 2013 due to a faster decline in press sales (volume down 8.9% compared to 2012).

The reorganisation plan launched in 2007 was extended in 2013. After a redundancy scheme affecting 90 people in 2011, 18 additional jobs were cut and key functions were reshuffled. As a result, profitability has improved significantly since 2007.

In Spain, distribution activities fell by 7.4% due notably to adverse trends in the local press market in a persistently troubled economic environment (down 8.4% over the year). Book sales were stable, after a decline of 7.1% in 2012.

There was a marked improvement in the last two months of the year, with an upturn in sales ending a downward trend dating back 18 months.

Diversification efforts continued in a bid to overcome the decline in the press market, with strong sales for Celeritas (logistics and distribution for e-tailers acquired in August 2012), which accounted for 1.9% of net sales in the Distribution business in 2013.

In Switzerland[1], the erosion of press sales, down 8.9%, affected Naville's distribution activities, with net sales down 5.5%. As in Spain, there was a clear improvement in sales trends towards the end of 2013. The distribution of non-press products also fell by 3.5%, due chiefly to a 14.6% drop in telephony sales, despite a good performance in tobacco (up 20.2%) and sundries (up 17.7%).

In Hungary, net sales fell by 6.3% in distribution, due chiefly to non-recurring impacts: change in the method of accounting for telephony sales, modification of the distribution agreement with the Hungarian Post Office, offset by the impact of the company's acquisition of LDS (distribution of convenience products) on 1 January 2013 and Sprinter (home parcel delivery) in May 2013. Excluding these non-recurring impacts, net sales were stable compared with 2012, the decline in press sales being offset by growth in non-press sales, particularly in export markets.

In the United States, the Curtis Circulation Company's consolidated distribution sales were down 9.8% in 2012, in a magazine market severely affected by the economic crisis and the rise of digital.

In Canada, the sales of LS distribution North America (LS DNA) grew by 8.7%, with the diversification into the distribution of food products (24.7% growth for Euro-Excellence over the year and expansion in the United States of Crossings, acquired in early 2013) more than offsetting an 8.3% decline in press sales.

B.3 Objectives and achievements in 2013

Travel Retail

One of the goals of 2013 was to continue the diversification of the product mix in Travel Essentials. To meet this objective Lagardère Services focused its efforts on:

- the development of new product lines, especially in food, souvenirs and accessories;
- the development of new concepts such as Hubiz, Tech2go and iStore;
- the modernisation of stores, with the launch of the new Relay concept;
- the implementation of innovative business initiatives to boost sales.

The second objective involved increasing the pace of expansion in emerging regions. In Asia, sales grew by 30% thanks to the opening of new concessions, notably in China (Shenzhen), Hong Kong and Singapore.

The third objective was to accelerate our organic and external growth. The most significant achievements in this regard were:

- the renewal of the SNCF concession as a joint venture with SNCF for a period of ten years (307 stores);
- the acquisition of one Burger King and 15 Coffee Fellows outlets in Germany;
- the signing of franchises with Subway in Bulgaria and Switzerland (expected in 2014), Eric Kayser at Orly Airport and Simply Food (Marks & Spencer) for Travel Retail in France;
- the integration and development of duty-free operations in Rome and those of DFS WL in the Pacific;
- the gain of numerous concessions in the Avignon TGV, Lille and Tours railway stations, and all sales outlets at the Sofia bus terminal.

Lastly, Lagardère Services signed an agreement to acquire Italian company Airest, which operates in food service (82% of net sales) and Duty Free at Venice Airport. Airest operates approximately 200 sales outlets in 11 countries, and posted 2012 net sales of €211 million. Subject to the approval of the relevant competition authorities, the acquisition could become effective in the first half of 2014.

Distribution

In line with its stated objectives, and in response to the structural decline in print media, LS distribution pressed ahead with efforts to improve productivity and diversify.

The year was particularly eventful in terms of diversification:

- faster migration of retail networks to non-press sales;
- expansion of Euro-Excellence in North America (import and distribution of fine chocolates and foods from Europe) and acquisition of a similar activity in the United States (Crossings);
- acquisition of the operations of Deliterra (formerly Lekkerland) in Hungary (distribution of FMCG products);
- more services to e-tailers in each of its subsidiaries, notably with the development of the activities of Celeritas in Spain and Sprinter Courier Service in Hungary, acquired in May 2013.

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

In late 2013, LS distribution acquired Benjamin's distribution operations in French-Canadian press titles. The acquisition of this activity will become effective in April 2014.

Lastly, the objective of seeking capital, industrial or financial alliances to strengthen LS distribution's strategic positioning was enshrined in a plan launched officially at the end of 2013.

C) OUTLOOK

Lagardère Services' trading outlook in 2014 hinges mainly on changes in airport traffic, press markets and broader economic trends.

For Travel Retail, the objectives are focused on:

- finalising an industrial partnership and combining our activities with those of Airest (a subsidiary of Italian group Save);

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

- integrating Gerzon, which operates 12 fashion stores at Schiphol Airport in the Netherlands, acquired on 3 January 2014;
- 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.

In Distribution, the objectives are:

- to find investors for LS distribution's activities in Belgium, Hungary, Switzerland, Spain and Canada. Depending on the outcome, the process could lead to the deconsolidation or disposal of these activities in 2014. All options are open at this stage;
- potentially, to make small acquisitions in order to accelerate the rollout of business development plans.

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.

5.2.3 LAGARDÈRE ACTIVE

The following comments describe the position of Lagardère Active based on its 2013 scope and business developments.

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.

A.1 Magazine Publishing

Lagardère Active is the leader in Magazine Publishing for the general public in France[(1)], boasting 37 titles plus other licensed titles published internationally (87 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*, *Le Journal du Dimanche* and *Télé 7 jours*.

Net sales for the Magazine Publishing business represent 57% of Lagardère Active's total.

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 21% of Lagardère Active's net sales, of which 27% are generated outside France. 82% 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 nearly five million[(2)] 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 events.

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, rock and electro hits and new tracks. Virgin Radio has nearly 2.2 million listeners every day.[(2)]

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 among adults[(2)], attracting nearly 2.5 million listeners every day[(2)].

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 tune in to its 19 radio stations, mostly music channels[(3)].

In all the countries where it operates, LARI is a major player in the private radio station market:

- number one in the Czech Republic, where it has five radio stations, including Evropa 2, the undisputed leader among young people, and Frekvence 1, the country's second most popular station[(3)];
- number two in Poland, where it has five radio stations, including Radio Zet, one of the country's leading stations with more than six million listeners daily[(4)];
- number two in Romania, where it has three radio stations, including Europa FM, which ranks among the country's top three radio stations[(5)];
- leading radio station in Saarland, Germany, with Radio 5 Salü[(6)];
- leading private regional radio station in South Africa for over a decade with Jacaranda;[(7)]
- among the top four radio stations in Slovakia, with Europa 2[(8)].

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

(1) 2012-2013 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) Source: Médiamétrie 126,000; average Monday-Friday; 5am-midnight; November-December 2013 wave.
(3) Source: Radio Project 2013 LV12+.
(4) Source: SMG KRC Radio Track September-November 2013; LV15+.
(5) Source: IMAS May-August 2013 LV11+.
(6) Source: AS&S MAII 2013 & E.M.A II 2013 LV10+.
(7) Source: RAMS 2013/5 LV15+.
(8) Source MML SK Q2+Q3 2013 LV14+.

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 2013 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 pay channels are broadcast exclusively by CanalSat and Numéricable in France. In Russia, TiJi and Canal J are also broadcast on satellite and include purpose-made programmes.

Gulli, a freeview Digital Terrestrial Television (DTT) channel, rounds out the youth package. Gulli is 66%-owned by Lagardère Active and 34%-owned by France Télévisions.

Lagardère Active's package for the youth and family market is the leader in its segment, and 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 every month(2). Mezzo is 40%-owned by France Télévisions.

Mezzo Live HD Asia was launched on 4 January 2014 in the Asian region.

Thanks to this diverse offering, Lagardère Active is a major player in the television market. The Gulli channel captured the eighth-highest DTT audience share in 2013(3), with 1.7% of audience share among children aged four and over across France. Most importantly, it was the second most popular daytime channel (7am-7pm) among children aged 4-10, with 15.5%(3) of audience share, behind TF1 (16.4%).

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.

By contrast, freeview DTT channels are available to all, and derive most of their revenues from advertising, since they have a very large pool of potential viewers.

On 12 December 2012, six new channels were added to the DTT offering. These channels are not available yet in all geographic areas in France (65%), 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) and programmes for immediate broadcast (features, light entertainment, prime-time access).

In 2013, net sales generated by Audiovisual Production and Distribution represented almost 16% of Lagardère Active's total sales.

Lagardère Entertainment maintained its rank as the leading producer of drama in 2013, with over 95 hours of original drama programmes broadcast in prime time between 1 September 2012 and 31 August 2013(4). For the first time, it also became the leading producer of programmes for immediate broadcast, with 957 hours and 32 minutes of programming(5).

These 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.

A.5 Advertising Sales Brokerage

Lagardère Publicité enjoys a unique positioning in France, with more than 100 brands marketed via six media (press, radio, television, Internet, mobiles and tablets) and operations in all major publishing environments:

- the leading French magazine advertising sales agency, with leadership positions in women's, current affairs, parent and TV magazines;
- 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 30.1%, and in advertising sales targeting high-spending adults in top occupational categories CSP+I**, with a commercial audience share of 24.4%(6);
- 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(7);
- it has a strong digital presence with 50 websites (including 20 premium websites). This gives it a point of access to almost half of the Internet-connected population: 45.7% of Internet users are covered (21.4 million unique visitors, or UVs)(8), making Lagardère Publicité the seventh-largest advertising sales agency on the market. With its offering of 16 smartphone applications and 11 tablet applications, Lagardère Publicité is a leading advertising sales broker agency that is driving innovation in digital applications.

A.6 Digital

In 2013, Lagardère Active consolidated its positions in its Digital business, which represents nearly 10% of its net sales.

Lagardère Active operates in Digital 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, LeGuide.com and BilletReduc.com).

(1) Source: CSA; 2013 study conducted on awareness of additional channels; April 2013.
(2) Source: Médiamat'Thématik; wave 25.
(3) Source: Médiamétrie – Médiamat 2013; 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: *Écran Total* – Ranking of drama producers – 11 September 2013.
(5) Source: Ranking of producers of programmes for immediate broadcast prepared by the magazine *Écran Total* for the period from 1 September 2012 to 31 August 2013.
(6) Source: Médiamétrie - 126,000 Radio; September-October 2013; 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.
(7) Source: Médiamétrie Médiamat, January-November 2013; Médiamat'Thématik, January-June 2013.
(8) Source: Médiamétrie NetRatings, all connection sites; October 2013.

Lagardère Active still holds the top spot among media groups in terms of Internet audience, with over 19 million UVs[1] in France.

The LeGuide group, an operator of online shopping guides, comparison websites, shopping search engines and customer review platforms, is number one in Europe, with 19.3 million UVs[2]. LeGuide has a team of 180 employees. It operates in 14 European countries through a multi-site strategy based on several subsidiaries, including LeGuide.com, Ciao, Dooyoo.com, Webmarchand.com and Choozen.com. LeGuide, which references 155 million offers from 82,300 e-tailers, reported net sales of €45.6 million in 2013.

Lagardère Active is the leader on the French mobile market, with more than 5 million UVs[3] in October. The 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 as Télé7, Public and Gulli.

B) OPERATIONS DURING 2013

Contribution to consolidated net sales in 2013: €997 million (across the scope of Lagardère Active) (€1,014 million in 2012).

Breakdown of net sales by activity

	2013	2012
Press	**56.5%**	56.8%
of which: Magazine Publishing Other activities, of which Digital Pure Player	**49.1%** **7.4%**	51.1% 5.7%
Audiovisual	**43.5%**	43.2%
of which: Radio Television production and channels	**20.8%** **22.7%**	20.4% 22.8%
Total sales	**100.0%**	100.0%
of which: Digital activities	**9.8%**	7.9%

Breakdown of net sales by geographic area

	2013	2012
France	**87.3%**	88.0%
International	**12.7%**	12.0%
Total sales	**100.0%**	100.0%

B.1 Magazine Publishing in France

In 2013, Lagardère Active confirmed its leadership position in circulation and advertising in Magazine Publishing, both overall and in nearly all of its markets.

In October 2013, Lagardère Active announced a strategic decision to refocus its portfolio on its leading brands, which have decisive scope for digital development. The titles earmarked for disposal are *Auto Moto, Be, Campagne Décoration, Le Journal de la Maison, Maison & Travaux, Mon Jardin & Ma Maison*, *Psychologies magazine* and *Union*, as well as their digital extensions. There is also a plan to sell the print editions of *Première* and *Pariscope*.

There was a great deal of pressure on per-issue sales, and net sales from circulation were down 5.4% overall, although subscriptions held up well. Lower volumes of per-issue sales were offset by price increases on key titles: *Paris Match, France Dimanche, Ici Paris, Elle, Public*.

- In the fiercely competitive high-end women's magazine segment, *Elle* delivered one of the best performances in its market in 2013, with its paid distribution in France[4] down 3.6% in a broader market down 6.4%.
- Lifestyle magazines performed well: Lagardère Active titles outperformed the market as a whole. In a broader market down 5.4%, *Art & Décoration* held up well (down 3.8%) thanks in part to a 5% increase in subscriptions, *Elle Décoration* outperformed the market with a decline of 5.2%, as did *Maison & Travaux* (down 4.3%). *Mon Jardin & Ma Maison* recorded the weakest performance among Lagardère Active lifestyle magazines (down 7.9%) due to the severe impact of turbulent weather on the gardening market in the first half of 2013.
- Like the national dailies, *Le Journal du Dimanche* recorded lower paid distribution in France.
- *Paris Match* recorded trends consistent with its segment. Leader in its market, it maintained a lead of 75,000 copies over its closest competitor, *Le Nouvel Observateur*.
- Lagardère Active is the market leader in celebrity magazines, with market share of 48%. Amid a downturn in this market, *France Dimanche* and *Ici Paris* held up particularly well and fared better than the market as a whole. Along with its competitors on the celebrity youth market, *Public* had a tough year. It is noteworthy however that *Public*'s digital editions are the clear market leader, selling twice as many copies as the title's closest competitor.

(1) Source: Médiamétrie NetRatings, all connection sites; average January-November 2013.
(2) Source: Comscore; December 2013.
(3) Source: Médiamétrie; October 2013.
(4) 2012-2013 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.

- *Télé 7 Jours* remained the leader in its field, with an average circulation of 1,284,000 copies. It again reported the strongest trend in per-issue sales in 2013, and still has the largest subscriber base in paid distribution in France.

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

- Despite a declining market, *Elle* maintained its market share. It remained the undisputed leader in its segment and maintained its lead over its competitors.
- *Version Femina* recorded an increase in its page volume in 2013 and regained market share from *Femme Actuelle*.
- 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* fell compared to 2012.
- *Télé 7 Jours* maintained market share and confirmed its leading position, despite the structural decline in the TV press.
- In the parent segment, *Parents* increased its market share by 3.4 percentage points, keeping ahead of its rivals.
- In terms of licences abroad, sales were up in 2013. Magazine Publishing continued to roll out its brands with the launch of *Elle* in Australia (September 2013), *Elle Décoration* in Mexico (April 2013) and two editions of *Elle Men* in Hong Kong (September 2013) and Thailand (November 2013). The network is poised to see further expansion, with the planned launch of *Elle* in Malaysia in March 2014 for instance.

B.2 Radio

Europe 1

Since 2011, Europe 1 has worked hard to change its image, and become a challenging, upbeat and talked-about radio station, setting the standard in news.

The strategy is to rely on the station's two pillars, news and entertainment, so as to offer listeners greater expertise, stronger, more outspoken opinions, combined with uninhibited, offbeat and surprising content that stimulates listeners.

Its efforts last season and at the start of the 2013-2014 season are paying off: in the Médiamétrie November-December 2013 wave, the station recorded the biggest increase in audience among general-interest radio stations.

This is the fourth consecutive wave to show an increase in the station's audience(1).

Europe 1 has a loyal following, with 4,949,000 listeners every day, an increase of 156,000 people year on year.

Europe 1 recorded outstanding performances on all indicators:

- cumulative audience share of 9.4%, a gain of 30 basis points year on year;
- 133 minutes of listening time, an increase of 10 minutes year on year;
- audience share of 8.6%, a gain of 1 percentage point year on year.

Its attractiveness among market targets and adult targets was reinforced:

- best market share in the 25-59 age group since the introduction of the "13+" category: 7.5%;
- best market share among CSP+ listeners since the introduction of the "13+" category: 10.2%;
- Europe 1 is France's number one private radio station among CSP+ and executive listeners.

The breakfast programme presented by Thomas Sotto, which attracts 3,311,000 listeners every day, won 210,000 new listeners compared with the start of the 2012-2013 season (46,000 more listeners year on year).

Many other programmes gained audience over the year: *Les pieds dans le plat* with Cyril Hanouna, *Europe 1 Midi* with Wendy Bouchard, *Au coeur de l'histoire* with Franck Ferrand, *Europe 1 Soir* with Nicolas Poincaré, *Des clics et des claques* with David Abiker and Guy Birenbaum and *Europe 1 Social Club* with Frédéric Taddéi.

Two of the station's flagship programmes performed particularly well:

- *On va s'gêner* with Laurent Ruquier: 300,000 additional listeners. The show recorded an all-time high of 1,832,000 listeners, 199,000 above its previous record (S/O 2013);
- *La Libre Antenne* with Caroline Dublanche: 77,000 additional listeners. *La Libre Antenne* has become a hit, recording an all-time high of 422,000 listeners each day, making Europe 1 France's leading radio station in the 11pm-1am timeslot.

Europe 1 also continued its transformation into a global brand:

- at the heart of new connected trends, with *Des clics et des claques* (#DCDC) and a community platform dedicated to politics (Le Lab);
- open to diversification through various shows (*Salut les copains*, *DISCO*, etc.);
- influential on social networks (Facebook, Twitter, Google+);
- present and influential on digital formats (web, podcast and streaming, live video, digital apps, second screen, etc.).

Music radio

Virgin Radio started the 2013-2014 season with Christophe Beaugrand presenting *Virgin Tonic* between 6am and 9am, and the phone-in show *Enora le soir* between 9pm and midnight.

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

Virgin Radio has refocused on a pop, rock, electro and young adult format. It gained more than 112,000 listeners aged between 25 and 49 over the year, increasing its audience share by 60 basis points and adding 7 minutes to average listening time(2).

RFM is the second most popular music station for adult listeners(2).

At the start of the 2013-2014 season, RFM again joined forces with Bruno Roblès and Justine Fraioli for the breakfast programme, *Le meilleur des réveils*, daily from 6am to 9am.

From 5pm to 8pm, Guillaume Aubert and Sophie Coste enliven evening drive time with gossip, cinema, music and interviews.

On the last wave of the year, RFM recorded its best audience (2,473,000 listeners and 4.7% cumulative audience) in the last six years(3). This again demonstrated the consistency and attractiveness of RFM's programming and the music it plays.

(1) Source: Médiamétrie, November-December 2013; LV; 5am-midnight; cumulative audience listeners 13+, audience share among CSP+ listeners aged 25-59.
(2) Source: Médiamétrie 126,000 Radio; 13+; November-December 2013, Monday-Friday; 5am-midnight; change in one wave unless otherwise stated.
(3) Source Médiamétrie 126,000 Radio, Monday-Friday; 5am-midnight; change from 2006 to 2013 on the November-December wave.

1 2 3 4 5 6 7 8 9 10 11

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

	Nov.-Dec. 2013	Sept.-Oct. 2013	Nov.-Dec. 2012	Nov.-Dec. 2011	Nov.-Dec. 2010
Virgin Radio	**4.10%**	**4.10%**	4.10%	4.60%	4.40%
RFM	**4.70%**	**4.20%**	4.20%	4.60%	4.40%
Europe 1	**9.40%**	**9.20%**	9.10%	9.40%	8.90%

Source: Médiamétrie.

International radio

Internationally, 2013 was a year of contrasted advertising activity by country, with strong growth in Romania and Germany, but declines in Poland, the Czech Republic and Slovakia.

Lagardère Active Radio International (LARI) launched two innovative radio formats during the year.

In the Czech Republic, LARI began broadcasting on frequencies acquired from BBC Radiocom in March 2013, in a new info-talk format devoted to business and finance news.

In Poland, LARI created a new brand – RadioZet Gold – launched on 1 July 2013, reinforcing the core RadioZet brand, and ushering in a new music format for the 40-59 age group.

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 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. In December 2013, a new agreement was signed by LARI's advertising sales brokerage in the Czech Republic for the marketing of six Radio United Group stations in the domestic market from January 2014, thereby strengthening its market leadership in this country.

LARI also continued its digital expansion in 2013, to keep abreast of new patterns of listener behaviour and to strengthen the commercial offers of its digital advertising sales activities, especially in the Czech Republic and Poland.

In cumulative terms, LARI's radio stations each day attract:

- 7.5 million listeners in Poland(1) (up 0.3 million year on year);
- 2.3 million listeners in Romania(2) (down 0.2 million year on year);
- 1.9 million listeners in the Czech Republic(3) (stable over the year);
- 1.0 million listeners in South Africa(4) (up 0.1 million year on year);
- 0.5 million listeners in Germany(5) (down 0.1 million year on year);
- over 300,000 in Slovakia(6) (stable over the year).

Overall, LARI attracts over 13.5 million listeners every day.

B.3 Television channels

Between 2012 and 2013, the audience share of first-generation DTT channels (launched in 2005) was stable at 22%(7). These figures mask contrasting trends: while D8, taken over by Canal+ in October 2012, grew significantly (by 0.9 percentage points), and BFM TV and D17 grew moderately (up 0.1 percentage points), most other channels lost audience (declines of 0.3 percentage points for W9 and France 4, and 0.2 percentage points for TMC, NRJ 12 and Gulli). Only NT1 and i>Télé remained stable.

Over the last year, these channels no longer benefited from increasing coverage: as of the end of 2011, 95% of the French population already had access to DTT.

The French audiovisual landscape was also affected by the launch in late 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 channels accounted for 1.5% of national audience share. In 2013, they represented audience share of 2.3%, an increase of 0.8 percentage points. As their initialisation is not complete, they have scope to grow further in the years to come.

The new HD channels grew mainly at the expense of the terrestrial channels (which lost 1.8 points, although the six historical channels still account for two-thirds of television consumption with 65% audience share) and some special-interest channels (down 0.5 percentage points to 10.7% audience share).

In this market, combined with the economic difficulties of 2013, Gulli's advertising revenues were down 11% compared with 2012.

In 2013, Gulli reached an average 34,000,000 viewers(8) aged four and over every month.

The channel had its highest audiences during prime time. In 2013, Gulli's audience topped one million on two occasions, with the movies *Planète 51 (Planet 51)* (1,216,000 viewers aged four and over on average) and *La coccinelle revient (Herbie: Fully Loaded)* (1,115,000 viewers aged four and over on average).

The channel grew significantly in the second half of 2013 compared with the first half:

- up 16% in the 4-10 age group from 7am to 7pm, with audience share increasing from 14.4% to 16.7%. This was the second-largest increase among channels covered by the Médiamat survey;
- up 33% among mums from 8pm to midnight. Gulli's increase in audience share from 1.2% to 1.6% was the biggest among channels covered by the Médiamat survey in this target;
- up 13% in the 4+ age group from 3pm to 3am, with audience share increasing from 1.6% to 1.8%. Gulli logged the biggest increase among Médiamat channels in this target as well.

In the second half, Gulli was the leader in the French audiovisual daytime landscape (7am-7pm) among viewers aged 4 to 10.

Lagardère Active's youth channels hold a 34% share of the audience for children's channels.(9)

(1) Source: SMG KRC Radio Track September-November 2013; LV15+.
(2) Source: IMAS May-August 2013 LV11+ National and IMAS; May-August 2013 LV11+ Bucharest.
(3) Source: Radio Project 2013 LV12+.
(4) Source: RAMS 2013/5: LV15+.
(5) Source: AS&S MAII 2013 and E.M.A II 2013; LV10+.
(6) Source: MML SK; Q2+Q3 2013; LV14+.
(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, D8, France 4, Gulli, i>Télé, LCP, NRJ12, NT1, TMC, D17, W9 and France Ô.
New HD DTT channels: HD1, L'Équipe 21, 6ter, Numéro 23, RMC Découverte HD and Chérie 25.
Special interest channels: Total TV (historical terrestrial TV channels + DTT channels).
(8) Source: Médiamétrie – Médiamat; consolidated audience.
(9) Source: Médiamétrie - Médiamat' Thématik; January-June 2013; consolidated audience; audience share 4-10 year olds; extensive offering; average Monday-Sunday; 3pm-3am.

TiJi and Canal J are respectively in seventh and tenth positions on cable and satellite television (for pay channels) in the 4-10 age group, with respective audience share of 2.5% and 2%[(1)].

Canal J logged its best performances in four years. It ranks among the top 5 special-interest channels on its core target, 8-12 year olds, and posted the biggest increase in youth channels compared with the previous wave across all target age groups in the children's segment:

- up 77% and five places in 8-12 year olds, with 2.3% audience share;
- up 56% and five places in 4-10 year olds, with 2.5% audience share;
- up 50% and two places in 4-14 year-old boys, with 2.4% audience share;
- up 38% and two places in 4-14 year olds with 1.8% audience share.

TiJi, by contrast, did not do well in this wave.

In just four years, June has become the most female-dominated channel in the French audiovisual landscape, with women viewers aged 15 and over comprising 71.7% of its audience.

It is also the top-ranking channel in terms of affinity among women aged 15 and over (reading of 166.8).

It also ranked second among special-interest channels for women aged 15-24[(2)], up 7% in one wave in audience share and up two places on that target.

The MCM offering (MCM, MCM Top and MCM Pop) is the leading music and entertainment offering among men aged 15-34 (0.4% of audience share)[(3)].

MCM still ranks in the top 10 special-interest channels among men aged 15-24 with 0.4% of audience share.

Moreover, it gained 17% on this target in the pay offer compared to the last two waves[(2)].

The Mezzo brand began its move into Asia in October 2013. Its commercialisation will be effective in 2014.

The localised versions of TiJi and Gulli in Russia, launched in May 2009 on the NTV+ satellite platform, continued to increase viewing figures in Russian-speaking regions and increased their earnings in 2013 after breaking even in 2012. Broadcast in Russian, these channels use a subscription-based business model. At the end of November 2013, a total of 7.7 million households[(4)] were subscribed to TiJi in nine countries (up 54% from 2012) and 4.4 million[(4)] to Gulli (up 175% from 2012). In Russia, TiJi also received the award for the country's best preschool pay channel.

To optimise brand positioning, raise profiles and anticipate new television consumption patterns by imagining new ways of supplying content, the TV division has stepped into the digital age, developing apps for mobile, tablets and connected TV, Xbox, catch-up TV, video on demand and websites. In 2013, it also offered split screens to its key advertisers.

Examples include:

- an average of more than 8.5 million monthly viewings on Gulli Replay in 2013. Consumption was up 40% compared to 2012 and September saw a record of more than 10.8 million video views[(5)];
- more than 1.3 million downloads of the Gulli app, available on iOS, Android and Windows 8.

Diversification also continued. A second Gulli Park was opened in 2013, and numerous special operations were held in winter sports resorts, extending the diversification of the Gulli brand, which dates back to 2011.

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

For Lagardère Entertainment, 2013 was characterised by the continued success of the short drama *Nos chers voisins* co-produced by Aubes Productions and Ango Productions, and broadcast on TF1, and the successful launch of a second short format, *Pep's*, also on TF1 and produced by Ango Productions.

Atlantique Productions continued to grow abroad, with the second season of *Borgia* for Canal+ and the detective series *Jo* for TF1, which stars Jean Reno.

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

Lagardère Entertainment decided to discontinue its production of animated series, transferring ongoing projects to its managers in order to focus on the production of drama and programmes for immediate broadcast.

2013 also saw a slight decline in the number of hours spent watching TV in France (3 hours and 46 minutes per day, according to Médiamétrie, 4 minutes less than in 2012).

Despite the December 2012 launch of six new freeview DTT channels, TF1 and the France Télévisions group remained the biggest players on the French market – as well as Lagardère Entertainment's main clients – in 2013.

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

B.5 Digital

In 2013, Lagardère Active consolidated its positions on its media websites.

Doctissimo.fr, health information and wellness leader with over 8 million unique visitors (UV)[(6)] consolidated its position in the field of e-health by acquiring a stake in MonDocteur.fr, the leading website for booking medical appointments, which already boasts 30,000 users in Paris. Doctissimo.fr is also preparing to launch Doctipharma, a service allowing French chemists to create online pharmacies.

BilletReduc.com was voted "Best Online Ticketing Site" by the French Federation of e-tailers and Distance Retailers *(Fédération e-commerce et vente à distance* – Fevad) in 2013. France's leading discount bookings player, it continued its strong growth, selling over 2.7 million tickets.

Boursier.com, the biggest provider of financial information in France, launched a wealth management page – L'Argent & Vous – with a view to diversifying its offering and reaching individual customers.

(1) Source: Médiamétrie - Médiamat' Thématik; January-June 2013; consolidated audience; pay channels; average Monday-Sunday; 3pm-3am.
(2) Source: Médiamétrie - Médiamat' Thématik; January-June 2013; consolidated audience; pay channels.
(3) Source: Médiamétrie - Médiamat' Thématik; January-June 2013; consolidated audience; extended channels.
(4) Source: Local reporting, Russia.
(5) Sources: Estat, Free, SFR, Bouygues, Orange, YouTube, AT Internet, Samsung and Xbox.
(6) Source: Médiamétrie NetRatings, all connection sites; January-December 2013.

In 2013, and particularly in the second half, the LeGuide group faced the large-scale deployment of Google Shopping, which resulted in a significant decline in traffic for all market players. LeGuide nevertheless remained active, launching a number of projects to restore growth by developing alternative sources of traffic and rolling out innovations. It developed powerful tools in 2013, including a new data centre, a business intelligence platform and a new SEM traffic acquisition optimisation platform.

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

In September 2013, the Elle.fr website, which each month attracts nearly 2.0 million UVs[1], adopted a new visual identity and a new logo, and has turned the spotlight on photography. This innovative site follows a responsive design approach so as to adapt to all media (computers, mobiles and tablets) and to provide a more comfortable reading experience.

The Public app recorded growth of 60% between 2012 and 2013 (in visits)[1], and in 2013 confirmed its leading position in the women's/celebrity segment, topping the OJD ranking of apps in this segment throughout the year. The Public.fr website also confirmed its vitality in 2013, cementing its leading position in its segment, with more than 3.0 million monthly UVs on average over the year[1].

With 2.0 million UVs[1] in December 2013, Télé7 – *Télé 7 Jours*' TV guide app – was ranked fifth among TV apps by the OJD.

Europe1.fr performed very well in its digital activities in 2013:

- the station's website had an average of over 2.4 million UVs[1] every month between January and December 2013;
- for 24 consecutive months, Europe 1 has been one of the most downloaded radio stations in France: in December 2013, it reached 7.1 million podcast downloads in France (up 20% year on year) and more than 10 million worldwide[2].

The top three downloaded programmes were unchanged from the previous year. *La revue de presque,* with Nicolas Canteloup, remains the station's most popular podcast, followed by *On va s'gêner,* which reached new highs this year, and *Au coeur de l'histoire.*

The number of visitors on the mobile application, which is available on all platforms, now exceeds 11 million. This app is one of the top 20 most visited apps in France.

B.6 Objectives and achievements in 2013

In 2013, given the difficulties in the advertising market, Lagardère Active reduced its exposure to advertising, which represented 40.1% of its total net sales, compared with 41.5% in 2012.

Lagardère Active focused on strengthening its key brands, with the use of digital technologies (CRM, analytics), the development of initiatives such as Doctipharma and MonDocteur.fr, and the announcement of a rescaling focused on key brands.

The strategy of developing the key brands will involve a new organisation, enabling managers to use all operational levers to promote the uniqueness and value of its brands. The reorganisation will be effective in 2014.

The division also continued to cut costs as promised.

C) OUTLOOK

At the present time, visibility on the advertising market in 2014 remains poor for magazines, radio and Internet media.

Lagardère Active will therefore continue its efforts to cut costs.

The rescaling, with a reorganisation focused on key brands and the sale of *Auto Moto*, *Be*, *Campagne Décoration, Le Journal de la Maison*, *Maison & Travaux*, *Mon Jardin & Ma Maison*, *Psychologies magazine*, *Union,* and the print editions of *Pariscope* and *Première*, will continue in 2014.

5.2.4 LAGARDÈRE UNLIMITED

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

Lagardère Unlimited is a global leader in Sports and Entertainment.

Present in more than 20 countries, its network offers innovative and integrated solutions to its customers and partners, helping them grow the value of their rights over time.

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 sporting, cultural and/or artistic events.

Organisation and management of sporting events

Lagardère Unlimited owns, organises and produces sporting events (tennis, golf, cycling, triathlon, etc.) and major musical performances. These activities represent a diversified positioning in the Sports Industry and Entertainment businesses.

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.

Production of content and management of media rights

Lagardère Unlimited manages the broadcast rights for sporting 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 and leading sports clubs

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

(1) Source: Site-Centric.
(2) Source: Médiamétrie eStat; Catch Up Radio; December 2013; France.

1 2 3 4 5 6 7 8 9 10 11

A.1 Europe and Africa

Consulting in the management and operation of stadiums and sports grounds

Lagardère Unlimited Stadium Solutions advises its clients on developing, managing and operating stadiums and multipurpose venues. Its offer allows it to build long-term relationships with venue owners. Lagardère Unlimited Stadium Solutions has had upstream involvement in several major projects, including the 2015 IHF World Men's Handball Championship in Qatar, the UEFA Euro 2016™ in France and the FIFA World Cup 2018™ in Russia. The entity also provides advice to rights holders of European football stadiums and sports leagues.

Organisation and management of sporting events

Since 2013, Lagardère Unlimited Events has accommodated the legacy activities of Upsolut and Pr Event, as well as the Sportfive events.

Lagardère Unlimited Events organises mass, endurance events including cycling and triathlons. Owner and organiser of the ATP 250 Skistar Swedish Open and the WTA Collector Swedish Open in Båstad, it also organises the ATP 250 IF Stockholm Open.

Lagardère Unlimited Events has also been active in golf since its acquisition of the Nordea Masters (European Tour tournament held in Scandinavia) and the Helsingborg Open (Ladies European Tour tournament).

It draws on its expertise and network to organise training sessions, matches and friendly tournaments for European clubs and national football federations, and since 2013 has organised, through Sportfive, the Hand Star Game.

Lagardère Unlimited Live Entertainment produces and co-produces several musicals including *Salut les copains*, *Dracula*, *Cendrillon*, *Elle en scène* and *DISCO*. It also holds a 20% share in the company that operates the Zénith concert venue in Paris, 90% of the company that operates Folies Bergère and 51% of Marques Folies Bergère.

Marketing of sports rights and associated products

The majority of marketing rights sold by Sportfive cover 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 in 2011 and 2012, and Champions League finalist in 2013) and is a non-exclusive partner of many other German clubs.

In the United Kingdom, Sportfive is a specialist in the sale of advertising space for football clubs (panel advertising at grounds).

In the Netherlands, Sportfive is FC Utrecht's exclusive commercial partner.

Sportfive also manages the rights of the Confederation of African Football (CAF) and rights relating to other sports including tennis, rugby, basketball, handball, motor sports and winter sports.

Production of content and management of broadcasting rights

In 2013, Lagardère Unlimited merged the media activities of Sportfive and IEC in Sports.

Sportfive's 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 Confederation of African Football.

Stockholm-based IEC in Sports specialises in the distribution of sports media rights. It represents more than 200 sports rights holders in dealing with broadcasters. Its portfolio of media rights comprises over 22 major WTA tournaments (women's tennis), including the Premier Event Series in partnership with Perform. IEC in Sports also distributes media rights to many Olympic events, including the IAAF World Championships in Athletics in 2013, and the events of the International Swimming Federation and International Gymnastics Federation.

IEC in Sports and Sportfive also provide rights holders with production and post-production services.

IEC in Sports manages the production of several events run by SportAccord, an umbrella organisation of major international sports federations.

Management of sports academies and leading sports clubs

Since September 1, 2006 and for a period of 20 years, the Lagardère group has held the operating rights of Lagardère Paris Racing, including the operation of La Croix Catelan site in the Bois de Boulogne and the Rue Eblé sports centre in the 7th arrondissement of Paris.

A.2 Asia-Pacific and Middle East

The Asia-Pacific and Middle East region is operated by World Sport Group (WSG).

Talent representation

WSG represents top-level Asian golfers and cricketers (including Sachin Tendulkar and Gautam Gambhir), putting them in contact with partners seeking long-term brand association with popular sports personalities.

Consulting in the management and operation of stadiums and sports grounds

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

Organisation and management of sporting events

WSG is co-founder and business partner of OneAsia (Asian golf tour). WSG is also the promoter of four tournaments on this tour, including the Singapore Open and the Australian Open.

In 2013, WSG was chosen by the WTA to organise the next five WTA Championships (final tournament of the women's tennis season), to be held in Singapore from 2014 to 2018.

Marketing of sports rights and associated products

WSG's portfolio of marketing rights chiefly comprises the AFC (Asian Football Confederation) and the OneAsia circuit.

Production of content and management of broadcasting rights

WSG 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. It 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, based near Tampa, Florida, cementing its foothold in 2011 with the acquisition of Gaylord Sports Management. Lagardère Unlimited expanded further in 2013, acquiring Crown Sports Management and Jeff Sanders Promotions.

Talent representation

Lagardère Unlimited represents approximately 200 athletes in three main disciplines: golf, tennis and American football.

The portfolio of represented athletes includes Phil Mickelson, Keegan Bradley, Jordan Spieth and Brandt Snedeker in golf, Andy Murray, Victoria Azarenka, Caroline Wozniacki, Richard Gasquet and the Bryan brothers in tennis, and Reggie Bush, Terrell Suggs, Percy Harvin and Patrick Peterson in American football.

Organisation and management of sporting events

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

Marketing of sports rights and associated products

In the United States, Lagardère Unlimited advises brands and rights owners.

Production of content and management of media rights

Lagardère Unlimited's portfolio of media rights mainly comprises rights to tennis tournaments, including the sale of the international broadcast rights to the US Open.

B) OPERATIONS DURING 2013

Contribution to consolidated net sales in 2013: €409 million (€471 million in 2012).

Breakdown of net sales by activity

	2013	2012
TV rights and production	**38.0%**	40.2%
Marketing rights	**41.9%**	43.2%
Other	**20.1%**	16.6%
Total sales	**100%**	100%

Breakdown of net sales by geographic area

	2013	2012
Europe	**66.6%**	59.1%
Asia-Pacific	**14.1%**	20.7%
United States and South America	**7.1%**	6.8%
Africa	**8.4%**	8.3%
Middle East	**3.8%**	5.1%
Total sales	**100%**	100%

Breakdown of net sales by sport

	2013	2012
Football	**67.6%**	72.3%
Tennis	**7.6%**	5.1%
Rugby	**0.4%**	0.4%
Golf	**3.5%**	5.3%
Other sports	**20.9%**	16.9%
Total sales	**100%**	100%

The weighting of "**Marketing**" activities edged down slightly (42% in 2013, compared to 43% in 2012) due for WSG to the absence in 2013 of qualifying matches for the Olympic Games (football), the switch of the AFC contract to a commission format (as opposed to buy-out previously), which reduces the amount of revenue recognised, and the decline in sales in golf (the Singapore Open was not held in 2013).

"**Other**" activities gained ground (20% in 2013, compared to 17% in 2012) thanks to the development of consulting activities (Lagardère Unlimited Stadium Solutions, Sports Marketing and Management) and Live Entertainment.

The weighting of "**Media**" activities decreased slightly (38% in 2013, from 40% in 2012) due for WSG to the absence in 2013 of qualifying matches for the Olympic Games (football), and the switch of the AFC contract to a commission format (as opposed to buy-out previously), which reduces the amount of revenue recognised, and, for Sportfive, to the non-renewal of contracts with Football leagues.

Geographically speaking, the weighting of the **Africa** region was stable (8% in 2013, unchanged from 2012), owing mainly to the organisation of the Africa Cup of Nations in 2013, as well as in 2012.

Asia (14% in 2013, 21% in 2012) declined due to the absence in 2013 of qualifying matches for the Olympic Games (football) and the switch of the AFC contract to a commission format (as opposed to buy-out previously), which reduces the amount of revenue recognised.

The share represented by the **United States and South America** region was stable (7% in 2013, unchanged from 2012), the acquisitions of Crown Sports Management and Jeff Sanders Promotions having been made towards the end of the year. The weighting of the **Middle East** (4% in 2013, compared to 5% in 2012) declined due to the fact that 2013 was not an Asian Cup year.

Europe declined in value (by €6 million) due to the non-renewal of contracts with Football leagues and the fact that 2013 was not a UEFA Euro or Olympic Games year, which adversely affected Zaechel's activity. However, the region's proportionate weighting in Lagardère Unlimited's total sales increased (67% in 2013, from 59% in 2012) due to the extent of the decline in Asia.

The proportion of sales derived from "**Football**", a major sport for Lagardère Unlimited, slipped to 68% in 2013 from 72% in 2012. The two reasons for this decline were the absence in 2013 of qualifying matches for the Olympic Games (football) and the switch of the AFC contract to a commission format (as opposed to buy-out previously), which reduces the amount of revenue recognised. The proportion of sales derived from "**Tennis**" increased (8% in 2013, from 5% in 2012), mainly due to the contribution of the contract signed by IEC with Perform to market some of the WTA's international media rights.

The share of "**Other Sports**" (excluding tennis, golf and rugby) increased (21% in 2013, from 17% in 2012), due mainly to the growth of the activities of Lagardère Unlimited Live Entertainment, Lagardère Unlimited Stadium Solutions and SMAM in Australia over the full year.

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

Consulting in the management and operation of stadiums and sports grounds

In 2013, Lagardère Unlimited Stadium Solutions expanded its activities in France, preparing for the UEFA Euro 2016™, advising on the organisation of the World Equestrian Games in 2014, supporting the contractor of the city of Sarcelles in its plan to build a multifunctional arena, and advising the National Rugby League and the National Basketball League in resolving their venue issues.

Lagardère Unlimited Stadium Solutions also strengthened its international operations with new consulting contracts in Russia, in the lead-up to the 2018 FIFA World Cup in Qatar, as part of the 2015 IHF World Handball Championships, and assisting in the project development stage of the National Football Federation in Belarus.

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

Organisation and management of sporting events

In 2013, Lagardère Unlimited Events organised five stages of the ITU World Triathlon Series in Hamburg, London, San Diego, Stockholm and Auckland. Lagardère Unlimited Events also owns and organises the Berlin Garmin Velothon (endurance cycling competition) and Vattenfall Cyclassics (a cycling race that is part of the International Cycling Union World Tour).

Lagardère Unlimited Events also organised the ATP 250 Skistar Swedish Open and WTA Collector Swedish Open in Båstad in Sweden, as well as the ATP 250 IF Stockholm Open.

Lagardère Unlimited Events also finalised the acquisition of the Nordea Masters (golf tournament on the European Tour held in Scandinavia) and the Helsingborg Open (golf tournament on the Ladies European Tour held in Sweden) and was awarded a contract to assist FIFA in the organisation of the FIFA U-20 World Cup to be held in New Zealand in 2015.

In December 2013, Sportfive assisted the local organising committee for the organisation and marketing of the 2013 FIFA Club World Cup in Marrakech.

Lagardère Unlimited Live Entertainment, the division of the Lagardère group specialising in performing arts activities, launched *DISCO* in October 2013. The new production was voted "Musical of the Year" by the newspaper *Le Parisien-Aujourd'hui en France*.

Marketing of sports rights and associated products

In 2013, Sportfive:

- expanded its portfolio of exclusive commercial relationships with clubs in Germany (Eintracht Braunschweig);
- secured its leading position in German football by renewing two major contracts (extensions for Hannover 96 and Hamburger SV);
- moved into new sports such as cycling (exclusive partnership with the French Cycling Federation), handball (in partnership with the National Handball League) and basketball (marketing rights of the French Basketball Federation);
- expanded its digital offering, signing contracts with new clubs for its loyalty programme management platform (Hertha BSC Berlin, Hamburg SV), and signing several contracts with clubs for the integrated multichannel digital distribution platform (web and social networks);
- extended and strengthened its hospitality offering in France (renewal of Stade de France and Roland Garros, signing of Stade Français Paris);
- developed its expertise and marketing offer for sponsors and rights holders (digital services in particular).

Production of content and management of media rights

In 2013, Sportfive focused on the marketing of the 2014 Winter Olympics in Sochi and the 2016 Summer Olympics in Rio de Janeiro. It also marketed the qualifying matches for the 2014 FIFA 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 WTA and IAAF) throughout 2013. It also rounded out and reinforced its portfolio by acquiring (International Gymnastics Federation) and extending (International Swimming Federation) media rights.

Management of sports academies and front-ranking sports clubs

Since 1 September 2006, the Lagardère group has held the Lagardère Paris Racing operating rights, including the operation of La Croix Catelan site in the Bois de Boulogne and the Rue Eblé sports centre in the 7th arrondissement of Paris. The concession has a term of 20 years.

On 3 January 2014, the Lagardère group and Racing Club de France signed an agreement on the Rue Eblé sports centre, which had been operated by SASP Lagardère Paris Racing Resources.

At the start of the 2014/2015 racing season (1 August 2014), LPR will withdraw from the management of this site, transferring the operation of its sports facilities to Racing Club de France. On the same date, Lagardère Paris Racing Ressources will cease to be a tenant of the building, which will remain the property of Racing Club de France.

B.2 Asia-Pacific and Middle East

Consulting in the management and operation of stadiums and sports grounds

In 2013, World Sport Group (WSG) 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.

Organisation and management of sporting events

As the business partner of the OneAsia Golf Tour, WSG organised a number of tournaments in Asia-Pacific, including the Australian Open.

In 2013, WSG was also chosen by the WTA to help the city of Singapore organise the next five WTA Championships (final tournament of the women's tennis season) from 2014 to 2018.

Marketing of sports rights and associated products

In 2013, WSG managed the marketing and media rights entrusted by the AFC (Asian Football Confederation), including those for qualifying matches for the 2014 FIFA World Cup, the AFC Champions League and the AFC Cup. WSG also sold the marketing rights for the OneAsia tournament and the Singapore Sports Hub.

SMAM (Sports Marketing and Management), acquired in 2012, focused on the sale of marketing rights to its partners ahead of the 2014 Commonwealth Games in Glasgow, and renewed its contract with British Swimming (the British swimming federation).

Production of content and management of broadcasting rights

In 2013, WSG'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 marketing of the rights to the Gulf Cup, a competition between eight football teams in the Middle East that took place in January 2013;
- the marketing of the rights to the 2012-2013 UAFA Club Cup.

B.3 United States and South America

Talent representation

In 2013, Lagardère Unlimited pursued its talent representation growth plan. Its acquisition of Crown Sports Management made Lagardère Unlimited the leading agency on the PGA Tour (golf).

In tennis, Lagardère Unlimited expanded its portfolio with the signing of Andy Murray, world number four and Wimbledon champion in 2013.

Organisation and management of sports events

In the summer of 2013, Lagardère Unlimited organised the Citi Open men's and women's tennis tournaments.

In late 2013, Lagardère Unlimited finalised the acquisition of Jeff Sanders Promotions, an agency specialised in organising golf tournaments.

B.4 Objectives and achievements in 2013

In 2013, Lagardère Unlimited used its foothold in football to expand its activities in Europe and Africa (digital solutions designed for clubs and the Confederation of African Football, acquisition and renewal of contracts with European clubs).

It also continued building its Golf and Tennis divisions, acquiring golf tournaments in the United States and Europe, and expanding its player portfolio.

In 2013, Lagardère Unlimited built up its consulting services for rights holders, sponsors and venues, particularly in Russia and Qatar.

C) OUTLOOK

In 2014, Lagardère Unlimited intends to pursue the policy initiated in 2013, aimed at asserting its leadership in its markets, continuing its multisport and Entertainment diversification and focusing on support for rights holders, athletes and sponsors with significant added value.

Lagardère Unlimited will also continue to develop assets such as sporting events, and to consolidate its positions in global sports (football, golf, tennis, mass events and Olympic sports). Lastly, the division will continue its expansion in growth regions such as South America, Africa, Asia and the Middle East.

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 fifth consecutive year, describes this overall approach, based on the guidelines of the Global Reporting Initiative (GRI).

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

A cross-reference index is available at the end of the 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 has its own CSR policy led by a Sustainable Development/CSR manager, who coordinates the networks of internal correspondents. The operating processes of the various CSR units within the divisions are described in sections 5.3.2.1 and 5.3.2.2 A.1 below.

At Group level, a Sustainable Development Department, which reports to the Human Relations, Communications and Sustainable Development Department, coordinates a Steering Committee composed of CSR managers from each business line and representatives from several cross-functional departments. The Committee is chaired by the Group's Chief Human Relations, Communications and Sustainable Development Officer, who is also a Co-Managing partner of the Lagardère group.

This Committee is in charge of devising the Group's 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.

Its Code of Conduct, for example, 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; Environment.

The Sustainable Development Report lists all 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.

The Report also describes the Group's various in-house charters[2], while Section 5.3.2.2 of this Reference Document, on social information, 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.

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

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

1 2 3 4 5 6 7 8 9 10 11

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 Global Compact France 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.

ENVIRONMENT

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

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

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

ANTI-CORRUPTION MEASURES

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

Arnaud Lagardère

General and Managing Partner of Lagardère SCA

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 its 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 business lines' 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.

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, rewarding individual performance and, as far as possible, related to the achievement of collective objectives.

The Group also promotes the creation of social welfare plans for its employees, action to protect health and safety at work, and effective labour relations.

In keeping with the policy of independence of the Group's individual business lines, 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.

In order to strengthen the Group's skills management initiatives, a specific Talent Management Policy was devised in late 2012. This policy – whose implementation is jointly overseen by the Group HR Department and the business lines' management teams and HR departments – covers all principles and procedures designed to ensure the identification, development, mobility, and succession of talented Lagardère employees.

In 2013, the policy was rolled out to all business lines: talent identification processes were put in place in each business line based on the proposed framework, and a review of the Group's succession planning measures was launched.

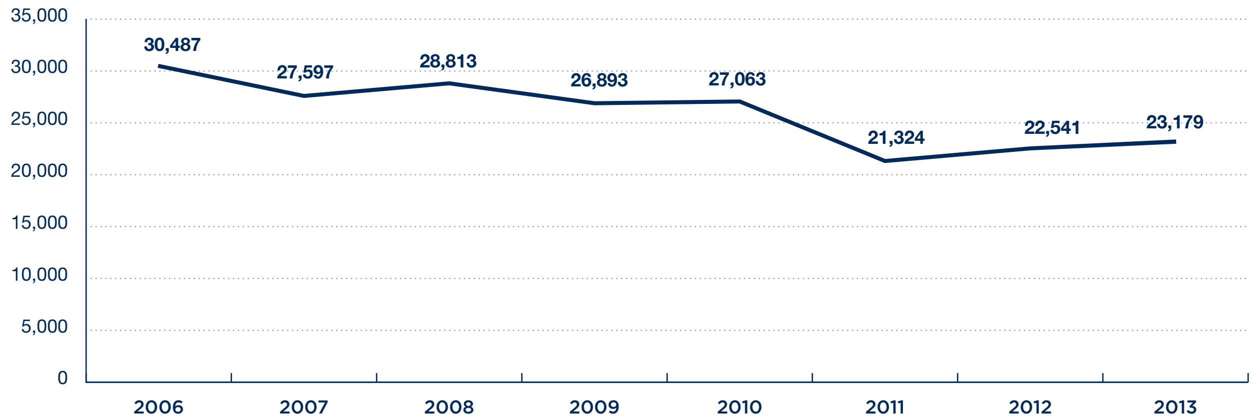
Also in 2013, the Group set up a project to encourage mobility between its business lines, offering new tools to the HR departments and designating specific internal mobility contacts.

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 2013, the permanent workforce[(1)] was up 2.3% on the previous year. This marks the second consecutive year-on-year increase after a 5.7% rise in 2012.

(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

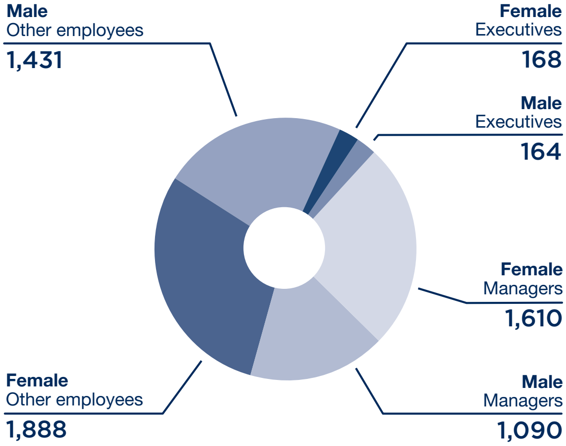
Division	Women	Men	Total	Change	% Women	% Men
Lagardère Publishing	3,666	2,685	6,351	↘	58%	42%
Lagardère Services	7,043	4,646	11,690	↗	60%	40%
Lagardère Active	2,125	1,572	3,697	↘	57%	43%
Lagardère Unlimited	448	749	1,197	↗	37%	63%
Other Activities	100	145	245	↘	41%	59%
Total	**13,382**	**9,797**	**23,179**	↗	**58%**	**42%**

Breakdown of workforce by occupational group

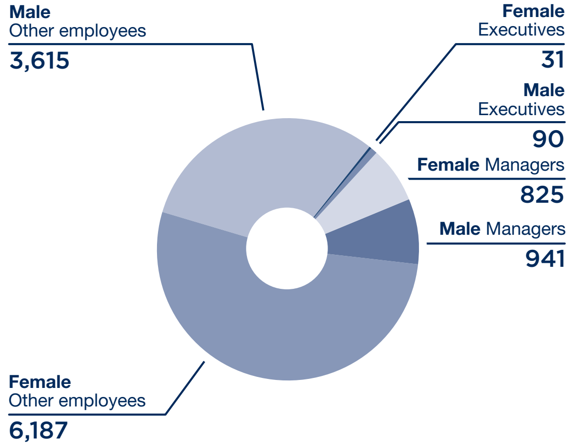
Breakdown of permanent workforce at 31 December, by occupational group, gender

	Executives			Managers			Journalists and Photographers			Other employees			Total		
Division	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	M/W
Lagardère Publishing	51%	49%	332	60%	40%	2,700	-	-	0	57%	43%	3,319	58%	42%	6,351
Lagardère Services	26%	74%	121	47%	53%	1,766	-	-	0	63%	37%	9,803	60%	40%	11,690
Lagardère Active	27%	73%	95	57%	43%	1,488	57%	43%	1,117	62%	38%	997	57%	43%	3,697
Lagardère Unlimited	5%	95%	65	27%	73%	271	0	100%	1	43%	57%	860	37%	63%	1,197
Other Activities	19%	81%	32	37%	63%	108	-	-	0	51%	49%	105	41%	59%	245
Total	**36%**	**64%**	**645**	**54%**	**46%**	**6,333**	**57%**	**43%**	**1,118**	**60%**	**40%**	**15,083**	**58%**	**42%**	**23,179**

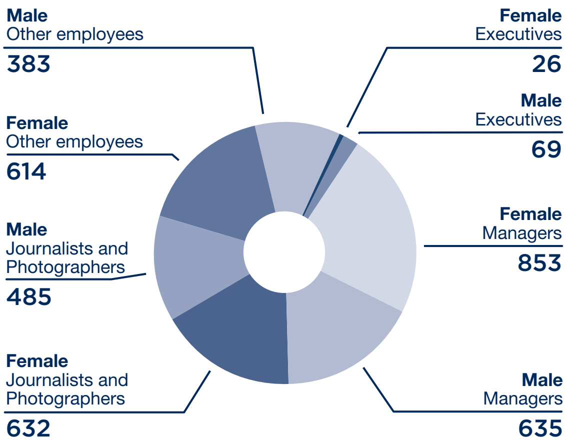
Lagardère Publishing



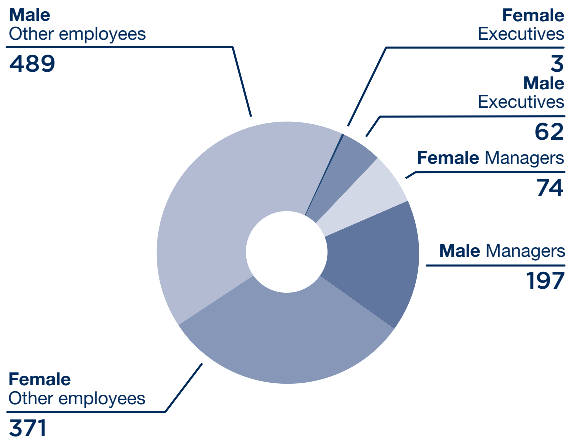
Lagardère Services



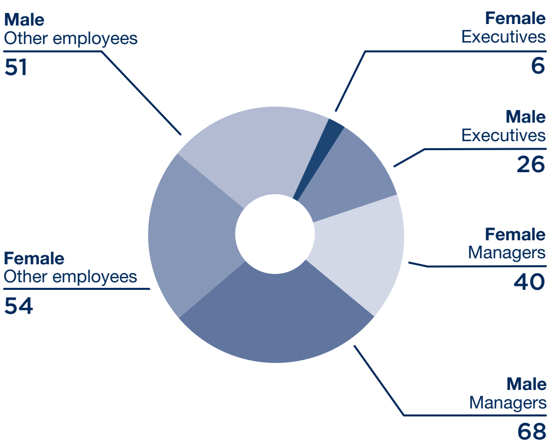
Lagardère Active



Lagardère Unlimited



Other Activities



The data on the Group's permanent workforce at 31 December 2013 shows slight decreases for Lagardère Publishing (1.40%) and Lagardère Active (0.36%), but tangible increases for the second consecutive year for Lagardère Services (6.30%) and Lagardère Unlimited (4.30%).

A more detailed analysis by business line is given below.

As usual, there was a high proportion of managerial staff within Lagardère Publishing, with more than 48% of the total workforce occupying management or executive positions. The year-on-year decrease in headcount was due to the sale of part of the distribution business of Diffulivre and the business line's entity in New Zealand.

The overall rise in Lagardère Services' workforce in 2013 was attributable to the acquisition of LS Travel Retail Roma and an increase in employee numbers for both the business line's travel retail business (in the Aelia group, in China, Australia and the Czech Republic) and the distribution business (mainly in Hungary and Spain).

Like Lagardère Publishing, Lagardère Active also had a high proportion of managerial staff (over 42%), and saw a slight year-on-year decrease in overall headcount (0.36%). However, the number of journalists and photographers working for the business line edged up compared with 2012.

The relative stability in total headcount was due to the combination of the following factors:

- a 9% decrease in the number of employees within Lagardère Publicité, reflecting a job-saving plan implemented in one of its subsidiaries;
- a 9% contraction in headcount within the international radio business, stemming from the implementation of a cost-saving plan in Poland and the restructuring of a radio network;
- an increase in headcount due to the acquisition of e-commerce companies (LeGuide.com, BilletsRéduc) and the company TV Replay;
- a rise in the number of employees at Lagardère Entertainment.

Meanwhile, Lagardère Unlimited reported an increase in its permanent workforce for the second consecutive year. While the rise in 2012 was attributable to the acquisition of new companies in Germany and Australia, in 2013 it was primarily due to internal growth in Germany (Sportfive and Upsolut). In addition, the talent representation agency, Gaylord – which has been renamed Lagardère Unlimited Arizona – was included in the Group's HR reporting system for the first time.

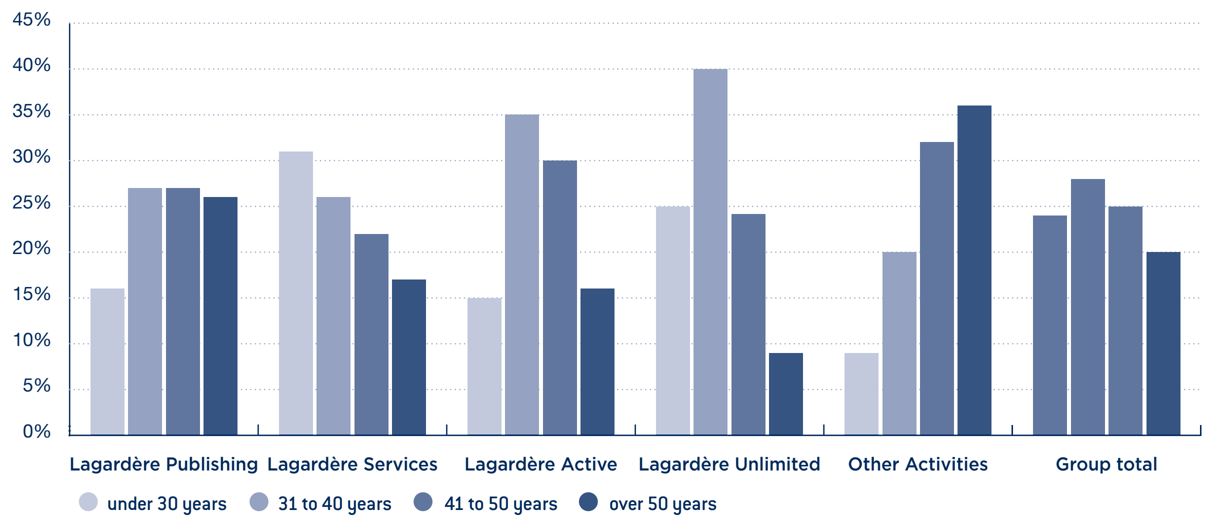
The permanent workforce of "Other Activities" (comprising Lagardère Ressources and Matra Manufacturing & Services) was broadly unchanged.

Breakdown of workforce by age group

The structure of the Group's age pyramid was stable year on year, with the balance maintained between experience and youth (20% of employees over 50, 46% over 40 and almost a quarter under 30).

This balance helps to ensure the Group's sustainability and stability, while paving the way for its future.

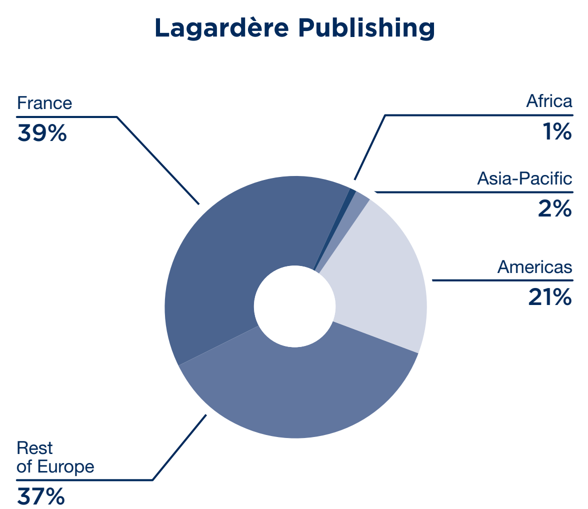
Breakdown of permanent workforce by age group and business line

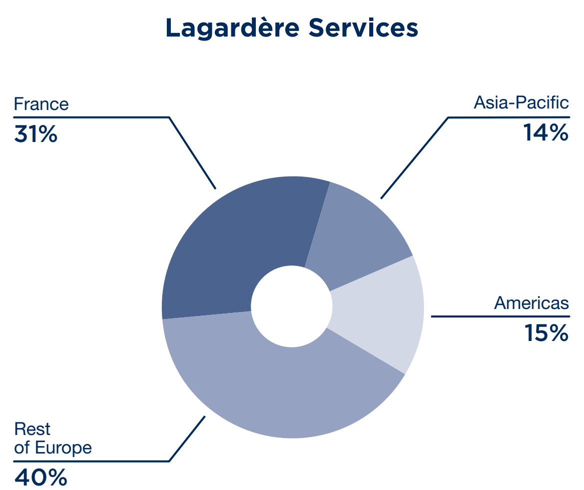


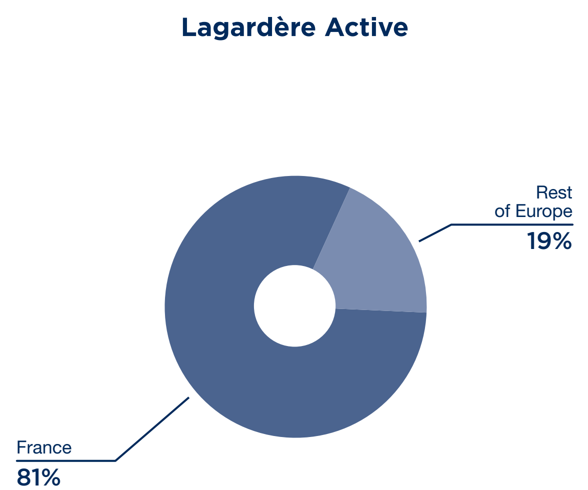
Breakdown of workforce by geographic area

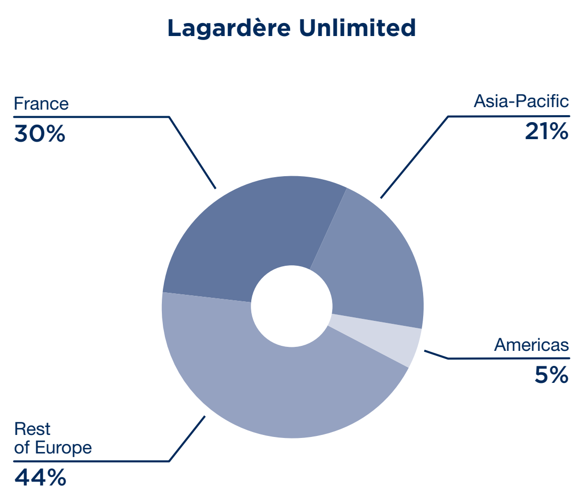
Breakdown of workforce by geographic area and business line at 31 December 2013

Division	Africa	Asia-Pacific	Americas	Rest of Europe	France	Total
Lagardère Publishing	77	112	1,331	2,377	2,454	6,351
Lagardère Services	0	1,607	1,793	4,666	3,624	11,690
Lagardère Active	0	0	0	718	2,979	3,697
Lagardère Unlimited	0	245	62	529	361	1,197
Other Activities	0	0	0	0	245	245
Total	**77**	**1,964**	**3,186**	**8,289**	**9,663**	**23,179**









The breakdown of employees by geographic area in 2013 shows that the Lagardère group remains highly international, with over 58% of its permanent workforce based outside France (on a par with 2012).

There was a sharp rise of over 10% in headcount in the Asia-Pacific region in 2013 – especially for Lagardère Services and Lagardère Unlimited.

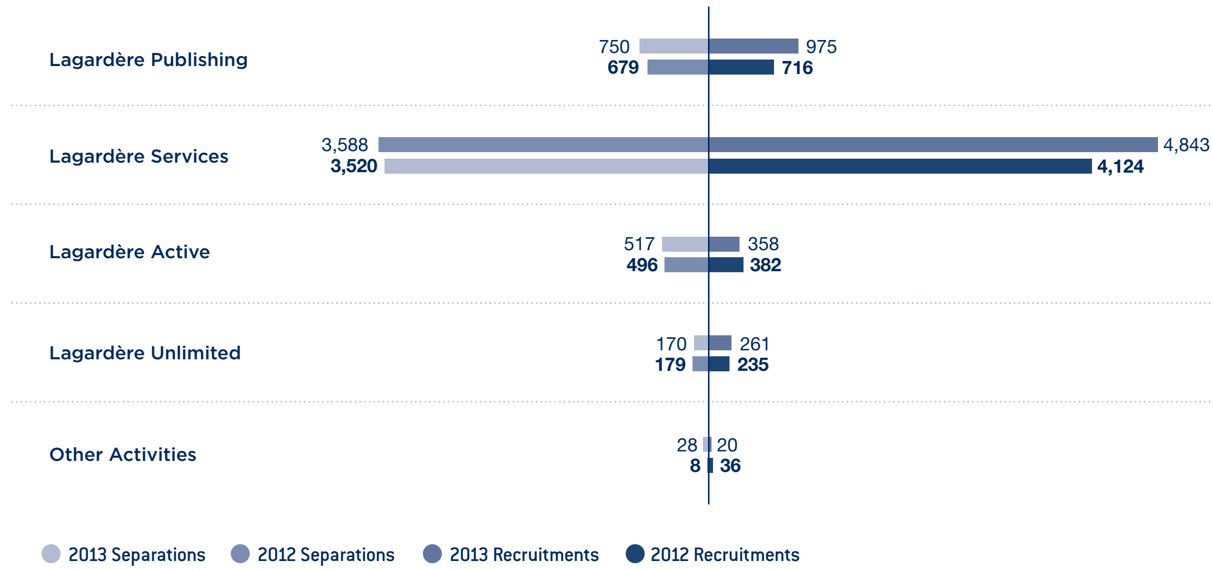
With a headcount of 9,663, France again had the highest number of employees within the Group, up 1% on 2012. Outside France, the countries with the highest headcounts were Spain (1,853), Canada (1,642) and the United Kingdom (1,599).

In the Asia-Pacific region, Australia had the highest number of employees (1,000, working for Lagardère Services, Lagardère Unlimited and Lagardère Publishing), followed by China and Singapore, where the aggregate headcount was 692.

A.2 Workforce movements

Movements by business line

Changes in the breakdown of recruitments/separations by business line



The recruitments/separations data shows that there were more employee movements than in 2012, with 6,457 recruitments in 2013 (up by more than 17%) and 5,053 separations (up by a slight 3.5%).

Lagardère Services recorded another sharp year-on-year rise in recruitments due to a significant number of new employees joining the Travel Retail business (mainly as a result of acquisitions) and to internal growth of the Distribution business in some European countries.

The number of separations was stable compared to 2012 (up 2%).

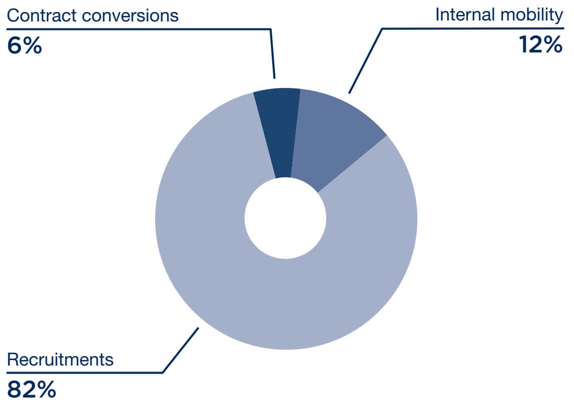
At Lagardère Publishing, recruitments were up by a steep 36% but this effect was partly offset by a +10.5% rise in separations. The increase in recruitments mainly concerned Hachette Book group USA and Hachette Book Group UK, as a result of higher business volumes. The main contributors to the rise in the number of separations were Diffulivre and Hodder Headline New Zealand, reflecting the Group's sale of part of these entities' Distribution businesses.

Lagardère Active saw a 6% decrease in recruitments and a slight 4% rise in redundancies due to the restructuring measures put in place within the business line – particularly in its press business – as well as the difficulties experienced in advertising sales brokerage.

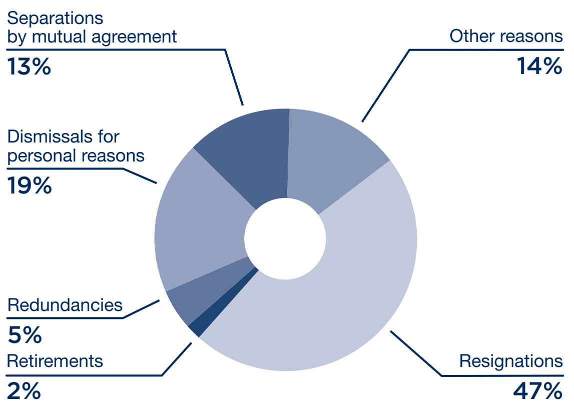
Lastly, at Lagardère Unlimited there was a considerable +11% rise in recruitments, reflecting the business line's internal growth as explained above.

Breakdown by type of recruitment/separation

Breakdown by type of recruitment in 2013



Breakdown by type of separation in 2013



The breakdown by type of recruitment for 2013 again shows a predominant proportion of new hires (representing 82% of recruitments, up 3 points on 2012), which demonstrates the Group's continued appeal as an employer.

The 11.8% decrease in internal mobility(1) was chiefly due to a lower number of promotions, given that movements within or between divisions increased by 18%.

The proportion of fixed-term contracts converted into permanent contracts was up 31%, which is an excellent CSR indicator.

The breakdown by type of separation shows that the number of resignations was on a par with 2012, and that the 48% year-on-year decrease in the number of redundancies was offset by a rise in the number of separations by mutual agreement and dismissals based on grounds specific to the employee concerned ("dismissals for personal reasons").

The number of separations due to retirement was slightly lower than in 2012.

Based on all the above elements, the Group's total staff turnover rate(2) for 2013 was higher than in 2012 (25.5% versus 22.7%) but the unexpected turnover rate(3) was slightly lower (14.1% compared with 14.7%).

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 aligned with 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.

Over 84% of the Group's employees work in a company which has defined a minimum wage (on a par with 2012).

(1) Internal mobility may be a transfer between two companies in the same business line, an inter-business line transfer, or an internal promotion, such as a promotion from "Other employees" to a managerial category.
(2) 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.
(3) 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 in 2013 for permanent workforce, by occupational group and geographic area(1)

Geographic area	Executives	Managers	Journalists and Photographers	Other employees
Africa		€40,496.70		€7,298.21
Asia-Pacific	€234,422.36	€53,477.91		€24,141.85
Americas	€220,858.69	€71,169.45		€19,326.25
Rest of Europe	€120,331.71	€46,154.88	€16,098.11	€25,960.24
France	€198,258.54	€55,631.30	€58,313.26	€25,289.18
Group total	**€166,413.86**	**€54,252.04**	**€50,331.55**	**€24,135.63**

The average annual salary worldwide for all socio-professional categories combined (including bonuses and variable remuneration) was approximately €38,000 in 2013 compared with €39,141 in 2012.

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 2013, over 71% of all employees worked in an entity which has defined salary ranges for each job level, a figure that has stabilised after a very steep rise between 2011 and 2012 when the Group made significant progress in this area.

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

It is Group policy to favour 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 rather than collective 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.

According to the 2013 data, over 55% of Lagardère's permanent employees received a pay rise (down from the 2012 figure). This fall was seen in all business lines.

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. Over 46% of the Group's workforce had some form of variable remuneration in 2013, up 2 points on 2012.

The figure naturally varies by business line and activity, reaching over 50% at Lagardère Active and Lagardère Publishing, but falling to less than half the workforce at Lagardère Services (under 37%) and Lagardère Unlimited (over 47%).

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.

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 2013, over 52% of the workforce were covered by a profit-sharing scheme based on collective performance with this figure coming in at around 73% for France.

(1) 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.

Employee savings schemes: encouraging savings

Proportion of workforce belonging to a savings scheme

Division	Proportion of workforce
Lagardère Publishing	57%
Lagardère Services	45%
Lagardère Active	75%
Lagardère Unlimited	40%
Other Activities	100%
Group total	**53%**

Overall, 53% of the Group's employees belong to an employee savings scheme.

In France the percentage is almost 92%.

In addition to this, 2.13% of the shares issued by the Group are held by employees, including 0.56% 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 share options but since 2007 the Group has used free share awards (see the 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 have 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 business line

Division	2013	2012	Change
Lagardère Publishing	**84,464**	81,734	2,730
Lagardère Services	**70,932**	64,710	6,222
Lagardère Active	**116,726**	123,368	-6,642
Lagardère Unlimited	**11,066**	12,995	-1,929
Other Activities	**9,962**	8,645	1,317
Group total	**293,150**	291,452	1,698

Payroll taxes, in thousands of euros, by geographic area

Geographic area	2013	2012	Change
France	227,184	230,156	-2,972
European Union	44,875	38,113	6,762
Rest of Europe	6,564	8,373	-1,809
USA and Canada	12,936	13,872	-936
Asia-Pacific	1,041	354	687
Other (Middle East, Africa, Latin America)	550	584	-34
Group total	**293,150**	291,452	1,698

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 2013:

Working hours by geographic area

Geographic area	Maximum number of hours worked per day	Maximum number of days worked per year
France	7	218
Rest of Europe	8	241
The Americas	8	248
Asia-Pacific	8	251
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 and Travel Retail activities 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 2012 and 2013 were as follows:

Changes in employees on fixed-term contracts (FTE-basis)

Division	2013	2012	2012/13 change
Lagardère Publishing	**349.22**	381.78	↘
Lagardère Services	**1,088.25**	1,024.51	↗
Lagardère Active	**253.41**	217.16	↗
Lagardère Unlimited	**103.00**	94.94	↗
Other Activities	**13.31**	2.08	↗
Group total	**1,807.19**	**1,720.47**	↗

(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 2013, 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 temporary staff (FTE-basis) and number of hours worked during the year

Division	2013		2012		2012/13 change
	Number of hours	FTE	Number of hours	FTE	
Lagardère Publishing	**797,353.66**	**459.57**	826,897.35	476.60	↘
Lagardère Services	**478,274.27**	**275.66**	422,587.00	243.57	↗
Lagardère Active	**17,885.58**	**10.31**	47,079.00	27.13	↘
Lagardère Unlimited	**67,740.00**	**39.04**	69,027.60	39.79	↘
Other Activities	**13,376.00**	**7.71**	4,143.00	2.39	↗
Total	**1,374,629.51**	**792.29**	**1,369,733.95**	**789.47**	→

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).

This solution has the twofold advantage of:

- enabling the company to adapt to changes in business volumes;
- 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	2013		2012		2012/13 change
	Number of hours	FTE	Number of hours	FTE	
Lagardère Publishing	**96,628.60**	**55.69**	87,392.34	50.37	↗
Lagardère Services	**281,955.00**	**162.51**	270,296.40	155.79	↗
Lagardère Active	**9,642.45**	**5.56**	9,236.33	5.32	→
Lagardère Unlimited	**4,590.25**	**2.65**	15,939.72	9.19	↘
Other Activities	**1,971.62**	**1.14**	406.28	0.23	→
Total	**394,787.92**	**227.54**	**383,271.07**	**220.91**	↗

Analysis of work flexibility arrangements

Overall, the 2013 data on work flexibility shows that there was very little change compared to 2012, as the number of FTE employees on fixed-term contracts only increased by 5%, the use of temporary staff was unchanged, and the number of overtime hours worked was up only 4.3%.

As in 2012, the use of fixed-term contracts was the preferred method of managing staffing levels for the business lines, and represented 63% of the overall flexible working arrangements used in 2013 (on an FTE-basis), unchanged from the previous year.

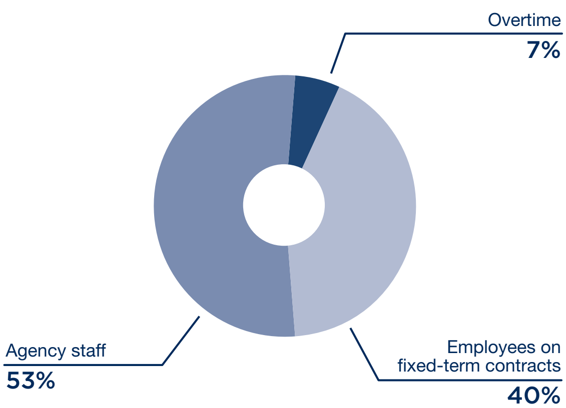
The two divisions that drew most on measures to adapt the workforce to their business needs were Lagardère Publishing and Lagardère Services, which together employ some 80% of the Group's employees on fixed-term contracts and over 93% of its temporary staff. This is because these two divisions are the most subject to fluctuations in business levels (distribution and publishing) for reasons including seasonal peaks of activity (e.g., Christmas and the back-to-school period for Lagardère Publishing, and the summer holiday period for Lagardère Services).

However, it is important to note that the total number of employees on fixed-term contracts and temporary staff only accounted for 11.5% of the Lagardère group's total workforce, which is in line with its 12% ceiling.

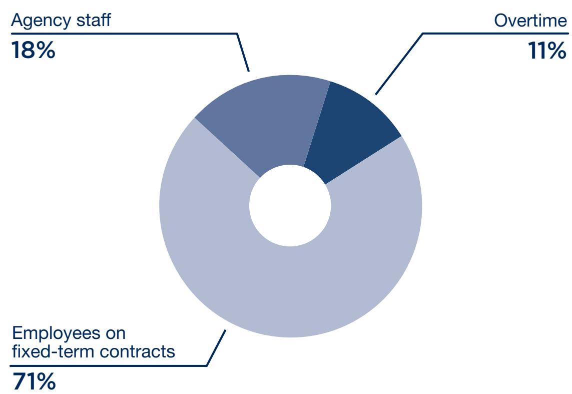
(1) The conversion of overtime hours and hours worked by temporary staff into FTE employees is obtained by dividing the total number of hours by the average number of hours worked during the year within the Lagardère group.

Work flexibility by business line in 2013[1]

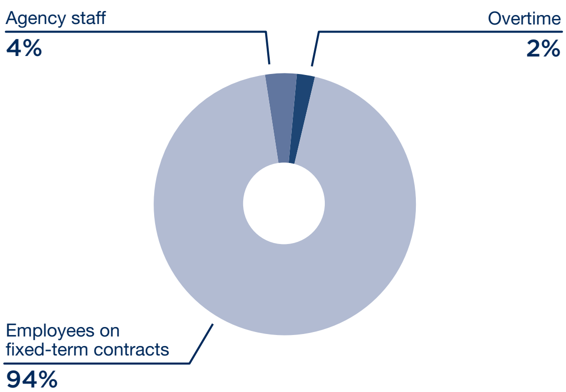
Lagardère Publishing



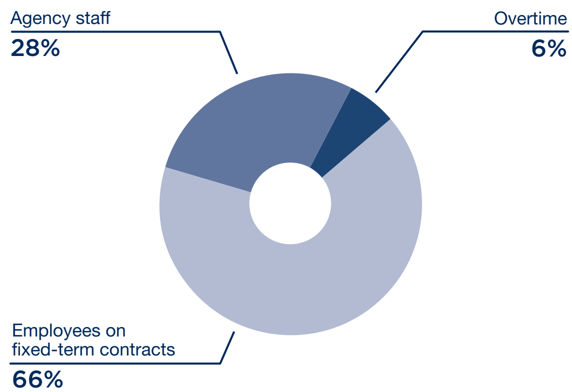
Lagardère Services



Lagardère Active



Lagardère Unlimited



A closer analysis by business line shows that, as in the past, Lagardère Publishing favoured the use of temporary staff to provide the work flexibility it needs. This reflects the highly seasonal nature of the business line's business and its very short peak periods, notably Christmas and the September back-to-school period.

For Lagardère Services the relative proportions of different work flexibility arrangements were unchanged from 2012 and the business line again favoured fixed-term contracts over the use of temporary staff and overtime.

Lagardère Active's use of employees on fixed-term contracts, temporary staff and overtime is lower than for the other business lines, as this business line uses more "occasional" employees for its operations.

The proportion of employees on fixed-term contracts was up, however, year on year, and represented around 94% of Lagardère Active's total flexible human resources (compared to 87% in 2012), much higher than the level of temporary staff and overtime.

Lastly, Lagardère Unlimited saw an 8.5% rise in its work flexibility arrangements in 2013, mainly due to higher business volumes for its German events management agency Sportfive Gmbh & Co. KG. The use of fixed-term contracts remained this business line's preferred work flexibility method, representing 66% of the total.

(1) The breakdown of flexible human resources by business line 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 used as the basis for the breakdown.

Occasional employees

In France, due to the nature of its press, audiovisual and live entertainment production activities, the Lagardère group calls on the services of specific types of employees, namely freelance journalists, entertainment workers, and other occasional employees such as proof readers and events and hospitality staff.

As in 2012, the number of occasional employees(1) rose steeply (up 31.5% in 2013 and 39% the previous year).

The main contributors to the overall increase were Lagardère Active (up 21%, or 188 FTE employees), because of its audiovisual activities, and Lagardère Unlimited (due to the production of a new musical called Disco by Lagardère Unlimited Live Entertainment). Lagardère Publishing also saw an increase in its occasional employees during 2013 (up by 27 FTE employees).

As a result, Lagardère Active's proportion of the Group's overall entertainment workers fell significantly, from around 98% in 2012 to 90% in 2013.

Part-time work

Part-time workforce at 31 December 2013

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	431 ↘	11.76%	50 ↘	1.86%	481 ↘	7.57%
Lagardère Services	1,651 ↗	23.44%	573 ↗	12.33%	2,224 ↗	19.03%
Lagardère Active	278 ↗	13.08%	161 ↗	10.25%	439 ↗	11.87%
Lagardère Unlimited	59 →	13.17%	63 ↗	8.41%	122 ↗	10.19%
Other Activities	7 ↘	7.00%	2 ↗	1.38%	9 ↘	3.67%
Group total	**2,426 ↗**	**18.13%**	**849 ↗**	**8.67%**	**3,275 ↗**	**14.13%**

The number of part-time employees rose 6.6% in 2013, following a slight 3.6% decrease in 2012, pushing their proportion of the Group's total workforce up to 14.13%. Women again accounted for the largest proportion of part-time employees – at just under 75% of the total – unchanged from 2012.

Lagardère Services had the highest number of part-time employees within the Group (nearly 19% of the business line's total workforce), well ahead of Lagardère Active.

It accounted for over 68% of the Group's total for this category of workers, far more than the other business lines, reflecting the fact that part-time work is inherent to the Travel Retail business and other retail operations.

B.2 Lost time

Time lost to work accidents and sick leave(2) for permanent employees

Division	Sick leave	Work accidents
Lagardère Publishing	5.90 ↗	0.55 ↘
Lagardère Services	6.79 ↘	0.88 ↘
Lagardère Active	7.32 ↗	0.17 ↗
Lagardère Unlimited	3.93 ↘	0.17 ↘
Other Activities	6.27 ↗	0.00 →
Group total (2013)	**6.49 ↗**	**0.63 ↘**
2012	6.03	0.69
2011	5.8	0.79

The lost time data for 2013 shows that for the second consecutive year, the average number of days of absence due to work accidents was down on the previous twelve months (12.6% and 8.7% decreases in 2012 and 2013 respectively).

At 6.7%, the decrease was particularly marked for Lagardère Publishing, whose distribution and returns centres at Maurepas and Longjumeau recorded respective decreases of 30% and 19%.

Lagardère Services also registered a fall of 11% in the average number of days' absence due to work accidents, under the combined impact of a 2% reduction in total days' absence and a tangible rise in headcount.

Lagardère Active and Lagardère Unlimited both recorded the same average number of days' absence, at 0.17. The total number of days' absence at both divisions is – quite naturally, in the light

(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 audiovisual 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 audiovisual company who is employed under successive fixed-term contracts.

(2) Lost time is calculated by dividing the total number of days of absence by the number of permanent FTE employees.

of their activities and workforce – much lower than at Lagardère Services and Lagardère Publishing.

The rise in time lost to sick leave seen in 2012 continued in 2013 (up +7.6%).

Only Lagardère Unlimited posted a substantial decrease in this indicator (down 16.6%), with the other three business lines' reporting increases. For Lagardère Services the overall average figure was lower than in 2012 but as this was due to a rise in the business line's headcount the underlying trend is still an upward one.

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 business lines, 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 situation so requires.

Labour relations were a particular focus for the Group in 2013.

In addition to the ordinary meetings, there were discussions of the transformation of the Press business and the changes within the Group following the sale of its EADS shares.

An information meeting and extraordinary meeting of the Group Employees' Committee were held on 22 April and 21 October 2013 respectively to discuss the sale of certain Lagardère Active magazines and the members of the bureau of the European Works Committee met on 25 October to discuss the same subject.

As is the case every year, the plenary sessions of the European Works Committee and the Group Employees Committee (12 September and 26 November 2013 respectively) reviewed the Group's businesses and financial statements, and the outlook for the business lines.

Lastly, in connection with the sale of Lagardère's EADS shareholding and in accordance with newly introduced French legislation, a Special Negotiations Group negotiated the payment of a special profit-sharing bonus to all employees in France.

The negotiations – which led to the signing of an agreement on 24 July 2013 – served as a best practice in labour relations for the Group's people worldwide.

Local employee representation

Geographic area	Number of employees covered by employee representation	Percentage of the workforce covered by employee representation
Africa	77	100%
Asia-Pacific	915	47%
Americas	1,943	61%
Rest of Europe	5,081	61%
France	9,363	97%
Total	**17,379**	**75%**

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 balance 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
Asia-Pacific	69%	0%	72%	0%	71%	0%	71%
Americas	57%	11%	58%	11%	11%	56%	11%
Rest of Europe	54%	29%	62%	36%	61%	22%	45%
France	75%	37%	82%	71%	96%	39%	72%
Total	**64%**	**27%**	**70%**	**44%**	**69%**	**32%**	**54%**

At 31 December 2013, there were 624 collective agreements in force within the Group, representing a 4% decrease on 2012. A total of 112 agreements were signed in 2013, versus 121 in 2012. Europe (excluding France) saw the highest year-on-year increase (up 68%).

Significant progress was noted in collective agreements in the Asia-Pacific region during the year, with high increases in the proportion of employees covered by agreements on remuneration (up 19 points), working hours (up 20 points) and social security (up 19 points).

In France, there was a sharp rise in the proportion of employees covered by a collective agreement concerning the integration of people with disabilities, after an in-depth review on this topic within the Aelia group (Lagardère Services).

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" than other Group companies.

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

In 2013, over 16,000 health and safety training hours were given, representing a 7% decrease compared with 2012.

The proportion of employees covered by an agreement on health, safety and working conditions is relatively high (over 64% worldwide and 75% in France). In addition, some 85% of the Group's employees have a specific body in charge of health and safety at work, and 78% have regular medical check-ups organised by their employer.

D.2 Work accidents: frequency and severity rates(1)

Division	Number of accidents	Frequency rate	Severity rate
Lagardère Publishing	129 ↘	12.03 ↘	0.32 ↘
Lagardère Services	368 ↗	17.93 ↗	0.48 ↘
Lagardère Active	22 ↗	3.55 ↗	0.10 ↗
Lagardère Unlimited	11 ↗	5.65 ↗	0.09 ↘
Total	**530 ↗**		

The data for work accidents in 2013 shows that there were 49 more accidents in 2013 than in 2012, with increases recorded by all divisions except Lagardère Publishing.

Lagardère Services reported a particularly strong increase, up by 16%, after a campaign to report all accidents, whether serious or not. This business line also kept up its health and safety training drive, and the severity rate was down by 14% in 2013 owing to a drop in days' absence.

Lagardère Publishing recorded another decrease in the number of work accidents, continuing the positive trend that began in 2011. This business line also kept up its training drive – despite a slight dip in the number of training hours given compared to 2012 – which had a positive effect on the severity rate, which declined by 6%.

The number of work accidents at Lagardère Active and Lagardère Unlimited – which is generally lower than for the other two divisions in view of the nature of their businesses – was on a par with 2012, with just one more accident for Lagardère Active and three more for Lagardère Unlimited.

The accident severity rate showed a marked decline at Lagardère Unlimited, but rose slightly at Lagardère Active.

(1) Frequency rate = (number of work 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 of hours worked.

D.3 Summary of collective agreements related to health and safety

Division	Number of employees covered by collective agreements on health, safety and working conditions
Lagardère Publishing	44%
Lagardère Services	81%
Lagardère Active	67%
Lagardère Unlimited	10%

Lagardère Services – whose business is particularly exposed to health and safety risks – is the Group's business line that has the highest proportion of employees covered by a workplace safety agreement (81%, unchanged from 2012).

The lower coverage rate at Lagardère Publishing (44%) reflects the fact that employees in the "Industry and Services" business – which covers logistics and distribution – are covered by a health and safety agreement.

E) TRAINING

E.1 Training and skills development policies

In keeping with the policy of independence of the Group's business lines, skills development and internal mobility are managed by each entity.

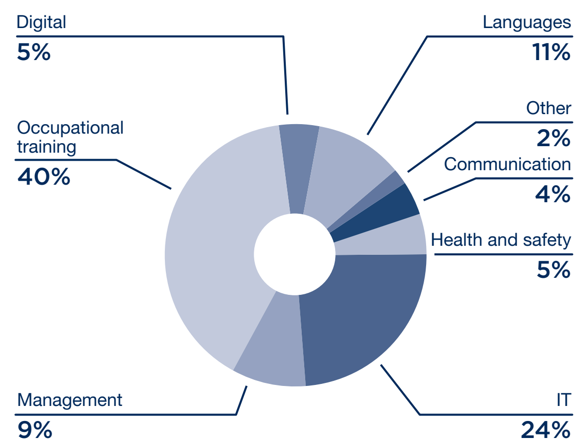
However, all reflect the Lagardère group's pledge to invest in the skills and individual responsibilities of staff and foster fulfilling career development by increasing internal mobility.

In 2013, the Lagardère group invested €8,181,258 in training. This amount is lower than the 2012 figure due to a change in the calculation method used by Lagardère Publishing which used to include the cost of participants' salaries.

The average training budget per employee in 2013 was €364.

In France it was €660, on a par with 2012.

Breakdown of training hours by type



The breakdown of training hours by type again illustrates the importance accorded to "occupational" training, reflecting the Group's aim of supporting the business lines' business development.

Although the relative proportion of "digital" training decreased in 2013, the total number of training hours devoted to this area was almost 4% higher than in 2012. This was attributable to a very considerable rise in the number of training hours on information technology, due to a major IT training drive at Hachette Book Group USA on the introduction of new management software.

The increase in training hours within Hachette Book Group had an impact on the overall number of training hours, which rose to over 300,000 in 2013 from 230,000 in 2012.

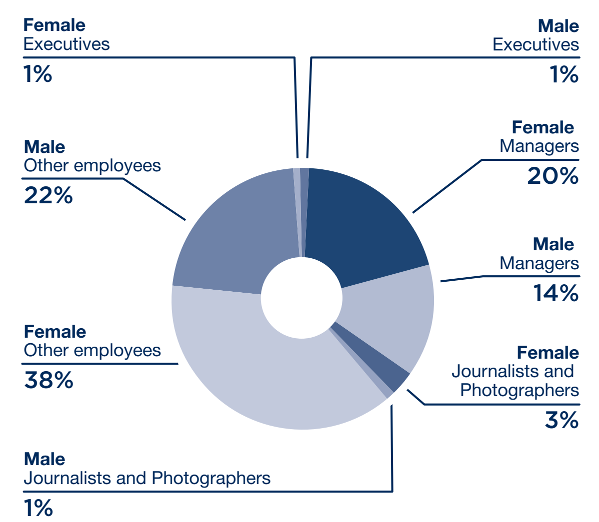
The Group also strives to establish a corporate culture among its managers, and foster development of the key values of creativity, independence, courage and entrepreneurship.

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. Some 160 managers took part in the programmes during 2013.

E.2 Total number of training hours and breakdown

Breakdown of training hours by occupational group and gender



The breakdown of training hours by occupational group and gender shows that women accounted for 62% of the total training hours received and that employees with lower qualification levels ("Other employees") represented 60% of the total.

F) EQUAL OPPORTUNITIES

The Lagardère group adheres to two major principles: equal opportunity and respect for everybody.

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.

Following a 2012 audit on all forms of diversity (disability, equality, seniors, ethnic origins etc.), Lagardère Active has drawn up and begun to roll out a multi-year action plan called Active Diversity.

For 2013 the business line's priority was social and ethnic diversity. Two key measures were put in place: relaying the findings of the audit to the top managers of the business's departments, and training delivered by a firm specialised in diversity in the media industry. During the year 169 people were given 676 hours of training.

F.1 Measures taken to promote gender balance

Women accounted for nearly 58% of the total workforce in 2013. Consequently, at Lagardère, professional equality is no longer a question of the number of women employees compared with male employees, but is more about ensuring equal career opportunities.

In 2013, 36% of executive posts were occupied by women (unchanged from 2012).

Lagardère Publishing has reached a near-perfect gender balance in top management positions, with women making up 51% of its executives.

There is still some room for improvement, however, in the other business lines.

In terms of middle management, women represented 54% of the Group total (60% at Lagardère Publishing and 57% at Lagardère Active). Lagardère Services has a better balance in this management category than for executives, with 47% of middle management posts occupied by women.

While these breakdowns by gender provide interesting data on numbers of female employees they only give a snapshot view. Recruitment and internal mobility data, on the other hand, provides a more dynamic vision of women's career development within the Group.

For example, women accounted for almost 63% of new hires during 2013.

Internal mobility by gender

Breakdown of internal mobility moves by type and gender

	Recruitments		Conversions		Internal mobility		Promotions	
2013	Women	Men	Women	Men	Women	Men	Women	Men
Lagardère Publishing	412	245	53	28	11	6	151	69
Lagardère Services	2,714	1,553	131	60	37	65	159	124
Lagardère Active	116	94	36	18	43	15	20	16
Lagardère Unlimited	75	86	13	25	2	4	12	44
Other Activities	5	8	1	1	1	1	2	1
Total	**3,322**	**1,986**	**234**	**132**	**94**	**91**	**344**	**254**
Breakdown	**63%**	**37%**	**64%**	**36%**	**51%**	**49%**	**58%**	**42%**

In 2013, 58% of promotions within the Group concerned women, with particularly high percentages for Lagardère Publishing and Lagardère Services.

At the same time, there was a very even gender balance for internal mobility moves (94 for women and 91 for men), with a much higher level of mobility for women than men in Lagardère Active.

Collective agreements on gender equality in the workplace

Collective agreements on gender equality in the workplace

Division	Number of permanent employees covered by collective agreements on gender balance in the work place
Lagardère Publishing	45%
Lagardère Services	46%
Lagardère Active	47%
Lagardère Unlimited	12%
Other Activities	62%
Total	**44%**

F.2 Measures taken to promote the employment and integration of people with a disability

Integration of people with a disability

Number of employees with a disability

Division	Americas	Rest of Europe	France	Total
Lagardère Publishing	1 →	21 →	45 →	67 →
Lagardère Services	2 →	40 ↗	55 ↗	97 ↗
Lagardère Active	0	1 ↘	33 ↗	34 ↗
Lagardère Unlimited	0	3 →	7 →	10 →
Other Activities	0	0	11 →	11 →
Group total	**3 →**	**65 ↗**	**151 ↗**	**219 ↗**

In 2013, the overall number of employees with a disability was 23.70% higher than in 2012.

This positive trend was particularly marked at Lagardère Services, where the increase reached 86.50%, including 100% in France, after action by Aelia and in the Czech Republic.

In the Group's other businesses the number was more or less unchanged from 2012.

Actions undertaken by the Group

In 2012 the Group commissioned a disability audit, and in 2013 each business line took action based on the audit's findings, including internal awareness-raising and training initiatives, hiring and inducting employees and interns with disabilities, working with sheltered-sector organisations (Esat), and improving accessibility.

Following an awareness-raising campaign at Aelia France, for example, twelve employees were officially classified as workers with a disability, and a significant number of new hires were people with disabilities. In 2014 managers will be given training on the business line's disability policy in order to increase recruitment of people with a disability.

In Canada, LMPI employs around twenty people with disabilities, who label and package magazines.

Lagardère Publishing uses the services of 21 Esat[(1)] sheltered-sectored organisations and all Larousse's job offers are advertised through AGEFIPH, a French public sector body that promotes the employment of people with disabilities.

Lagardère Active's Mission Handicap project aims to change people's perception of disability, and it continued to promote the integration of people with disabilities, with permanent contracts, work-study placements and work experience. Four new contracts were signed in 2013 (permanent/fixed-term and work-study contracts) and 16 interns were taken on, making a total of 46 contracts and 119 internships since 2007.

Lagardère Active also continued to use the sheltered workshop APR2 to recycle its computer and office equipment and to collect and recycle magazines. Several production companies chose Sabooj – France's first sheltered-sector corporate communications agency – to partner the launch of their websites on the Lagardère Entertainment portal.

Mission Handicap teams had 57 initiatives with a total of 15 sheltered-sector organisations.

In December 2013, in conjunction with the Ministerial Office for People with Disabilities, the French broadcasting authority (CSA) launched a draft **Charter for promoting the training and professional integration of people with disabilities in the audiovisual communications sector**. Lagardère Active's Radio TV activity signed the document in February 2014.

(1) Esat: Etablissements et services d'aide par le travail (sheltered-sector organisations in France).

Collective agreements on the integration of people with a disability

Collective agreements on the integration of people with a disability

Division	% of employees covered by collective agreements on the integration of people with a disability
Lagardère Publishing	19%
Lagardère Services	31%
Lagardère Active	40%
Lagardère Unlimited	1%
Other Activities	0%
Total	**27%**

F.3 Outreach to young people in inner cities

Since 2006 the Lagardère group has partnered the non-profit Nos Quartiers ont des talents (Our neighbourhoods have talent), with the aim of helping qualified young people from underprivileged urban areas and backgrounds to gain a foothold in the world of work.

This partnership has led to concrete actions: a mentoring programme in which the Group's experienced managers help young people with their job search. Lagardère also attends annual forums that put qualified young people in contact with corporate managers. On 27 November 2013 the Group took part in the fourth Rencontres nationales pour L'égalité des chances (France's equal opportunities forum) held at the Cité du Cinéma in the north of Paris.

Since 2013 the Group has also been a member of the Steering Committee of Nos Quartiers ont des Talents alongside members of the organisation's bureau and young people it has helped into work and who wish to give the organisation greater visibility.These initiatives are paying off, and some 20,000 young people have received help from the organisation to date, 72% of whom have been hired for posts that correspond to their qualifications.

F.4 Anti-discrimination policy

Formal discrimination litigation

Only two new cases of formal litigation were recorded in 2013.

Neither of the two cases identified in 2012 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 R. 225-105-1 of the French Commercial Code *(Code de commerce),* 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 balance within the Group, outreach programmes aimed at helping young people from inner cities find a job and initiatives to promote the employment of people with a disability.

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. Once again, no official claims were filed in 2013.

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 mitigates its direct environmental risks.

However, Lagardère is well aware that its status as a media corporation in no way exempts it from important environmental requirements (related to its activities as a publisher and producer of books, magazines and digital content), 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 Resources (LPRR) – which is part of the Lagardère Unlimited business line – is strictly monitored;
- data on the mitigation of noise and other forms of pollution related to a business activity.

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 needs to take into account environmental factors specific to its business. Consequently, each business line 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 business line 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.

Through these very active steering committees, Hachette UK in the United Kingdom and Hachette Book Group (HBG) in the United States closely monitor the carbon footprint of their works as well as their FSC (Forest Stewardship Council) and PEFC (Program for Endorsement of Forest Certification) accreditations. They also set themselves clear environmental objectives. In 2013, HBG increased the proportion of recycled fibres in its paper purchases to 8%, which is a very commendable figure in view of the scarce supply of such fibres.

At Lagardère Services' headquarters, sustainable development is handled by the Strategy and Innovation Department and each country has a sustainable development officer who co-ordinates local initiatives.

At Relay France, the "Sites Department" has changed its name to the "Architecture and Sustainable Development Department", demonstrating the increasing importance that Lagardère Services places on this issue.

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 Unlimited, venue management activities and consulting for owners of sports grounds – such as LULE (Lagardère Unlimited Live Entertainment) and LUSS (Lagardère Unlimited Stadium Solutions) – are increasingly incorporating environmental issues into their operations. Responses to bids now take account of environmental factors, calling on local service providers and specific transport solutions that reduce traffic and improve accessibility to sports grounds and performance venues.

The Matra Manufacturing & Services[2] electric vehicle manufacturing site at Romorantin in central France is ISO9001 (2008) and ISO14001 certified, 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 (see section 5.3.2.3 C2).

The ISO14001 certification awarded to the Croix Catelan Site owned by Lagardère Paris Racing has been suspended since 3 December 2013 for the duration of the renovation works being carried out on the Club House. Until the site resumes the certification process in 2015, however, LPR will maintain environmental protection at the site, sorting hazardous waste, protecting the soil, raising staff awareness, and prevention processes and emergency plans.

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.

At Hachette UK, for example, the induction process for new hires includes an e-learning module on sustainable development practices and particularly FSC and PEFC accreditations.

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 2013.

(1) The water used for the site's two swimming pools and watering of landscaped areas. In 2013, 1,500 cubic metres of dechlorinated swimming pool water was used to water lawns. In 2014 the site intends to extend the use of swimming pool water.

(2) The operations conducted by Matra Manufacturing & Services – which are included in the "Other Activities" segment and described in Chapter 5, section 5.2 of this Reference Document – are very different from the activities of the Lagardère group's four media business lines and account for an extremely small proportion of consolidated net sales.

1 2 3 4 5 6 7 8 9 10 11

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

For **Lagardère Publishing**, the rate of returns for books in volume terms was 23.91% in 2013. Out of these total returns, 60.32% were 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.

Effectively managing returns is a key priority for **Lagardère Active**. Its Magazine Publishing business takes action upstream to reduce the rate of returns by optimising 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 its rates of returns to levels well below the average national rate for around twelve years.

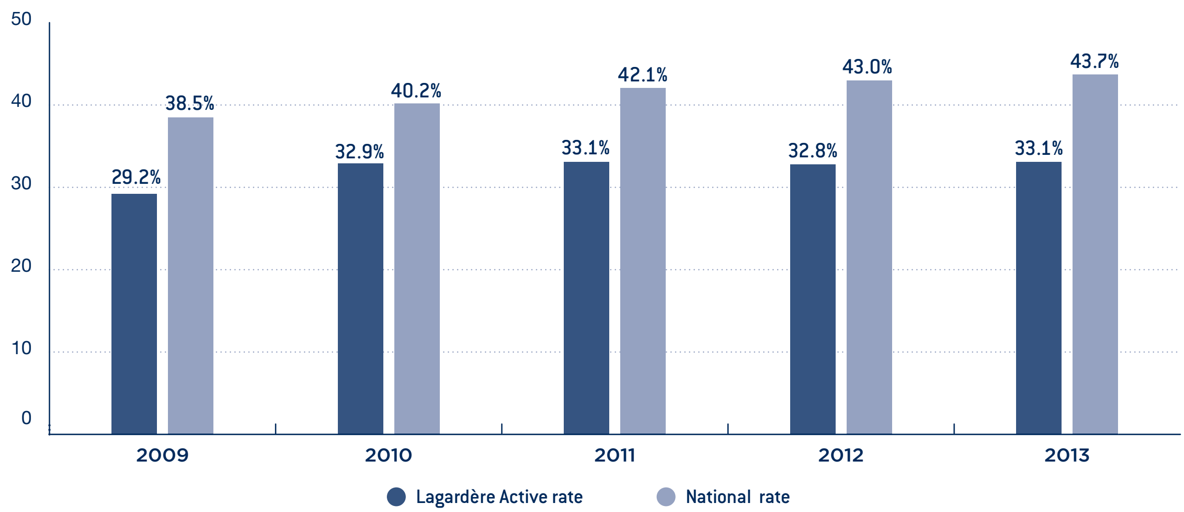
In 2013, the average rate of returns for magazines in France was 43.7%. The rate of returns at Lagardère Active during the year was more than 10 points lower, at 33.1%. Given the decrease in newsstand sales, maintaining this level of returns required extremely strict monitoring of the number of copies supplied.

On average, 90% of returns generated by the French press distribution system for newsstand sales are recycled and the remaining 10% are recovered and returned to the publishers at their request, either for archiving or for re-marketing.

Lagardère Active's recycling rate is higher than the national average as nearly 93% of magazines are recycled and only 7% returned to the publishers.

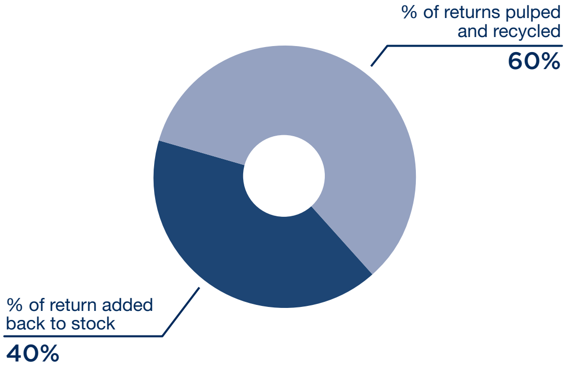
Faced with the important economic, environmental and social impacts of waste management, particularly the recovery and recycling of press titles that are sold or distributed free of charge, a group of professional bodies from the press industry in France (including SEPM, the French Union of Magazine Publishers) have agreed on the wording of a "Voluntary Agreement to Raise Awareness on Sorting, Recovering and Recycling Paper in the Press Industry", jointly with the French Ministry of Ecology, Sustainable Development and Energy, the Ministry of Culture and Communication, and Ecofolio (an organisation accredited by the French government that promotes the recycling of graphic paper).

Comparison of rates of magazine return in France

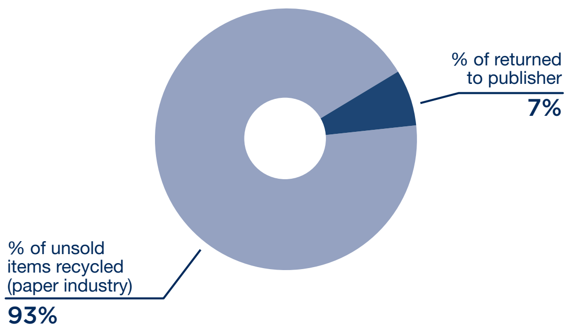


Source: Presstalis survey, December 2013.
The rate of returns for newsstand sales varies substantially between title categories and sub-categories. For example, the national rates of returns for January to December 2013 in France were:
40.7% for current affairs titles;
42.8% for news titles;
42.7% for women's magazines;
46.0% for the fashion/beauty category;
51.2% for the motor category;
21.8% for TV magazines;
60.2% for the home category.

Returns at Lagardère Publishing



Returns at Lagardère Active



The aim of the agreement – which was signed in July 2013 and includes Lagardère Active as a member of the SEPM – 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 first campaigns covered by the agreement were launched in 2013 and over 70 pages of advertising were devoted to the Ecofolio campaign in 23 of Lagardère Active's magazines[(1)].

Other types of waste

Although the issue of managing types of waste other than paper is much less relevant to the Group's operations, certain entities 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.

Lagardère Publishing set up a sorting system for its office waste at its Garamond building in the south of Paris in 2012. A centralised document printing system was set up at the same site, based on a "sustainable printing" policy that involves default duplex printing, user identification for printing, and a reduced number of printers.

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 mainly recycled cardboard for its operations.

In addition, Relay cashiers have been instructed to give out bags on customer request only, and in 2013 a specific indicator was introduced to monitor compliance with this requirement (which was initially put in place in France).

The results show that in 2013, of 100 checkout visits at Relay France, only nine bags (all recyclable) were given to customers. Aelia also has a policy of responsible bag distribution, using bags that are 100% recyclable.

In early 2011, Lagardère Active rolled out a waste sorting system for its main sites in the Paris area. In 2013, this system enabled 407.4 tonnes of waste (cardboard, paper, WEEE, furniture etc.) out of a total 767 tonnes (excluding food waste) collected to be recovered and then either recycled or turned into energy through incineration. The tonnage of sorted waste accounted for 53.1% of the total tonnage collected in 2013. Residual waste is also turned into energy through incineration.

At the Croix Catelan site, one tonne of hazardous waste (cans of swimming pool and phytosanitary products; pots of paint, varnish and glue; used neon lights, batteries and accumulators; and lubricating oil) as well as 400 kg of WEEE were collected during 2013.

Aware of its environmental footprint in the digital domain[(1)], in 2013 the Lagardère group decided to create an indicator to monitor the weight of WEEE collected within the Group and transferred to state-approved organisations for processing and recycling. A total of 33 tonnes of WEEE were collected for recycling by the Group's various entities in France in 2013.

(1) See the Sustainable Development Report for further information.

C) SUSTAINABLE USE OF RESOURCES

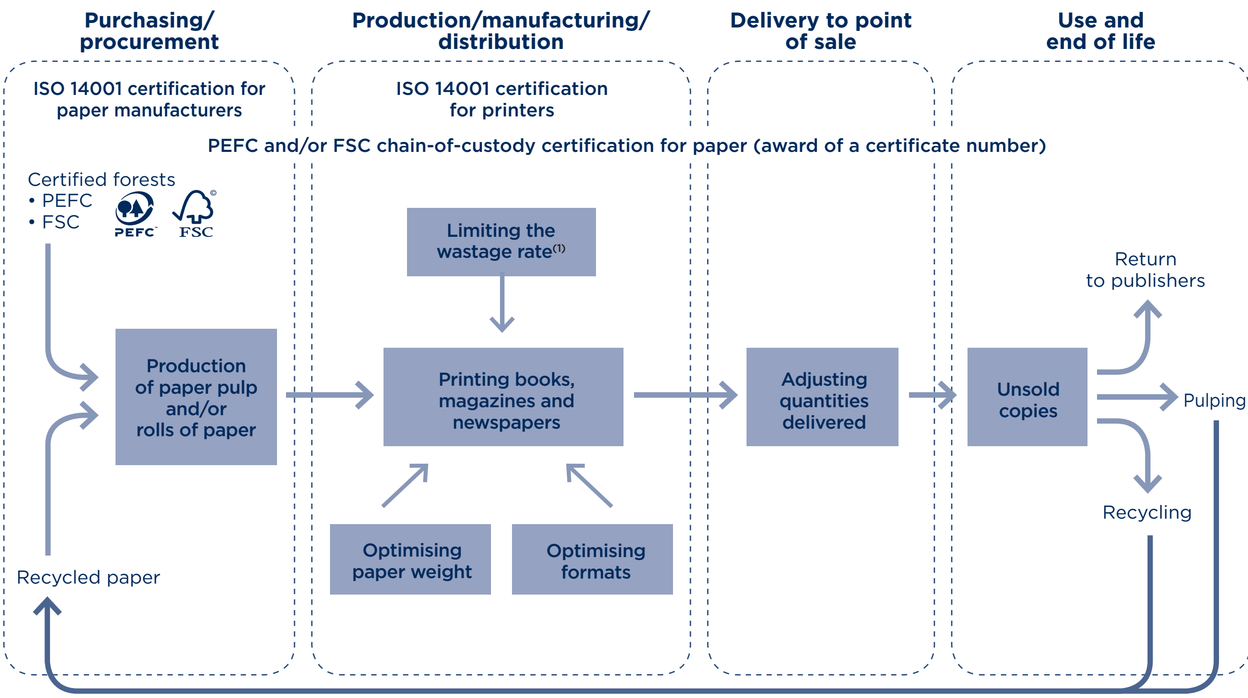
C.1 Consumption of raw materials and measures taken to improve efficiency of use

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, exercising this responsibility throughout the paper life cycle, from supply to production and ending with the management of returns (see above).

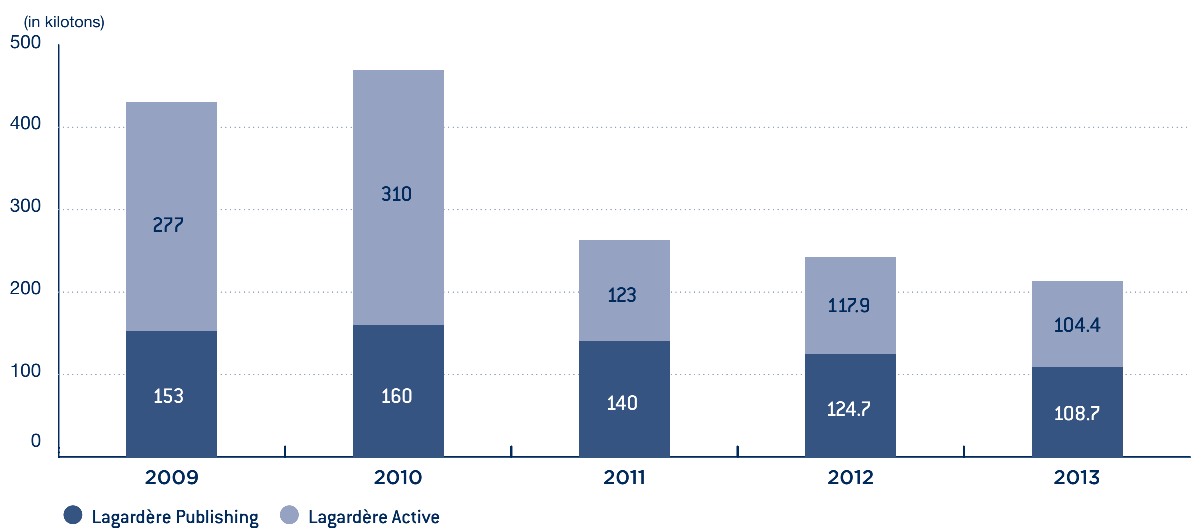
The main raw material used to make paper is wood, which is a renewable resource. The wood is processed into a pulp which is used to make reels of paper. The reels are then shipped to the printer to be made into books, magazines and newspapers. Once used, these products can be collected and recycled to be used as a raw material for the production of recycled paper pulp.

In 2013, the Group bought almost 213,100 tonnes (213.1 kilotonnes) of paper for the Lagardère Publishing and Lagardère Active business lines.

The Paper Cycle



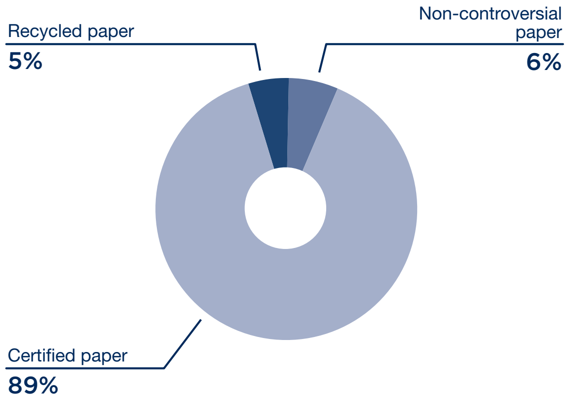
Total weight of purchased paper



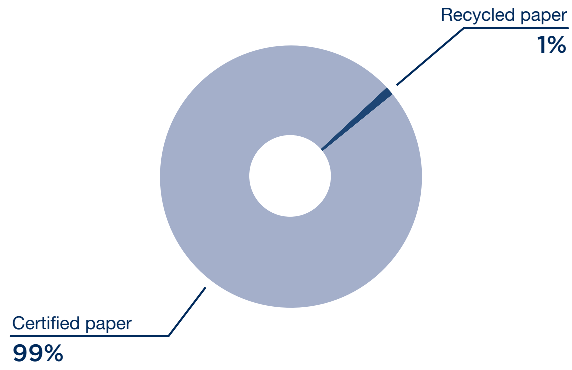
(1) Wastage rate: the percentage of paper wasted during the manufacturing process.

1 2 3 4 5 6 7 8 9 10 11

Proportion of paper purchased directly by Lagardère Publishing (%)



Proportion of paper purchased directly by Lagardère Active (%)



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.

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 70% in 2010 to 73% in 2012, then 79% in 2013.

In 2013, certified paper[(1)] accounted for 89% of total paper purchased directly by Lagardère Publishing (see diagram above), and recycled paper represented another 5%.

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).

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-2013, 37 magazines were certified, including five weekly publications.

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 90% of their inserts were printed on recycled or PEFC/FSC-certified paper in 2013, up 10% on 2012.

At Lagardère Active, recycled paper is very well suited to the production of newsprint. *Le 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.

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 during the production process, Lagardère Publishing and Lagardère Active have adopted a number of initiatives.

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).

As part of the policy for reducing the business line's paper wastage rate, teams at **Lagardère Publishing** determine the best technical 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;
- define and validate the best paper allocation schedules in conjunction with each supplier.

At Lagardère Active, improving wastage rates is also a key factor in negotiations with printers for the Magazine Publishing business's Production and Purchasing Departments. 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

(1) In a bid to harmonise the methods used by Lagardère Publishing and Lagardère Active for calculating these proportions, the Group decided that as from 2013 it would present a table setting out the percentage of certified paper rather than fibres (see section 5.3.3.2).

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 6,800 tonnes per year) is the focus of particular attention. Between 2008 and 2010, the wastage rate for these items was halved, and in 2011 the modernisation of machines reduced the binder surplus rate(1) from 3% to 2%. This level was maintained in 2013.

Optimising formats

Lagardère Publishing offers a large number of compact text books which have proved popular with teachers and 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. Other compact formats were launched in 2013, such as the *Journal de Mickey* and *Paris Match,* and a single format was introduced for a number of titles, such as *Elle à Table* and *Public*, which has also helped save paper.

Digital technology

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 business line 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 business line 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.

Printing on demand at Lagardère Publishing

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 business line 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 8,000 POD titles available at end-2013, and where several thousand new titles are likely to be added to the catalogue in 2014;

  Hachette Livre is also using this technology as part of a large-scale project it has launched in association with France's national library (Bibliothèque Nationale de France). As part of this project an initial 66,000 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 1,901 POD titles available at the end of 2013, the average print-run of which is 52 copies. This catalogue is also expected to increase in 2014;
- in the United Kingdom, where Hachette UK had around 750 POD titles at end-2013.

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 finetune its panel of indicators and extend its reporting scope year on year. This continuous improvement process is also planned for the reporting phase dedicated to actual production of the data.

Data reported for 2013 concerns the France reporting scope, which represents 174(2) companies and 42%(3) of the Group's workforce. As 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 section 5.3.3 for further details). This system was updated in 2013 with several new indicators(4).

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) Paper wasted during the binding phase (attaching the cover to the text-block with sewn or glued binding).
(2) Source: financial reporting.
(3) Source: HR reporting.
(4) See section 5.3.3. CSR Methodology and Indicators.

The Group's energy consumption in France en 2013

Division	Year	Gas (kWh)	Oil (litres)	Electricity (kWh)	District heating system (kWh)
Lagardère Publishing	2013	11,436,498	319,753	15,611,817	3,341,070
	2012	*11,187,264*	*310,071*	*15,998,808*	*2,794,826*
Lagardère Services	2013	2,060,968	0	41,731,749	0
	2012	*744,754*	*214,679*	*39,329,544*	*0*
Lagardère Active	2013	5,786,304	6,050	15,382,137	1,945,000
	2012	*5,780,256*	*0*	*15,630,544*	*1,955,000*
Lagardère Unlimited	2013	5,025,031	80,772	3,164,525	2,550,000
	2012	*6,655,652*	*500*	*2,939,857*	*1,730,287*
Other Activities	2013	14,282	4,757	4,676,141	410,110
	2012	*12,495*	*3,957*	*3,598,965*	*410,400*
Total	**2013**	**24,323,083**	**411,332**	**80,566,369**	**8,246,180**
	2012	***24,380,421***	***529,207***	***77,497,718***	***6,890,513***

Year-on-year increases and decreases in energy consumption varied by branch and source, but in general the rises reported reflected:

- changes in organisational structure, with new entities entering the environmental reporting Scope;
- a better understanding within an entity of the various sources of energy consumption;
- internal organisational changes (often due to refurbishment or renovation works), that may be temporary or permanent, and lead to increases or decreases in energy consumption.

For example, at Lagardère Services, the sharp rise in gas consumption was due to two factors:

- changing the head office heating system from fuel oil to gas (which also explains why there was no longer any fuel oil consumption for Lagardère Services in 2013);
- the use of more detailed analyses of consumption at the two Relay warehouses.

The increase in electricity consumption was due not only to a larger reporting Scope (with more sales outlets in 2013 than in 2012) but also to a difference in the mix of operations covered (e.g., growth in food services in 2013, which consumes more energy than the traditional press sales business).

At Lagardère Unlimited the significant reduction in gas consumption reflected a corollary sharp rise in the consumption of fuel oil due to renovation works at Lagardère Paris Racing's Croix Catelan site, where the gas boilers used to heat the two swimming pools and the club house have been removed and replaced by a temporary oil-fired burner.

Lastly, "Other Activities" reported a steep rise in electricity consumption, after one of the Group's two head office buildings extended its reporting scope for electricity-consuming items to include the computer servers housed at the site.

In line with the Group's objective of increasing its use of low-carbon energy sources, several of the Group's premises in Paris are heated by a district heating system supplied by Compagnie Parisienne de Chauffage Urbain (CPCU). Out of the energy supplied by CPCU, 71% comes from natural gas or gas produced by cogeneration (29%) and recycled domestic waste (42%). The remaining 29% comes from coal (19%) and ultra-low sulphur heating oil (10%).

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, and Lagardère Publishing also uses it for its Paris head office (which will move in late 2014).

Two of the office buildings housing Lagardère Active in Levallois are heated by Levallois Energie Maintenance (LEM), which is comparable to the above-described Paris district heating system. When Lagardère Entertainment relocated to Boulogne, it chose a building certified as HQE (built to High Quality Environmental Standards) and BBC (the French standard for low-energy buildings).

At Lagardère Unlimited, one of Lagardère Paris Racing's two sites also runs a district heating system.

At Lagardère Services, in 2013 Aelia's new warehouse was awarded BREEAM (Building Research Establishment Environmental Assessment Method) certification, thanks to the measures taken to reduce its energy consumption such as low-density insulating materials, a centralised technical management system, and high output, low energy, external lighting.

A green team has been set up at Lagardère Services to raise employees' awareness about simple actions they can take to save energy and resources, such as switching off lights whenever possible, reducing personal water use, and promoting video-conferencing.

Lastly, in 2013, the Lagardère Services Hubiz network of sales outlets fitted doors on the majority of its fridges to save energy[(1)]. This best practice has also been applied at Aelia and has been monitored since 2013 through an indicator that is specific to Lagardère Services and is currently only being used in France. As a result, at end-2013 58% of refrigerators in Lagardère Services' sales outlets had been fitted with doors, which is an encouraging ratio for a relatively recent initiative.

(1) See the Sustainable Development Report for further details.

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 concerns 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.

CO_2 equivalents of the Group's tertiary energy consumption in France in 2013 (in eq. t CO_2)

		Scope 1			Scope 2			
Division	Year	Gas	Oil	Total	Electricity	District heating system	Total	Total Scope 1 + Scope 2
Lagardère Publishing	2013	2,676.14	1,023.21	3,699.35	1,124.05	648.17	1,772.22	5,471.57
	2012	*2,617.82*	*992.23*	*3,610.05*	*1,151.91*	*542.20*	*1,694.11*	*5,304.16*
Lagardère Services	2013	482.27	0.00	482.27	3,004.69	0.00	3,004.69	3,486.96
	2012	*174.27*	*686.97*	*861.24*	*2,831.73*	*0.00*	*2,831.73*	*3,692.97*
Lagardère Active	2013	1,354.00	19.36	1,373.36	1,107.51	505.70	1,613.21	2,986.57
	2012	*1,353.00*	*0.00*	*1,353.00*	*1,125.00*	*508.00*	*1,633.00*	*2,986.00*
Lagardère Unlimited	2013	1,175.86	258.47	1,434.33	227.85	494.70	722.55	2,156.88
	2012	*1,557.42*	*1.60*	*1,559.02*	*211.67*	*335.68*	*547.35*	*2,106.37*
Other Activities	2013	3.34	15.22	18.56	336.68	79.56	416.24	434.80
	2012	*2.92*	*12.66*	*15.58*	*259.13*	*79.62*	*338.75*	*354.33*
Total	**2013**	**5,691.61**	**1,316.26**	**7,007.87**	**5,800.78**	**1,728.13**	**7,528.91**	**14,536.78**
	2012	***5,705.43***	***1,693.46***	***7,398.89***	***5,579.44***	***1,465.50***	***7,044.94***	***14,443.83***

As energy consumption for the Group's French operations increased overall in 2013, so did the related greenhouse gas emissions.

Bilans Carbone® audits on the business lines' operations

At Lagardère Publishing, in line with the action plan approved following the first carbon audit of Hachette Livre France, two new measures have been implemented since 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 includes 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.

This environmental sticker system won Hachette Livre the 2013 prize for innovation awarded by the Lagardère group.

In late 2012, Hachette Livre carried out its second carbon audit for its operations in French-speaking countries, which found that the action plans from the first audit brought total emissions down by 16%. Total emissions now come to 200,000 tonnes of CO_2 equivalent and the carbon footprint of each book has been reduced from 1.4 kg to 1.2 kg of CO_2 equivalent.

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 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's 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 the environmentally friendly driving lessons given to its drivers in

2011 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.

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 (train or boat where possible).

In 2013 Lagardère Active's purchasing department repatriated the printing of the monthly comic strip *Picsou* to France from Italy.

The business line also extended its use of multimodal transport (boat/train + lorry instead of lorry only). Six of the its eight main paper suppliers based outside France used multi-modal transport in 2013 to reduce the CO_2 emissions generated by transport between their paper production plants and the printing sites in France.

Reducing greenhouse gas emissions during the filming of dramas

The police drama "Jo", which was broadcast on the French mainstream TV channel TF1 in 2013, was produced in 2012 in line with Ecoprod[1] recommendations, reducing its carbon footprint to 580 tonnes of CO_2 equivalent for the eight episodes.

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. It turned out to be highly complex, however, and will be simplified in 2014. The SEPM has set up a page on its website listing best CSR practices for magazine publishers.

Ecological initiatives taken by Matra Manufacturing & Services[2]

For more than five years now, Matra Manufacturing & Services (Matra M&S) has been involved in developing and distributing new urban mobility solutions (primarily electric bicycles and scooters).

In 2013, Matra M&S brought out a new high-density lithium-ion battery offering a low-cost alternative to petrol-powered scooters. It has also played a role in the increased use of electric bicycles in France with the launch of a new range equipped with an automatic gear-shifting system, which was elected the city bicycle of 2014 at the Paris Cycle Show.

E) PROTECTING BIODIVERSITY

E.1 Measures taken to preserve and develop 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 use of wood and paper (see the section above on natural resources) and responsible forestry management.

However, respecting biodiversity is one of the factors covered by the environmental-protection measures put in place at Lagardère Paris Racing's Croix Catelan site in the bois de Boulogne. These measures include a tree-planting programme, under which 12 trees were planted at the site in 2011, none in 2012 and three in 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, youth-oriented, sports-related, entertainment, health, music, 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 business lines.

Lagardère Services, which operates an international network of more than 4,000 stores, distributes and sells newspapers and magazines in over 20 countries and sells a wide range of products (notably in transport hubs) in countries with highly diverse cultures.

Lagardère is a diversified media activities Group, and this plays a key role in its social responsibility, as it reflects changes and technological advances that are transforming society. With its involvement in the worlds of culture, knowledge, information, entertainment, sport and travel, it enjoys close relations with various stakeholders which carry a particular responsibility.

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 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.

(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 note in A.1) above concerning Matra Manufacturing & Services' activities.

A) TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF THE COMPANY'S ACTIVITIES

A.1 On regional employment and development

Wherever they are located, the divisions take account of the local impact of their activities on jobs and regional development.

Lagardère Publishing employs a large number of people outside major cities and pays close attention to local specificities. For example, in Spain, Barcanova (which publishes in Catalan), Salvat and Vox are based in Barcelona, as is Larousse España. Algaida is based in Seville, and Xerais, which publishes in Galician, is located in Vigo. Similarly, Hachette Book Group employs over 300 people in Boston and Nashville in the United States.

Most of the business line's distribution centres are also located outside capital cities, such as the Maurepas site in France, Bookpoint (Oxfordshire, England), LBS (West Sussex, England), and HBG Distribution Services (Indiana, United States).

Lagardère Services' dense network of more than 4,000 stores is highly integrated into the transport infrastructures used by numerous people on a daily basis and also plays an important role in the development of the surrounding areas.

In Bulgaria, for example, LS travel retail has operations in a large number of small, mid-size and large towns and contributes to reducing unemployment in the regions where it is based by hiring a large proportion of local people.

Altogether, 93.95% of the Group's executives are hired locally.

A.2 On 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 Dialogue 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. Each entity has an extensive exchange programme with schools and universities, involving work experience 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 2013, the Lagardère group took on 880 work-study students (871 in 2012), primarily within Lagardère Services and Lagardère Publishing. A total of 1,425 students followed a work experience programme within a Group business line in 2013 (1,508 in 2012).

In addition to arranging work experience and work-study programmes, certain Group entities contribute to Lagardère's commitment to young talent by organising special contests for students.

For example, in 2013 Hatier launched a contest called "Le Tremplin Prépabac" for secondary school students, with a prize of €5,000 to finance the winner's career project. Eleven projects have been put forward for 2014 on the website *www.tremplinprepabac.fr*.

At **Lagardère Active** in 2013, the Sunday newspaper *Le Journal du Dimanche* and the school of journalism at the IEP – in partnership with Presses Universitaires de France – held the fourth edition of its best feature article contest. The prize for the winning student is a four-month work placement in the newspaper's editorial department, and their article is published on the newspaper's website.

Paris Match organised its tenth Grand Prix for student photojournalism in 2013, in partnership with Puressentiel, the *JDD*, RFM and MCE[1]. This contest is open to all students from business schools and universities, with prizes awarded to four students and the winner's work published in Paris Match.

For several years now, Europe 1 has awarded the Lauga-Delmas scholarship, which gives the best journalism students a fixed-term contract in the radio station's editorial department. The two 2013 winners were graduates of the ESJ and CFJ schools of journalism in Lille and Paris respectively, and both were given three-month work placements in the editorial department of Europe 1.

In late 2012 the Lagardère group signed a new partnership with the non-profit 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. As well as giving financial support, the companies that partner Alter'Actions invite their employees to mentor these students and provide them with practical help throughout their assignments. Five such students were mentored by Lagardère group managers in 2013[2].

B.2 Partnership or sponsorship operations

In addition to the work of the Jean-Luc Lagardère Foundation and the Elle Foundation, all of the Group's divisions again committed to community and partnership initiatives in 2013, which are described in further detail in the Sustainable Development Report.

Lagardère Active also provided free advertising space worth around €2,170,000 in 2013 in its various types of media in support of major charitable causes.

The foundations' sponsorship operations

The **Jean-Luc Lagardère Foundation**, which was created in 1989 under the auspices of the Fondation de France, 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 1990, the Foundation has awarded culture and media scholarships to talented young people under the age of 30 (or under 35 for certain 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, 230 beneficiaries (11 in 2013) have received a total of €5,120,000, including €235,000 awarded in 2013. In view of the outstanding quality of the projects presented, the Authors jury awarded two scholarships in 2013. The Musicians scholarship was not awarded, however.

The Jean-Luc Lagardère Foundation also focuses on encouraging sport as a way to promote a sense of community.

In 2007, the Foundation teamed up with the prestigious French business school, Sciences Po to create an educational programme (CSHN) for high-level athletes who are still in their sporting career to prepare their professional future after retirement from sport.

(1) Ma Chaine Etudiante (a specialist French TV channel).
(2) See the Sustainable Development Report for further details.

A total of 31 "students" signed up to the programme in the 2013/2014 academic year, twelve of whom were new participants. On 25 November 2013, graduation certificates from the programme were presented to nine sportspeople.

Of all the actions undertaken by the Foundation in 2013, two merit particular attention in this Reference Document.

First, on 25 November 2013, the Jean-Luc Lagardère Foundation and the Institut du Monde Arabe (IMA), under their partnership signed in 2008, awarded the first ever Prix de la Jeune Littérature Arabe to the Lebanese author Jabbour Douaihy for his book, *Saint Georges regardait ailleurs* (Actes Sud/Sindbad)(1). To be eligible for this literary prize authors must be nationals of an Arab League country writing about the young generation in the Arab world.

In addition, after the full refurbishment of the IMA's museum in 2012 (which the Foundation also supported), the Foundation further demonstrated its commitment to cultural activities and the conservation of heritage by enabling the IMA to create an Arabic version of its new museum catalogue.

The Foundation also pursued its communication drive with Lagardère's employees by organising events with some of its prize-winners for the teams at Lagardère Ressources (Other Activities). A total of nine such events attended by former prize-winners have taken place since this initiative was launched in 2012: a book-signing with Valentine Goby (winner of the special Authors prize in 2002) and Rosa Aoudia-Tandjaoui (who won the Booksellers prize in 2005), as well as four audiovisual projections and four exhibitions by prize-winning photographers, including *Femmes, après coup* by Hiên Lâm Duc (the 1996 winner), organised in partnership with the NGO Médecins du Monde.

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.

In 2013 the Foundation provided €211,390 worth of support to projects in France and abroad.

As well as pursuing its multi-year commitments both in France (with Force Femmes, Elle Solidarité mode, and Sciences Po) and abroad (Afghanistan, Madagascar, the Philippines and Mali), the Foundation financed six new projects in 2013:

- in Chechnya: the Laram vocational training centre for Chechen women;
- in Morocco: a programme aimed at supporting young women through higher education;
- in Congo: a programme to help young women from Pointe-Noire off the streets and out of prostitution;
- in Afghanistan: a teacher training project; and
- in France: *Odette & Co* magazine launched by women jobseekers, as well as L dans la Ville, in conjunction with the non-profit Sport dans la Ville, to help women in Drancy (a Paris suburb) and the 19th arrondissement of Paris.

The Elle Foundation also organised a number of events and forums in 2013, including the Elle Active Forum in April attended by over 2,000 women at the CESE(2).

Alongside the Elle Foundation, Lagardère Active has set up a Solidarity Department that enables employees to volunteer for charitable projects. A total of 160 employees have taken part in these projects, either on a one-off or a long-term basis, particularly helping journalism students or from under-privileged areas. In 2013, an event was organised at Lagardère Active's head office which was attended by the founders of the *Odette & Co* magazine with *Elle* employees (journalists, typesetters and sellers of advertising space).

Partnerships with non-profit organisations

The Group's divisions are involved in numerous partnerships, some of which are discussed in the *Sustainable Development* Report. This Reference Document provides a few examples.

At **Lagardère Publishing**, Hachette Livre is a founding member of the Pen Club publishers circle, and 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 (see section E below).

For the past several years Dunod has supported the action of Bibliothèques sans Frontières (Libraries without Borders) in its programmes for promoting reading and learning.

At **Lagardère Services**, in 2013 LS pursued its partnership with the Action Against Hunger charity by organising collections of donations in its Travel Retail outlets in France, the United Kingdom and Switzerland. The funds raised will help Action Against Hunger to step up its measures to fight malnutrition, particularly for children who are often the first to suffer.

Vocational integration organisations

In 2013, 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 Fresnes prison to encourage prisoners to read.

Hachette Livre's Charitable Action Committee, which was created in 2010, supported a dozen charitable projects in 2013 that were proposed by employees. These included a project to assist a non-profit organisation which gives free French classes for non-French speakers and helps immigrants of all ages to integrate into French society.

At **Lagardère Active**, the *Les femmes Version Femina* prize, demonstrates the business line's commitment to working closely with local non-profit organisations. It is awarded to women whose remarkable action in areas such as community relations, education and preserving cultural heritage has impacted their region and improved lives. Readers of each participating regional daily newspaper vote for a local candidate to represent their region in the final. Three winners are then selected from 15 finalists by a distinguished panel of judges.

The winner of the 13th prize, in 2013, was Sandra Cléaux from the Saône-et-Loire region of France for her "Basket Fauteuil" wheelchair basketball association and for her work coaching the Elan Chalon wheelchair basketball club, which has 16 players (two of whom do not have a disability) and is sponsored by the professional basketball player Jordan Aboudou. Ms. Cleaux's aim is to change people's view of disability.

Also in 2013, the Europe 1 radio station organised the second edition of its Solidarity awards. The winner was Audition Solidaire, a charity that helps homeless people who have a hearing impairment by giving them both technological and personal support. The prize was a free advertising campaign and promotional interviews on Europe 1.

Environmental protection organisations

Gulli took part in Earth Day for the fifth time in 2013 – a worldwide event that takes place every 22 April – with a concert in Nantes in

(1) See the Sustainable Development Report for further details.
(2) CESE: the French Economic, Social and Environmental Council.

western France, to promote solidarity and eco-responsibility. The event was attended by 6,891 people. As it does every year, Gulli undertook to donate €1 per concert-goer to Surfrider Foundation Europe. As €1 enables 5 sq.m of coastline to be cleaned up, 34,455 sq.m of beaches were cleaned in 2013 thanks to Gulli.

Children's aid organisations

In China, Lagardère Services Travel Retail teamed up with the China Social Welfare Foundation for a large-scale campaign called "Bring your books to the village", for children from poor families living in isolated areas. The company's employees took part in the campaign directly by corresponding with the children and visiting them during the summer of 2013 to bring them books and clothes[(1)].

In Australia and New Zealand, Lagardère Services' teams support Canteen, a non-profit organisation that helps teenagers suffering from cancer.

At Lagardère Active, in 2013 Gulli tracked, both on its TV channel and website, the Initiatives Coeur boat in the Vendée Globe round-the-world sailing race, which was raising money for Mécénat Chirurgie Cardiaque, a charity that pays for heart surgery in France for children from countries where the operations they need are not possible, and the "Polar Odyssey" expedition organised by the child protection charity, Fondation Action Enfance.

C) SUBCONTRACTORS AND SUPPLIERS

C.1 Recognition of social and environmental issues in the procurement policy

In 2012, the Lagardère group – which has long taken social and environmental challenges into account in its purchasing policy – launched a special sustainable procurement project for all its business lines. This project is overseen by the Procurement Department and the Sustainable Development Department and 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[(2)], 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 the 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.

The suppliers' 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 on good practices that have been tried and tested in various divisions (see below). Other documents have also been drawn up, such as supplier questionnaires and files containing information on sheltered-sector organisations that have already worked with one of the Group's entities.

C.2 Importance of subcontracting and the recognition of subcontractors' and suppliers' corporate social responsibility in relations with them

Drafting principles

▸ Responsible Supplier Charter

The new Responsible Supplier Charter is based on a certain number of international standards, such as the OECD Guidelines, the International Labour Organisation Conventions and the UN Global Compact.

The criteria set out under the new charter, which applies to all foreign subsidiaries, 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 applicable employment law and regulations;
- the application of workplace health and safety standards;
- respect for the fundamental principles of environmental protection;
- the rational use of natural resources and raw materials;
- compliance with environmental regulations in force particularly regarding public health and safety;
- respect for intellectual property;
- anti-corruption measures;
- promotion of the above principles to business partners.

At Lagardère Publishing, all new Technical Department suppliers have been required to systematically sign up to this Charter since 2013.

A total of 48 suppliers had signed up by end-2013, and the scope will be gradually extended to the majority of suppliers (including existing suppliers) of both the Technical Department and Hachette Collections.

At Lagardère Active, 17 suppliers (Chinese importers and factories) signed a two-year contract in early 2013 that included the Responsible Supplier Charter.

▸ Other framework documents

At **Lagardère Publishing**, the publishing houses of Hachette Collections drew up a Code of Ethics in 2007 for all their suppliers and subcontractors, restating the fundamental principles of human rights and children's rights.

This document asserts the right of the publishing houses to verify that these principles are applied by their suppliers and subcontractors and to initiate compliance audits during the term of the manufacturing contracts concerned, at the suppliers' and subcontractors' premises or at any of their production sites. If the Code has been breached, the contract may be terminated and financial penalties levied against the defaulting party. In line with its Code of Ethics, Hachette Collections commissioned six independent compliance audits in 2013. Four of these audits confirmed plant compliance, while two detected anomalies. Following corrective action, the two plants concerned were confirmed compliant by a second audit.

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.

Supplier-partner awareness raising and performance tracking

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.

(1) See the Sustainable Development Report for further details.
(2) Governance is one of the seven core subjects of ISO 26000 and covers all of the policies and tools used in the implementation and communication of the sustainable procurement policy.

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 has asked 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 in 2013 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 and safety, 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 business line'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.

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 overall Compliance approach conducted within the Group, the Compliance Department has drawn up an anti-corruption programme (including a procedure for combating corruption). The rollout of this programme – based on awareness-raising measures – was begun in 2013 within Lagardère Unlimited's Europe-Africa region and is being overseen by the Head of Compliance at Lagardère Unlimited, who draws on a network of designated correspondents within the business line's operating units. The rollout will shortly be extended to Lagardère Unlimited's US and Asia regions and subsequently to the Group's other business lines[(1)].

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 the sale of catering products in Lagardère Services' retail outlets, or analysing the intangible impact of Lagardère Active's content.

Health and safety

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 Services**, hygiene and food safety are also a key priority in the sale of food and catering products. In order to guarantee that customers are sold safe products, Relay France has taken a number of measures. These include:

- Setting up an HACCP[(2)] system for controlling food safety for both catering operations and the sale of packaged food items.
- Performing daily food hygiene and safety checks at each sales outlet, following strict and precise criteria, from the supplier delivery phase to final sale to the consumer. External controls are also performed by independent bodies that carry out hygiene audits and microbiological analyses of finished products, raw materials, the water supply and equipment.

Within Aelia, when entering into agreements with brands – which are generally owned by large French and international corporations that are subject to the same rules and requirements – Aelia systematically requires a commitment to comply with international agreements on the environment, protection, consumer health and safety, and product traceability.

At **Lagardère Active**, cover mounts that are offered with certain Group magazines all meet the applicable safety requirements. In accordance with regulations, full files containing EC compliance certificates, test reports and production data are kept and shown when requested. The plants that manufacture these cover mounts are audited and a quality control is performed for each production output before the products are dispatched. An annual review is carried out for importers and visits are organised with the correspondents in China twice a year.

The content produced and distributed by all **Lagardère Active** media is also carefully monitored for the benefit of the business line's consumers, namely readers, listeners, web users, spectators etc., and the topics addressed below are also included in this section about consumer health and safety.

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) and regularly submits the content of advertising messages for prior verification of compliance 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).

At **Lagardère Services**, particular attention is paid to all forms of advertising (posters, promotional displays etc.) in all the business line's sales outlets.

(1) See the Sustainable Development Report for further details.
(2) HACCP: Hazard Analysis Critical Control Point.

Preventing obesity

Lagardère Active's three youth channels – Gulli, Canal J and TiJi are keenly aware of their editorial responsibility to promote balanced and healthy diets among their viewers in order to help fight obesity.

The three channels joined the drive launched by the French government and the national broadcasting authority (CSA), and signed the first official "Food Charter"[1] on 18 February 2009, covering a five-year period.

In 2013, the fifth and last year of application of the 2009 Charter, Lagardère Active's three youth channels offered 314 hours and 49 minutes of programmes[2] on obesity prevention, most of which referred to the guidelines of France's healthy eating campaign and advised viewers to visit the website set up by the French health ministry to encourage healthy eating and physical activity: http://www.mangerbouger.fr/.

In 2013, the three channels took part in discussions organised by the CSA on drawing up a new five-year Charter and reaffirmed their commitment by signing up to the new Charter on 21 November 2013. This new text – which came into force on 1 January 2014 – includes 14 pledges and stipulates a higher number of annual programming hours (between 30 and 40 for each channel with the possibility of pooling these hours among the three channels).

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, the UN Convention on the rights of the Child of 1989, the Implementation Handbook for the Convention on the Rights of the Child published by Unicef in March 2012, the UN Global Compact and Save the Children's guidelines.

Lagardère has therefore chosen to present below social information related to its activities as a producer, publisher and broadcaster of media content, including the protection of children, the accessibility of content to vulnerable people, press freedom, the promotion of diversity and the protection of personal data.

All these topics have been discussed by a number of French media players as part of the Media CSR Forum. In association with the ORSE (French CSR monitoring body), in March 2014 the Forum published an initial document called *La RSE dans le secteur des Médias* (CSR in the media industry), which identifies the industry's main issues and contains a number of practical data sheets[3].

Child protection

At **Lagardère Publishing**, Hachette and Hatier are members of the Savoir Livre non-profit, which monitors the education system through studies, surveys, conferences and debates with the underlying aim of giving children the best chance of succeeding in life.

In addition to this work, the Youth Works department at Lagardère Publishing offers a number of online activities for children. For example, Hatier's Ratus Poche site, designed for six to eight year olds, offers online games and digital post cards to write, and Annabac.com helps secondary school students prepare for their exams. In 2013 Annabac.com had more than 20 million page views.

Lagardère Active's TV and radio broadcasters ensure compliance with the applicable laws and regulations, as well as with the agreements signed with the CSA. The Group's television channels are rigorous in applying the CSA's guidelines 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.

Meeting the strictest ethical standards is a number one priority for the Group's Youth channels, due obviously to their target audience, and also to the exceptional relationship of trust that they have forged both with children and teachers.

Fulfilling this specific responsibility is enshrined not only in the CSA agreements but also in the strict ethical guidelines and best practices that the youth channels and all their employees are required to respect.

All programmes pre-purchased and co-produced for Lagardère Active's Youth channels are closely monitored by the business line, both at senior management level and by each team concerned. This work is performed upstream, for example when characters, scripts, dialogue and graphics are selected.

In addition, Gulli and TiJi have each set up Ethics Committees of qualified individuals and independent experts tasked with monitoring the content of programmes and protecting children.

The membership of Gulli's Ethics Committee was completely overhauled in 2013 to give it a new impetus. Its first task was then to draw up a Code of Conduct, which should be finalised during 2014. Meanwhile, TiJi's Ethics Committee – which comprises a child psychiatrist, a psychologist and the head of a non-profit organisation – focused on the channel's relations with parents in 2013.

Lastly, Lagardère Active's youth channels draw on the expertise of *Observatoire Gulli*, a monitoring unit set up in 2007 dedicated to studying the behaviour of children and the family unit.

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 addition, a moderator dedicated to the protection of minors has worked on the *Doctissimo.fr* website since 2007.

Making content accessible to the underprivileged

Accessibility covers both the issue of physical access to premises for people with a disability (e.g., wheelchair access to Lagardère Services' sales outlets, which is a constant focus for Relay France) as well as access to media content. This section concentrates on the latter.

In 2008, **Lagardère Publishing** set up Audiolib, an audiobook brand that enables people with a visual impairment to access fiction and non-fiction content (such as self-help titles). The Audiolib catalogue had 310 titles at end-2013, including 56 published that year. These audio books also help people with reading difficulties, such as young dyslexics.

Audiolib regularly enhances its website to make it more accessible for people with a visual impairment.

(1) A charter aimed at promoting healthy eating and physical activity through TV programmes and advertising.
(2) Broadcasting volume proposed in 2013 for validation by the CSA in January 2014.
(3) See the Sustainable Development Report for further details.

In 2013, Audiolib entered into partnership/sponsoring arrangements, under which it has agreed to donate audio books to several non-profit organisations, such as Confluences, Lire dans le Noir and Les non-voyants dans leurs drôles de machines.

All **Lagardère Active**'s channels are required to meet commitments made to assist the deaf and hearing impaired, but the initiatives taken by its youth channels go beyond these requirements.

In 2013 the number of hours of subtitled programmes for the deaf and hearing-impaired represented 40.80% and 41.85% of Gulli's and Canal J's annual programming respectively (compared with the 20% and 10% respective requirements stipulated in the channel's agreements with the CSA).

Moreover, in 2013 Gulli and Canal J continued to broadcast two programmes called *Mes tubes en signe* (which teaches children to sing songs in sign language and *Fais-moi signe*, which is dedicated to learning sign language).

During the year, the infant channel TiJi broadcast the first season of *Fais-moi signe* and in September it launched an innovative new programme called *Signe avec Rémi* that teaches sign language to very young children. TiJi also offers sign-language versions of three of its scheduled programmes.

Ethics in journalism, freedom of the press, freedom of expression

Lagardère's operations are focused on 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.

The Europe 1 journalist Didier François and photographer Edouard Elias and other journalists have been held hostage in Syria since 6 June 2013. This breach of international law and the basic right to inform tragically illustrates the need to fight for the freedom of the press every day. Since 6 June, Europe 1's support committee and teams have worked unrelentingly to secure the journalists' release and have organised numerous awareness-raising events and demonstrations.

The Jean-Luc Lagardère prize for journalist of the year was awarded on 13 February 2014 to Jean-Philippe Rémy and Laurent Van der Stockt for their reporting on the Syrian tragedy that featured in the Le Monde newspaper in 2013. Their work covered the use of chemical weapons by Bashar al-Assad's forces.

Since 1984, this prize – formerly the Louis Hachette prize – has been awarded to over a hundred journalists for the quality of their reporting, editorials, feature articles and photos in the press. It currently represents an amount of €10,000.

At **Lagardère Services**, for several years now the Relay network has supported the work of Reporters Sans Frontières (Reporters without Borders) on upholding freedom of expression, i.e. the right to inform and be informed as specified in article 19 of the Universal Declaration of Human Rights.

The 43rd edition of the book 100 Photos for Press Freedom, dedicated to the dissident Chinese artist Ai Weiwei, went on sale in September 2013 at Relay outlets. Ai Weiwei, who is a talented photographer and architect, sculptor and film director, denounces all violations of the right to free expression.

The full €9.90 price of the book – which contains 100 photos – is donated to Reporters Sans Frontières to support its defence of a free press, providing assistance to journalists and their families and helping media organisations in need.

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.

Promoting the diversity of opinions and cultures

Lagardère Publishing publishes novels, essays, short stories, articles, handbooks, youth books and dictionaries in a dozen languages worldwide, covering a diverse range of outlooks.

The business line's publishers offer a wide range of differing interests and opinions, and they may publish works that put forward opposing views on the same subject, which guarantees the diversity of opinions and stimulates debate.

The agreement signed between Hachette Livre and the Bibliothèque Nationale de France (see section C1 above) is a prime example of how the promotion of cultural diversity and literary heritage. The idea behind the agreement is to enable readers to access tens of thousands of out-of-print books from the BNF's archives through their local booksellers, thanks to on-demand printing of books that have been digitised by Gallica[1].

At **Lagardère Services**, the business line's worldwide press distribution operations also help to promote the diversity of cultures and opinions. In Canada, for example, LMPI distributes titles from twenty different nationalities.

Moreover, Lagardère Services' Travel Retail network, which operates in 26 countries, is increasingly developing local product offerings (including in its food services business).

Another example of how the business line promotes local diversity is the concept of showcasing regional products in the Discover Store souvenir shops in airports – a concept that has been deployed worldwide.

At **Lagardère Active**, the 78 international licences held by Elle, *Elle Décoration, Elle à Table, Elle Men* and *Elle Girl* in 43 countries also contribute to promoting cultural diversity. Similarly, Lagardère Entertainment's audiovisual productions are sold to over 58 countries and broadcast in the local language (dubbed and subtitled). The 17 channels of Lagardère Active's Radio business also broadcast outside France, in six countries (the Czech Republic, Germany, Poland, Romania, and Slovakia).

In France, the debates organised by **Lagardère Active** on its radio and TV channels and in magazine columns as well as the issues addressed in its audiovisual productions, also allow the Group to contribute to promoting diversity of opinion. Lastly, the Group's media entities regularly hold events that address major changes in society, such as the Elle Active Forum, the debates led by Parents magazine, and the broadcasting of the Tolerance concerts.

Promoting reading and combating illiteracy

All the many literary prizes awarded by the Lagardère group's various media entities help to encourage reading. This is the case for the awards organised by Hachette Livre (e.g., Tremplin Black Moon), Lagardère Active (e.g., the Elle readers' prize, the Version Fémina prize and the Gulli novel prize), Lagardère Services (e.g., the Relay des voyageurs prize) as well as the new Prix de la jeune littérature arabe launched in 2013 by the Jean-Luc Lagardère Foundation in partnership with the Institut du Monde Arabe[2].

Hachette Livre – whose business is, by definition, permanently encouraging reading – takes part either directly, or indirectly via the SNE (the French Publishers Union), in all public events related to combating illiteracy and inciting reading.

In 2013, Éditions Jean-Claude Lattès partnered the "Young talent" contest held by the Bouygues Telecom Foundation. This contest for young writers was created by the Foundation in 2008 and the prize now includes publication of the winner's debut novel by Lattès,

(1) The BNF's digital library.
(2) See the Sustainable Development Report for further details.

which also jointly organises writing workshops sponsored by the Foundation as part of the Paris Book Fair.

Personal data protection

Personal data protection is the responsibility of the business lines, and of their IT and legal departments.

The Group's Compliance department is currently working on a special compliance programme related to personal data protection, which includes information on topics such as compliance policy, systems and procedures (charters, data compilation, statements, archiving etc.), training, and incident management.

The Group Risk and Internal Control Department, in collaboration with the IT, Legal and Compliance 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.

Protecting intellectual property

Protecting intellectual property is a central priority at **Lagardère Publishing**, as its publishers are the custodians of their authors' rights. The business line's legal departments make sure that this protection is assured, filing lawsuits when any infringement is noted, such as plagiarism, parasitism or overuse of quotations. In order to counter the pirating of digital files – which is the most serious infringement of authors' rights – Lagardère Publishing uses a specialised company that carries out web monitoring, detects fraudulent use of files that are the property of the business line, and serves the offenders with notices to terminate their activities.

Meanwhile, **Lagardère Services** ensures that all the products sold in its stores scrupulously comply with the applicable regulations. To this end, suppliers are required to prove that they own the related rights and copyrights.

Lagardère Active protects its Press content from pirating by using a specialised company whose services were commissioned by the SEPM in 2012 for use by the union's members. These services entail monitoring over 400,000 sources 24 hours a day and sending requests for illicit content to be automatically deleted from host servers, as well as requests to search engines to remove pages containing illegal links.

Furthermore, Lagardère Active takes all appropriate legal measures if it learns about any cases of infringement concerning the content to which it holds the intellectual property rights.

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. Updated in 2013, these guidelines 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 distributed to each Group employee involved in the reporting process (contributors and validators) at the beginning of the reporting periods.

For the 2014 reporting process (for 2013 data), the labour guidelines, which are available in French, English and Spanish, were distributed to all contributors throughout the scope of reporting. So far, the environmental guidelines have only been distributed to the French entities, exclusively in French. In 2014 they will also be relayed to the Group's West European entities.

In order to meet the reporting requirements for social data and facilitate the reporting process, in late 2013 the Sustainable Development Department drew up a questionnaire which was sent to the divisions to help them with their data compilation procedure. This document will be updated every year and for this first year served as the guidelines for reporting social data.

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 business line wants to immediately include the newly-acquired companies in the reporting system); and entities with fewer than five employees.

(1) Charter of IAB (Interactive Advertising Bureau) Europe of good practices and Internet-user rights.

Labour information presented in this document is reported using a dedicated software package, which covered 238 Group companies in 2013[(1)].

Environmental information presented in this document is reported using two processes. Data on energy consumption is integrated into the Group's financial data consolidation system. For France, this information relates to 174 companies in the Lagardère group.

Greenhouse gas emissions are calculated directly by the Group Sustainable Development Department based on the energy data mentioned above and in accordance with the methodology set out in the environmental guidelines and referred to in section D1 above on greenhouse gas emissions.

Other environmental data that is not integrated into the financial consolidation system is consolidated, verified and calculated directly at business line level based on the information provided by the subsidiaries, and is then sent to the Group Sustainable Development Department which performs a final consistency check.

The social data questionnaire covers the worldwide reporting Scope of the Group's three main divisions (Lagardère Publishing, Lagardère Services and Lagardère Active).

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 exclude 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 labour indicators was reviewed again in 2012, in order to make it easier to understand for contributors and more relevant as regards the Group's divisions and activities, and to take into account the provisions of the implementing order of article 225 of France's Grenelle 2 law on corporate social responsibility.

The labour reporting guidelines were updated again in 2013 in order to factor in the comments formulated by contributors during the 2012 reporting campaign.

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 it and make it more reliable, and most importantly to make it more relevant in view of the Group's many activities. The environmental reporting guidelines were also updated in 2013, with a particular focus on harmonising the methods used for calculating the proportions of certified and recycled paper contained in the paper purchased by Lagardère Publishing and Lagardère Active. The update also enabled new business-specific indicators to be added for Lagardère Services (concerning waste and energy), as well as a Group-wide monitoring indicator for WEEE in France.

Generally speaking, the updates of reporting guidelines aim to simplify and facilitate the work of contributors.

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 included in the reporting scope. This information is then validated/verified by the business line's Management (Human Resources Department or Finance Department). A second level of validation/verification is then carried out by each business line before the 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 reporting system.

Although the Group seeks to make contributors' work as easy as possible, to define clear parameters for the reporting process and to effectively factor in the international nature of its operations and activities (objectives that have been made easier to achieve since the reporting guidelines were put in place), a number of 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.

(1) The figures given for the number of companies included in the reporting scope in 2012 (148) and 2011 (142) reflected the fact that several entities were combined into one company during those years, whereas since 2013 these entities have been counted separately.

1 2 3 4 5 6 7 8 9 10 11

5.3.3.3 CROSS-REFERENCE INDEX

Cross reference index with article R. 225-105-1 of the French Commercial Code

Information	Subject	Paragraph	Section	Page
Labour	Employment	Total workforce and breakdown of employees	5.3.2.1 - A1	50
		Recruitments and redundancies/dismissals	5.3.2.1 - A2	55
		Remuneration and salary increases	5.3.2.1 - A3	56
	Organisation of working hours	Organisation of working hours	5.3.2.1 - B1	59
		Lost time	5.3.2.1 - B2	62
	Labour relations	Organisation of labour relations	5.3.2.1 - C1	63
		Summary of collective agreements	5.3.2.1 - C2	64
	Health and safety	Health and safety conditions at work	5.3.2.1 - D1	64
		Summary of health and safety agreements	5.3.2.1 - D3	65
		Frequency and severity of work-related accidents and sick leave	5.3.2.1 - D2	64
	Training	Policies implemented	5.3.2.1 - E1	65
		Total number of training hours	5.3.2.1 - E2	66
	Equal opportunities	Measures taken to promote gender balance	5.3.2.1 - F1	66
		Measures taken to promote the employment and integration of people with a disability	5.3.2.1 - F2	67
		Anti-discrimination policy	5.3.2.1 - F3-F4	68
	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	68
		Elimination of discrimination in respect of employment and occupation		68
		Elimination of forced or compulsory labour		68
		Effective abolition of child labour		68

Information	Subject	Paragraph	Section	Page
Environmental	General policy	Organisation of the company and assessment and certification processes	5.3.2.2 - A1	69
		Employee information and training initiatives	5.3.2.2 - A2	69
		Measures taken to prevent environmental risks and pollution	5.3.2.2 - A3	69
		Provisions and guarantees set aside for environmental risks	5.3.2.2 - A4	69
	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	70
		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	72
		Energy consumption, measures taken to improve energy efficiency, and use of renewable energy	5.3.2.2 - C2	74
		Land use	Not relevant	
	Climate change	Greenhouse gas emissions	5.3.2.2 - D1	76
		Adaptation to the consequences of climate change	5.3.2.2 - D2	76
	Preservation of biodiversity	Measures taken to preserve and develop biodiversity	5.3.2.2 - E1	77
Social	Territorial, economic and social impact of the company's activities	Regional employment and development	5.3.2.3 - A1	78
		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	78
		Partnership or sponsorship operations	5.3.2.3 - B2	78
	Subcontractors and suppliers	Recognition of social and environmental issues in the procurement policy	5.3.2.3 - C1	80
		Importance of subcontracting and recognition of subcontractors' and suppliers' corporate social responsibility in relations with them	5.3.2.3 - C2	80
	Fair business practices	Action undertaken to prevent corruption	5.3.2.3 - D1	81
		Measures taken to ensure consumer health and safety	5.3.2.3 - D2	81
	Other action undertaken to promote human rights	-	5.3.2.3 - E	82

5.3.4 REPORT OF INDEPENDENT THIRD-PARTY ENTITY

REPORT OF INDEPENDENT THIRD-PARTY ENTITY, ON THE CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

Year ended December 31, 2013

For the attention of the Shareholders,

In our capacity as independent third-party entity, whose request for accreditation was deemed admissible by the French National Accreditation Body (COFRAC), and member of the Mazars network, Statutory Auditor of Lagardère, we hereby present you with our report on the social, environmental and societal information presented in the management report prepared for the year ended December 31, 2013 (hereinafter the "CSR Information"), pursuant to Article L. 225-102-1 of the French Commercial Code (Code du commerce).

RESPONSIBILITY OF THE COMPANY

The Supervisory Board of Lagardère is responsible for preparing a management report including the CSR Information provided by Article R. 225-105-1 of the French Commercial Code, prepared in accordance with the reporting criteria used by Lagardère (the "Reporting Criteria"), some of which are presented in the paragraph 5.3.3 of the management report named « The methodology and RSE information», throughout the management report and are available on request from the company's registered office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the profession's Code of Ethics as well as by 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 designed to ensure compliance with rules of ethics, professional standards and the applicable legal texts and regulations.

RESPONSIBILITY OF THE INDEPENDENT THIRD-PARTY ENTITY

Based on our work, our responsibility is:

- to attest that the required CSR Information is presented in the management report or, in the event of omission, is explained pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation of completeness of the CSR information);
- to express limited assurance on the fact that, taken as a whole, the CSR Information is presented fairly, in all material aspects, in accordance with the adopted Reporting Criteria (Reasoned opinion on the fairness of the CSR Information).

Our work was carried out by a six man team between November 2013 and March 2014 a period of around six weeks. To assist us in conducting our work, we referred to our corporate responsibility experts.

We conducted the following procedures in accordance with professional standards applicable in France, the order of May 13, 2013 determining the methodology according to which the independent third party entity conducts its assignment and, with regard to the fairness opinion, ISAE 3000[1] (International Standard on Assurance Engagements).

1. ATTESTATION OF COMPLETENESS OF THE CSR INFORMATION

Based on interviews with management, we familiarized ourselves with the Group's sustainable development strategy, with regard to the social and environmental impacts of the company's business and its societal commitments and, where appropriate, any resulting actions or programs.

We have compared the CSR Information presented in the management report with the list set forth in Article R. 225-105-1 of the French Commercial Code.

In the event of omission of certain consolidated information, we have verified that explanations were provided in accordance with the third paragraph of the Article R. 225-105 of the French Commercial Code.

We have verified that the CSR Information covered the consolidated scope, i.e., the company and its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code and the companies that it controls within the meaning of Article L. 233-3 of the French Commercial Code, subject to the limits set forth in the methodological memo paragraph presented in the management report.

Based on our work and considering the aforementioned limits, we attest to the completeness of the required CSR Information in the management report.

(1) ISAE 3000 – *Assurance engagements other than audits or reviews of historical information*.

2. REASONED OPINION ON THE FAIRNESS OF THE CSR INFORMATION

Nature and scope of procedures

We held some thirty interviews with the persons responsible for preparing the CSR Information with the departments in charge of the CSR Information collection process and, when appropriate, those who are responsible for internal control and risk management procedures, in order to:

- assess the appropriateness of the Reporting Criteria with respect to its relevance completeness, reliability, neutrality and clarity, by taking into consideration, when relevant, the sector's best practices;
- verify the set-up of a process to collect, compile, process, and check the CSR Information with regard to its completeness and consistency and familiarize ourselves with the internal control and risk management procedures relating to the compilation of the CSR Information.

We determined the nature and scope of the tests and controls according to the nature and significance of the CSR Information with regard to the company's characteristics, the social and environmental challenges of its activities, its sustainable development strategies and the sector's best practices.

Concerning the CSR information that we consider to be most significant(1):

- for the consolidating entity, we consulted the documentary sources and held interviews to corroborate the qualitative information (organization, policies, actions), we implemented analytical procedures on the quantitative information and verified, using sampling techniques, the calculations as well as the data consolidation and we verified their consistency with the other information shown in the management report;
- for a representative sample of entities(2) that we selected according to their activity, their contribution to the consolidated indicators, their location and a risk analysis, we held interviews to verify the correct application of the procedures and implemented substantive tests on a sampling basis, consisting in verifying the calculations performed and reconciling the data with supporting evidence. The selected sample represented on average 30% of headcounts and on average 19% and 74% of environmental quantitative information.

Regarding the other consolidated CSR information, we have assessed its consistency in relation to our knowledge of the Group.

Finally, we have assessed the relevance of the explanations relating to, where necessary, the total or partial omission of certain information.

We believe that the sampling methods and sizes of the samples we have used in exercising our professional judgment enable us to express limited assurance; a higher level of assurance would have required more in-depth verifications. Due to the use of sampling techniques and the other limits inherent to the operations of any information and internal control system, the risk that a material anomaly be identified in the CSR Informations cannot be totally eliminated.

Conclusion

Based on our work, we did not identify any material anomaly likely to call into question the fact that the CSR Information has been presented fairly, in all material aspects, in accordance with the Reporting Criteria.

Paris La Défense, March 31st 2014

The independent third-party entity

Mazars	Mazars
Emmanuelle Rigaudias	Bruno Balaire
Partner CSR and Sustainable Development	*Partner*

(1) 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, organization of the company to take into account environment and, when appropriate, environmental evaluation or certification, overall weight of paper purchased by the Group and the breakdown between certified, 100 per cent recycled and other paper, overall weight of paper purchased by printers, tertiary energy consumption of the Group in France : electricity, gas and district heating, greenhouse gas emissions related to the energy consumption, 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 and societal information verification: Hachette Livre SA (France) ; Hatier (France) ; HFA (France) ; Europe 1 (France) ; Relay (France); Aelia (France) ; Sportfive (France) ; Entities selected for environment information verification: Hachette Livre SA (France) ; HFA (France) ; Relay (France) for the energy consumption.

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

(in euros)	2013 basic	2013 diluted[1]	2012 basic	2012 diluted[1]	2011 basic	2011 diluted[1]
Profit (loss) attributable to owners of the Parent, per share	**10.22**	**10.09**	0.70	0.69	(5.56)	(5.56)
Equity attributable to owners of the Parent, per share	**22.27**	**21.98**	22.79	22.51	23.18	22.94
Cash flow from operations before change in working capital, per share	**3.55**	**3.50**	4.32	4.27	4.69	4.64
Share price at 31 December	**27.02**		25.285		20.40	
Dividend	**10.30** [2]		1.30		1.30	
Extra dividend	**6.00** [3]		-		-	

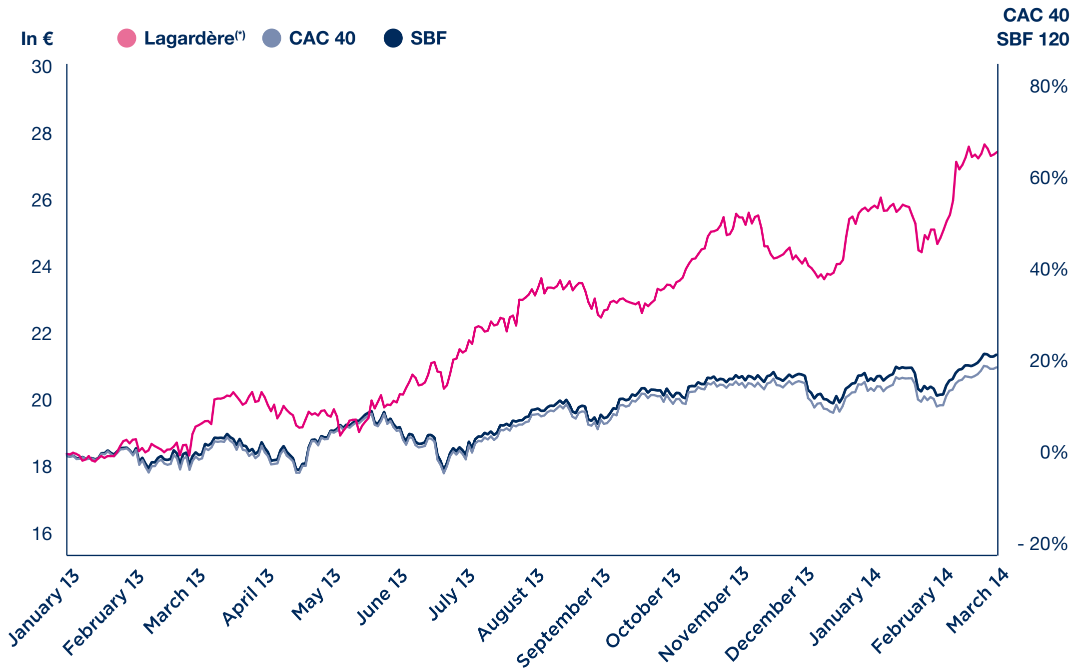
(1) The method used to calculate diluted earnings per share is described in note 15 to the consolidated financial statements.
(2) The General Meeting to be held on 6 May 2014 will be asked to approve the payment of a dividend of €10.30 per share, including €1.30 corresponding to the ordinary portion of this dividend and €9 corresponding to the extra portion paid as an interim dividend following the decision of the Managing Partners on 21 May 2013.
(3) The General Meeting to be held on 6 May 2014 will be asked to approve the payment of a dividend of €6 per share, the entire amount of which will be deducted from "Share premiums".

6.1.2 DIVIDEND POLICY

Total dividends paid for the years 2010, 2011, and 2012 amounted to €165.1 million, €165.7 million and €166.2 million, respectively.

The dividend payouts represented 101.1% and 186.7% of profit attributable to owners of the Parent in 2010 and 2012. In 2011 the Group recorded a net loss.

6.1.3 SHARE PERFORMANCE SINCE JANUARY 2013



Source: NYSE Euronext

(*) Adjusted further to the payment of the €9 extra dividend on 28 May 2013 by applying a coefficient (0.690029) to share prices preceding that date, in order to provide a better reflection of the historical performance of the Lagardère share.

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

6.2 COMMENTS ON THE LAGARDÈRE SCA CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013

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 Services, Lagardère Active and Lagardère Unlimited.

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 2013 and 2012 are described in Note 4 to the consolidated financial statements.

6.2.1 INCOME STATEMENT

	2013	2012
Net sales	**7,216**	7,370
Recurring operating profit before associates(*)	**327**	339
Income from associates(**)	**7**	105
Non-recurring/non-operating items	**1,193**	(216)
Profit before finance costs and tax	**1,527**	228
Finance costs, net	**(91)**	(82)
Income tax expense	**(117)**	(40)
Profit for the year	**1,319**	106
Attributable to:		
- Owners of the Parent	**1,307**	89
- Minority interests	**12**	17

(*) Recurring operating profit before associates corresponds to profit 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 2013, the Lagardère group's businesses delivered consolidated net sales of €7,216 million, down 2.1% on a reported basis and down 1.3% based on constant group structure and exchange rates (like-for-like). An excellent performance from Lagardère Publishing – in both France and Anglo-Saxon countries – and Travel Retail mostly offset a persistently tough environment in Europe and the continued downturn in Magazine Publishing.

The difference between reported and like-for-like figures reflects a €55 million positive impact of changes in Group structure relating mainly to acquisitions carried out by Lagardère Services and Lagardère Active in 2012 (in particular, Rome airports, DFS Wellington in New Zealand and Australia and the LeGuide group). These acquisitions were partly offset by the sale of OLF (book distribution business in Switzerland) and the impact of changing a telephone contract in Hungary to a commission-based agreement (with no impact on profit or loss). Fluctuations in exchange rates (calculated based on an average rate for the period) had a negative impact of €112 million, due chiefly to the depreciation in the pound sterling, US dollar and yen against the euro (Lagardère Publishing), and to the depreciation in the Australian dollar, Canadian dollar and Swiss franc against the euro (Largardère Services).

Lagardère Publishing had a very good year, as like-for-like net sales climbed 1.9%.

In France, net sales inched up 0.8%, driven by a sharp rise in General Literature (up 13.3%) and in Illustrated Books, partly offset by the expected decline in Education reflecting the end of the curriculum revision cycle.

Net sales surged 6% in the US powered by a stellar performance from General Literature, and advanced 1.5% in the UK. As expected, Spain suffered from the lack of any revision to school curricula due to the economic crisis.

Business was brisk for Partworks, with publishing successes in Russia, France and the UK.

Sales of e-books continued to rise and now represent 10.4% of the division's net sales, up from 7.8% in 2012. For the moment, the transition to e-books is primarily limited to English-speaking markets. In the US, Lagardère Publishing reported robust 33% growth in digital net sales even as the markets stabilised, buoyed by the publication of numerous bestsellers. E-books now account for 30% of Trade sales[1] versus 24% in 2012. In the UK, where the

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

(1) Works intended for the general public.

market continued to grow, e-book net sales jumped 42% in the period and represent 27% of Adult trade sales versus 20% in 2012.

Lagardère Services delivered €3,745 million in net sales in 2013, down 1.7% on a reported basis and down 0.9% like-for-like (up 0.3% excluding the impact of discontinuing tobacco sales in Hungary).

The business was boosted by good momentum in Travel Retail (up 5% on a reported basis and up 2.9% like-for-like), spurred by growth in Duty Free and Food Services segments. On a like-for-like basis, the business delivered good growth in Asia (up 29.5%), Romania (up 7.5%), the Czech Republic (up 5.6%) and Poland (up 4.9%). This performance was dampened by a sharp decline in printed products and by a slowdown in the growth of air traffic, although the situation improved towards the end of the year. At the end of October (latest figures available), global air traffic expanded 3.4%, up 2.3% in Europe, 0.7% in North America and 6.8% in Asia-Pacific.

Despite an improvement towards the end of the year and the success of its diversification activities, Distribution continued to be affected by the decline in press markets. Distribution was also hard hit as sales of tobacco were discontinued in Hungary following a change in regulations in July 2013. Stripping out this factor, Distribution net sales retreated 3.2% over the year on a like-for-like basis, and fell 6% based on reported figures (i.e., including the impact of discontinued tobacco sales).

Travel Retail accounted for 60% of Lagardère Services' business in 2013, up from 56% in 2012.

Like-for-like, Lagardère Active reported a 3.8% drop in net sales to €996 million. Over the year, changes in Group structure had a positive €20 million impact, due notably to the 2012 acquisition of the LeGuide group.

The decline in net sales chiefly reflects a 5.4% fall in Magazine Publishing over the year, and consequently in the associated advertising revenue. Radio proved resilient, with net sales edging up 0.3%. Overall, Advertising was down 6.6%.

Lagardère Unlimited posted net sales of €409 million, down 13% on a reported basis and down 13.6% like-for-like. The difference in reported and like-for-like figures is primarily attributable to a positive impact from changes in Group structure, slightly offset by a negative exchange rate impact.

The downturn in business is primarily attributable to World Sport Group on account of (i) the change in the Asian Football Confederation (AFC) contract from a buy-out arrangement to a commission-based agreement, thereby reducing the amount of net sales recognised, and (ii) an adverse seasonality impact on this same contract (no qualifier matches for the Olympic Games), and the lack of tournaments such as the Asian Football Federation (AFF) Suzuki Cup in 2013.

Business contracted slightly at Sportfive due a strong comparative performance for Zaechel (hospitality) in 2012 spurred by the London Olympics and the Euro 2012 football championship, and to certain European football league contracts which were not renewed. This was partly offset by a good performance regarding sales of marketing rights for German football clubs and the use of media and marketing rights for the Africa Cup of Nations in 2013.

Recurring operating profit before associates for Lagardère Media amounted to €372 million, up €14 million on 2012 (€358 million). Movements can by analysed as follows for each division:

- Lagardère Publishing's recurring operating profit before associates remained stable year-on-year, at €223 million. This reflects an excellent performance in General Literature driven by bestsellers in France, the UK and the US, along with strong momentum in Partworks, which helped offset the expected decline in Education.
- Lagardère Services reported recurring operating profit before associates of €96 million, down €8 million on 2012. The performance reflects two opposing factors: on the one hand, a decline in the performance of Distribution due to the contraction in business described above (albeit mitigated by a tight rein on costs), and on the other, the aforementioned strong momentum in Travel Retail driven by the Duty Free and Food Services segments.
- Lagardère Active posted recurring operating profit before associates of €64 million, stable compared with 2012. The drop in Press net sales was offset during the year by an improved performance from Radio and TV channels, and by ongoing cost-cutting measures.
- Lagardère Unlimited reported an €11 million recurring operating loss before associates, an improvement of €22 million on the previous year. In 2012, this item included 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). Excluding this one-off item, recurring operating loss before associates was stable thanks to a strong performance regarding marketing rights for German clubs and good results for the Africa Cup of Nations, countered by the negative calendar impact at World Sport Group. The 2013 loss stems chiefly from the media rights business in Europe.

Other Activities reported a recurring operating loss before associates of €45 million, including a provision in the amount of €16 million for the special bonus paid to all Group employees in second-half 2013 following the sale of EADS shares. For employees in France, this bonus falls within the scope of the law of July 2011 which instituted a profit-sharing bonus for employees of a group in the event of an increase in dividends paid to its shareholders by the entity controlling the group. Other Activities was also impacted by losses from Matra Manufacturing & Services and by costs incurred with respect to Canal+ France.

In 2012, Other Activities recorded a recurring operating loss of €19 million.

Income from associates (before impairment losses) came in at €7 million in 2013, compared to €105 million in 2012, due to the sale of the stake in EADS, which contributed €89 million in 2012. The contribution of equity investments in the Media segment decreased €9 million versus 2012 primarily due to the lower contribution from the Marie Claire group.

Non-recurring/non-operating items included in profit before finance costs and tax represented net profit of €1,193 million in 2013, mainly comprising:

- €1,671 million net of expenses in disposal gains and losses, essentially including the €1,823 million gain generated on the sale of the stake in EADS and the €137 million loss on the sale of the stake in Canal+ France;
- €281 million in impairment losses taken against property, plant and equipment and intangible assets, including €225 million recorded by Lagardère Active, mainly relating to its Magazine Publishing assets. These impairment losses reflect the downward revision of the estimated future cash flows to be generated from these businesses and the reduction of the perpetuity growth rate for Magazine Publishing from 1.5% at the end of 2012 to 0%. Lagardère Services' Press Distribution business in Switzerland, which was affected in the same way by the structural decline in the press distribution market, also incurred impairment losses in the amount of €29 million. Lagardère Publishing recorded €16 million in impairment losses, including €10 million for the goodwill on the Spanish subsidiary Salvat (partworks in Spain and Latin America);
- €35 million in impairment losses taken against the interest held in the Marie Claire group which, like Lagardère Active's Magazine business, takes into account the worsening economic environment in the press market;

- €122 million in restructuring costs, including €91 million for Lagardère Active as a result of terminating its e-commerce activities, rescaling its Advertising Sales Brokerage activities across the Group's regions, and pursuing its cost-cutting programme, plus the costs of the restructuring project announced with the aim of refocusing the Press business on its most powerful brands. The remaining restructuring costs relate mainly to Lagardère Unlimited and Lagardère Services;
- €27 million in annual amortisation of intangible assets and acquisition-related expenses for consolidated companies, including €16 million for Lagardère Services and €9 million for Lagardère Unlimited.

In 2012, non-recurring/non-operating items included in profit before finance costs and tax represented a net expense of €216 million, breaking down as €94 million in impairment losses taken against property, plant and equipment and intangible assets, of which €49 million related to Lagardère Unlimited and €34 million to Lagardère Active (including €27 million for digital assets); €43 million in write-downs taken against the interest in Canal+ France; €35 million in amortisation of intangible assets and acquisition-related expenses; €40 million in restructuring costs and €3 million in disposal losses.

As a result of the above items, consolidated profit before finance costs and tax for 2013 totalled €1,527 million, up €1,299 million on the previous year.

Net finance costs increased €9 million year-on-year to €91 million in 2013, mainly as a result of expenses relating to the partial buyback of the bonds maturing in 2014.

Consolidated income tax expense in 2013 amounted to €117 million, reflecting:

- the 3% additional contribution instituted in France on dividends paid, corresponding to €40 million;
- the capital gains tax on the sale of EADS shares;
- the cancellation of a €24 million tax asset arising on tax loss carryforwards and utilised in 2013.

Consolidated income tax expense in 2012 amounted to €40 million. As well as the non-deductible goodwill impairment losses, income tax expense included a recognised 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 in future financial periods.

Profit attributable to minority interests was €12 million in 2013 versus €17 million in 2012. The decrease was chiefly due to Lagardère Unlimited as a result of a fall in earnings for WSG.

6.2.2 CONSOLIDATED STATEMENT OF CASH FLOWS

	2013	2012
Cash flows from operations before changes in working capital	**454**	552
Changes in working capital	**116**	(21)
Cash flows from operations	**570**	531
Interest paid and received, and income taxes paid	**(235)**	(140)
Net cash from operating activities	**335**	391
Cash used in investing activities	**(337)**	(648)
– Purchases of intangible assets and property, plant and equipment	***(296)***	*(264)*
– Purchases of investments	***(41)***	*(384)*
Proceeds from disposals	**3,418**	85
– Intangible assets and property, plant and equipment	***8***	*20*
– Investments	***3,410***	*65*
(Increase) decrease in short-term investments	**29**	28
Net cash from (used in) investing activities	**3,110**	(535)
Total cash from (used in) operating and investing activities	**3,445**	(144)
Net cash from (used in) financing activities	**(2,361)**	162
Other	**(6)**	(13)
Change in cash and cash equivalents	**1,078**	5

6.2.2.1 CASH FROM (USED IN) OPERATING AND INVESTING ACTIVITIES

In 2013, cash flows from operations before changes in working capital totalled €454 million versus €552 million in 2012. This decrease reflects the impact of the fall in recurring operating profit (due primarily to the profit-sharing bonus paid) and the fall in depreciation, amortisation and provisions (a non-recurring €22 million contingency provision relating to the IOC contract had been recognised in the 2012 financial statements), as well as the impact of restructuring costs incurred during the year, and the decrease in dividends received from associates (in particular EADS, which paid dividends of €28 million in 2012).

Changes in working capital represented a cash inflow of €116 million in the year, a significant improvement on 2012, when changes in working capital represented a €21 million cash outflow. This improvement reflects a much better performance from Lagardère Publishing, lifted by a fall in advances paid to authors in the US (these were particularly high in 2012), an increase in cash inflows reported by Lagardère Unlimited in connection with the AFC contract, and upbeat trends in inventories for Lagardère Active's TV production businesses.

All of these items generated net cash from operating activities of €570 million in 2013 compared to €531 million in 2012.

Interest paid (net of interest received) was €86 million versus €76 million for the previous year. In 2013, interest paid includes expenses relating to the partial buyback of the bonds maturing in October 2014. Income taxes paid totalled €149 million (including €40 million relating to the additional contribution on dividends paid), versus €64 million in 2012.

Purchases of property, plant and equipment and intangible assets totalled €296 million in 2013, up €32 million on 2012, and in both years chiefly concerned Lagardère Services (sales outlet refurbishments in line with the growth in Travel Retail) and Lagardère Unlimited (acquisition of sports rights).

Purchases of investments amounted to €41 million and related to several mid-sized acquisitions by Lagardère Publishing and Lagardère Services. For Lagardère Unlimited, this item relates to small acquisitions in the golf sector and to the payment of a guarantee deposit in connection with the AFC contract (World Sport Group).

Proceeds from disposals of property, plant and equipment and intangible assets amounted to €8 million in 2013, and chiefly relate to the sale of a building in Italy by Lagardère Active.

Proceeds from disposals of investments came to €3,410 million and mainly concerned the sale of the Group's stake in EADS for €2,272 million net of expenses, its share in Canal+ France for €1,017 million, and its 25% stake in the Amaury group for €91 million.

As a result, operating and investing activities represented a net inflow of €3,345 million in 2013, compared to a net outflow of €144 million in 2012. This change is mainly attributable to the cash generated during the year from the sale of the stakes mentioned above.

6.2.2.2 CASH FROM (USED IN) FINANCING ACTIVITIES

Financing activities in 2013 represented a net cash outflow of €2,361 million and include:

- €1,339 million in dividends paid, of which €1,323 million was paid by Lagardère SCA. This amount includes an extra dividend of €1,156 million following the sale of the stake held in EADS and corresponding to an interim dividend which will be submitted for approval at the Annual General Meeting of shareholders to be held in May 2014 to approve the financial statements for the year ended 31 December 2013;
- €1,004 million in repayments of borrowings, chiefly including €237 million for the partial buyback of the bonds maturing in 2014, €666 million for the full repayment of the 2011 syndicated loan and €100 million for the redemption of the bonds underwritten by LCL maturing in July 2013;
- €12 million in purchases of treasury shares and €7 million in minority interests (Régie 1).

6.2.3 NET CASH AND CASH EQUIVALENTS (NET DEBT)

Net cash and cash equivalents and net debt break down as follows:

	31 Dec. 2013	31 Dec. 2012
Short-term investments and cash and cash equivalents	**1,784**	703
Non-current debt	**(617)**	(2,165)
Current debt	**(806)**	(238)
Net cash and cash equivalents (net debt)	**361**	(1,700)

Changes in net debt during 2013 and 2012 were as follows:

	2013	2012
Net debt at 1 January	**(1,700)**	(1,269)
Total cash from (used in) operating and investing activities	**3,445**	(144)
(Acquisitions) disposals of minority interests	**(7)**	(64)
(Acquisitions) disposals of treasury shares	**(12)**	2
Dividends	**(1,339)**	(192)
Increase (decrease) in short-term investments	**(29)**	(28)
Debt related to put options granted to minority shareholders	**(3)**	2
Change in financial liabilities following measurement at fair value	**-**	4
Effect on cash of changes in exchange rates, changes in consolidation scope and other	**6**	(11)
Net cash and cash equivalents (net debt) at 31 December	**361**	(1,700)

6.3 CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

AFR

1 2 3 4 5 6 7 8 9 10 11

Consolidated income statement

(in millions of euros)		**2013**	2012
Net sales	*(notes 5 and 6)*	**7,216**	7,370
Other income from ordinary activities		**348**	352
Revenues		**7,564**	7,722
Purchases and changes in inventories		**(3,500)**	(3,629)
Capitalised production		**10**	3
Production transferred to inventories		**102**	144
External charges		**(2,124)**	(2,132)
Payroll costs	*(note 7)*	**(1,537)**	(1,531)
Depreciation and amortisation other than on acquisition-related intangible assets		**(189)**	(220)
Amortisation of acquisition-related intangible assets and other acquisition-related expenses		**(27)**	(35)
Restructuring costs	*(note 8)*	**(122)**	(40)
Gains (losses) on disposals of assets	*(note 9)*	**1,671**	(3)
Impairment losses on goodwill, property, plant and equipment and intangible assets	*(note 10)*	**(281)**	(94)
Other operating expenses	*(note 11)*	**(33)**	(44)
Other operating income	*(note 12)*	**33**	26
Income (loss) from associates	*(note 19)*	**(40)**	61
Profit before finance costs and tax	*(note 5)*	**1,527**	228
Financial income	*(note 13)*	**9**	11
Financial expenses	*(note 13)*	**(100)**	(93)
Profit before tax		**1,436**	146
Income tax expense	*(note 14)*	**(117)**	(40)
Profit for the year		**1,319**	106
Attributable to: Owners of the Parent		**1,307**	89
Minority interests	*(note 26.5)*	**12**	17
Earnings per share - Attributable to owners of the Parent: *Basic earnings per share (in €)*	*(note 15)*	***10.22***	*0.70*
Diluted earnings per share (in €)	*(note 15)*	***10.09***	*0.69*

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

Consolidated statement of comprehensive income

(in millions of euros)	**2013**	2012
Profit for the year	**1,319**	106
Actuarial gains and losses on pensions and other post-employment benefit obligations	**2**	(25)
Tax relating to actuarial gains and losses on pensions and other post-employment benefit obligations	**(1)**	7
Other comprehensive income (expense) for the year, net of tax, that will not be reclassified to profit or loss	**1**	(18)
Currency translation adjustments	**(55)**	9
Change in fair value of derivative financial instruments:	**2**	(1)
- *Unrealised gains and losses recognised directly in equity*	***2***	*1*
- *Amounts reclassified from equity to profit*		*(2)*
Change in fair value of investments in non-consolidated companies:	**7**	0
- *Unrealised gains and losses recognised directly in equity*	***7***	
- *Amounts reclassified from equity to profit*		
Share of other comprehensive income of associates (net of tax)(*)	**10**	48
- *Unrealised gains and losses recognised directly in equity*		*48*
- *Amounts reclassified from equity to profit*	***10***	
Translation adjustments	***(69)***	
Valuation reserve	***79***	
Tax relating to components of other comprehensive income (expense) recognised in equity	**(4)**	0
Other comprehensive income (expense) for the year, net of tax, that may be reclassified subsequently to profit or loss	**(40)**	56
Other comprehensive income (expense) for the year, net of tax	**(39)**	38
Total comprehensive income for the year	**1,280**	144
Attributable to: Owners of the Parent	**1,269**	126
Minority interests	**11**	18

(*) Of which a negative €70 million in goodwill and a positive €79 million in fair value adjustments relating to the EADS group.

Consolidated statement of cash flows

(in millions of euros)		2013	2012
Profit for the year		**1,319**	106
Income tax expense		**117**	40
Finance costs, net		**91**	82
Profit before finance costs and tax		**1,527**	228
Depreciation and amortisation expense		**214**	246
Impairment losses, provision expense and other non-cash items		**334**	89
(Gains) losses on disposals of assets		**(1,671)**	3
Dividends received from associates		**10**	47
(Income) loss from associates		**40**	(61)
Changes in working capital		**116**	(21)
Cash flows from operations		**570**	531
Interest paid		**(91)**	(87)
Interest received		**5**	11
Income taxes paid		**(149)**	(64)
Net cash from operating activities	*(A)*	**335**	391
Cash used in investing activities			
- Purchases of intangible assets and property, plant and equipment		**(296)**	(264)
- Purchases of investments		**(29)**	(412)
- Cash acquired through acquisitions		**9**	53
- Purchases of other non-current assets		**(21)**	(25)
Total cash used in investing activities	*(B)*	**(337)**	(648)
Cash from investing activities			
Proceeds from disposals of non-current assets			
- Disposals of intangible assets and property, plant and equipment		**8**	20
- Disposals of investments		**3,383**	59
- Cash transferred on disposals		**(2)**	0
Decrease in other non-current assets		**29**	6
Total cash from investing activities	*(C)*	**3,418**	85
Decrease in short-term investments	*(D)*	**29**	28
Net cash from (used in) investing activities	*(E) = (B)+(C)+(D)*	**3,110**	(535)
Total cash from (used in) operating and investing activities	*(F) = (A)+(E)*	**3,445**	(144)
Capital transactions			
- Proceeds from capital increase by the Parent		**0**	0
- Minority interests' share in capital increases by subsidiaries		**1**	2
- (Acquisitions) disposals of treasury shares		**(12)**	2
- (Acquisitions) disposals of minority interests		**(7)**	(64)
- Dividends paid to owners of the Parent(*)		**(1,323)**	(166)
- Dividends paid to minority shareholders of subsidiaries		**(16)**	(26)
Financing transactions			
- Increase in debt		**6**	735
- Decrease in debt		**(1,010)**	(321)
Net cash from (used in) financing activities	*(G)*	**(2,361)**	162
Other movements			
- Effect on cash of changes in exchange rates		**(6)**	(1)
- Effect on cash of other movements			(12)
Total other movements	*(H)*	**(6)**	(13)
Change in cash and cash equivalents	*(I) = (F)+(G)+(H)*	**1,078**	5
Cash and cash equivalents at beginning of the year		**599**	594
Cash and cash equivalents at end of the year	*(note 25)*	**1,677**	599

(*) Including the portion of profit for the period paid to the General Partners.

Consolidated balance sheet

ASSETS (in millions of euros)		31 Dec. 2013	31 Dec. 2012
Intangible assets	*(note 17)*	**885**	1,016
Goodwill	*(note 16)*	**1,619**	1,799
Property, plant and equipment	*(note 18)*	**762**	739
Investments in associates	*(note 19)*	**152**	1,451
Other non-current assets	*(note 20)*	**123**	132
Deferred tax assets	*(note 14)*	**190**	236
Total non-current assets		**3,731**	5,373
Inventories	*(note 21)*	**559**	581
Trade receivables	*(note 22)*	**1,239**	1,255
Other current assets	*(note 23)*	**1,019**	1,011
Short-term investments	*(note 24)*	**36**	55
Cash and cash equivalents	*(note 25)*	**1,748**	648
Total current assets		**4,601**	3,550
Assets held for sale	*(note 32)*	**-**	437
Total assets		**8,332**	9,360

Consolidated balance sheet

EQUITY AND LIABILITIES (in millions of euros)		31 Dec. 2013	31 Dec. 2012
Share capital		**800**	800
Reserves		**742**	2,020
Profit attributable to owners of the Parent		**1,307**	89
Equity attributable to owners of the Parent		**2,849**	2,909
Minority interests	*(note 26.5)*	**78**	82
Total equity		**2,927**	2,991
Provisions for pensions and other post-employment benefit obligations	*(note 27)*	**117**	119
Non-current provisions for contingencies and losses	*(note 27)*	**158**	168
Non-current debt	*(note 28)*	**617**	2,165
Other non-current liabilities	*(note 31)*	**108**	93
Deferred tax liabilities	*(note 14)*	**245**	290
Total non-current liabilities		**1,245**	2,835
Current provisions for contingencies and losses	*(note 27)*	**342**	293
Current debt	*(note 28)*	**806**	238
Trade payables		**1,645**	1,651
Other current liabilities	*(note 31)*	**1,367**	1,352
Total current liabilities		**4,160**	3,534
Liabilities associated with assets held for sale	*(note 32)*	**-**	-
Total equity and liabilities		**8,332**	9,360

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 2012	**800**	**880**	**1,586**	**(193)**	**52**	**(176)**	**2,949**	**75**	**3,024**
Profit 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 increase/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**
Profit for the year			1,307				**1,307**	12	**1,319**
Other comprehensive income (expense) for the year [(a)]			1		(124)	85	**(38)**	(1)	**(39)**
Total comprehensive income (expense) for the year			**1,308**		**(124)**	**85**	**1,269**	**11**	**1,280**
Dividends paid			(1,323)				**(1,323)**	(16)	**(1,339)**
Parent company capital increase/reduction [(b)]		(15)	(13)	28			**0**		**0**
Minority interests' share in capital increases							**0**	1	**1**
Changes in treasury shares				(12)			**(12)**		**(12)**
Share-based payments			10				**10**		**10**
Effect of transactions with minority interests			(6)				(6)		**(6)**
Changes in consolidation scope and other			2				**2**		**2**
At 31 December 2013	**800**	**855**	**1,409**	**(163)**	**(64)**	**12**	**2,849**	**78**	**2,927**

(a) See Note 26.7 to the consolidated financial statements.
(b) Capital increase carried out by capitalising reserves and 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 2013

(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 Interpretation Committee (IFRS-C) endorsed by the European Union at 31 December 2013 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 following new standards and amendments to existing standards are effective for periods beginning on or after 1 January 2013:

- IAS 19 – Employee Benefits. The revised IAS 19 eliminates, in particular, the corridor method which deferred the recognition of actuarial gains and losses when their amount, calculated on a plan-by-plan basis, did not exceed 10% of the value of the obligation or of the fair value of any plan assets. All actuarial gains and losses are now immediately recognised in other comprehensive income without subsequent reclassification to profit or loss. The Group is not impacted by this change as it opted to adopt the new recognition method as of 1 January 2007. The other main changes introduced by the amended IAS 19 (IAS 19R) are as follows:
  - The use of the expected rate of return on assets to record the income generated on defined benefit plan assets has been eliminated. As of 1 January 2013, it has been replaced by the discount rate which is used to calculate post-employment benefit obligations; any difference with the actual return on plan assets is immediately taken to other comprehensive income without subsequent reclassification to profit or loss.
  - Plan amendments (unvested past service costs) are now immediately recognised in profit or loss having been previously recognised over the vesting period.
- IFRS 13 - Fair Value Measurement, provides a reference framework for measuring fair value for the recognition of financial instruments, assets held for sale and the associated liabilities, and providing the fair value disclosures required by other standards (IFRS 7 and IAS 40). This standard does not change the circumstances in which fair value measurement is required.
- Amendment to IAS 1 – Presentation of Items of Other Comprehensive Income.
- Amendments to IFRS 1 – First-Time Adoption of International Financial Reporting Standards: Government Loans.
- Amendments to IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities.
- Annual improvements to IFRSs 2009-2011 cycle (published May 2012).

None of these amendments had a material impact on the consolidated financial statements for the year ended 31 December 2013.

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 2013 but which will only become mandatory subsequent to 2013:

- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities;
- Transition guidance amendments to IFRS 10, 11 and 12;
- Consequential amendments to IAS 28 (renamed IAS 28 - Investments in Associates and Joint Ventures), following the issue of IFRS 10, 11 and 12;
- Amendments to IFRS 10 and 12 and IAS 27: Investment Entities;
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities Disclosures;
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting.

The new standards, interpretations and amendments to existing standards published by the IASB but not yet endorsed by the European Union at 31 December 2013 were as follows:

- IFRS 9 – Financial Instruments (which will gradually replace IAS 39);
- IFRIC 21 – Levies;
- Amendments to IAS 19 – Defined Benefit Plans: Employee contributions;
- Annual improvements to IFRSs 2010-2012 and 2011-2013 cycles (published December 2013).

The Group does not expect application of these standards, amendments and interpretations to have a material impact on its financial statements.

The consolidated financial statements were approved for issue by the Managing Partners on 12 March 2014 and are subject to the approval of the General Meeting of Shareholders on 6 May 2014.

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 required 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.

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 are not therefore included 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 purchase 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 2013 and 2012 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

Share options and free shares have been awarded to certain executives 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 share options and free shares awarded 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 share 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 closing, shares traded in an active market or for which other sufficiently reliable price information exists are measured at fair value, which corresponds to their market 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 as 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 (corresponding to market 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.

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.

Actuarial gains and losses resulting from changes in actuarial assumptions are charged or credited to equity in the period in which they arise. The same applies to the difference between the expected return on plan assets – which is recognised in the income statement using the discount rate applied for calculating the obligations – and the actual return on these assets.

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

4.1 2013

There were no significant changes in the scope of fully-consolidated subsidiaries in 2013.

However, during the year the Group sold all of its equity-accounted interests in the EADS, Canal+ France and Amaury groups.

EADS

On 12 April 2013, Lagardère sold its entire 7.4% stake in the EADS group by means of a private placement with qualified investors. EADS participated in this placement for a total amount of €500 million. The sale was carried out at €37.36 per share for a total amount of €2,283 million, generating a gain of €1,823 million, net of transaction costs.

At 31 December 2012, Lagardère's interest in EADS had been reclassified in assets held for sale. No contributions from EADS were recognised in the 2013 financial statements.

Canal+ France

On 28 October 2013, Lagardère and Vivendi reached an agreement on the terms for Lagardère's sale to Vivendi of its 20% stake in Canal+ France for €1.020 billion in cash. The sale was completed on 5 November 2013 and gave rise to a €137 million loss (including transaction costs), which was recognised in the second half of the year. The Group did not record any income from Canal+ France in its 2013 financial statements, as its contribution for the first half of the year was offset by the impairment loss recognised by the Group to write down its investment in the company to its value in use of €1,154 million determined on that date.

Amaury

On 23 May 2013, Lagardère Active sold its 25% stake in the Amaury group (media and organisation of sports events), for a total price of €91.4 million.

The disposal took place via a capital reduction carried out by Les Éditions P. Amaury through the buyback of its own shares, and it gave rise to a loss of €9 million (including transaction costs).

4.2 2012

The main changes in the scope of consolidation in 2012 were as follows:

Lagardère Services

- In the context of its airport retail operations, acquisition of ADR Retail (a concession operator of duty free/duty paid stores in two airports in Rome) and Duty Free Stores Wellington (duty free stores in airports in Australia and New Zealand). These companies have been fully consolidated in Lagardère's financial statements since 1 October 2012 and 1 July 2012, respectively.
- Sale of the Swiss book retailer, OLF, which has been deconsolidated since 1 October 2012.

Lagardère Active

- Acquisition of the LeGuide group, an online shopping guide operator, which has been fully consolidated since 1 July 2012.
- Acquisition at the end of the year of Billetreduc.com, an online ticketing site. In 2012, only the statement of financial position had been consolidated, and the business was fully consolidated with effect from 1 January 2013.

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 Services: Travel Retail and Distribution.
- Lagardère Active, which comprises:
  - Audiovisual and Digital businesses including special interest television channels, Audiovisual Production and Distribution, Radio and Advertising Sales Brokerage;
  - Press activities, principally mainstream Magazine Publishing.
- Lagardère Unlimited, which specialises in Sports and Entertainment: management of broadcasting rights; marketing of sports 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 academies.

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

2013 income statement

	Lagardère Publishing	Lagardère Services	Lagardère Active	Lagardère Unlimited	Lagardère Media	Other activities (*)	Total
Net sales	2,093	3,745	997	409	**7,244**		**7,244**
Inter-segment sales	(27)		(1)		**(28)**		**(28)**
Consolidated net sales	**2,066**	**3,745**	**996**	**409**	**7,216**	**0**	**7,216**
Recurring operating profit (loss) before associates	**223**	**96**	**64**	**(11)**	**372**	**(45)**	**327**
Income (loss) from associates before impairment losses	(2)	8	2	(1)	**7**		**7**
Recurring operating profit (loss)	**221**	**104**	**66**	**(12)**	**379**	**(45)**	**334**
Restructuring costs	(3)	(10)	(91)	(14)	**(118)**	(4)	**(122)**
Gains (losses) on disposals of assets		(4)	(11)		**(15)**	1,686	**1,671**
Impairment losses(**)	(24)	(32)	(272)	0	**(328)**	0	**(328)**
Fully consolidated companies	*(24)*	*(32)*	*(225)*		***(281)***		***(281)***
Companies accounted for by the equity method			*(47)*		***(47)***		***(47)***
Amortisation of intangible assets	(2)	(14)	0	(9)	**(25)**		**(25)**
Fully consolidated companies	*(2)*	*(14)*		*(9)*	***(25)***		***(25)***
Companies accounted for by the equity method					***0***		***0***
Acquisition-related expenses		(2)			**(2)**		**(2)**
Purchase price adjustments			(1)		**(1)**		**(1)**
Profit (loss) before finance costs and tax(*)	**192**	**42**	**(309)**	**(35)**	**(110)**	**1,637**	**1,527**
Items included in recurring operating profit (loss)							
Depreciation and amortisation of intangible assets and property, plant and equipment	(24)	(67)	(14)	(76)	**(181)**	(8)	**(189)**
Cost of share option plans	(2)	(1)	(4)	(1)	**(8)**	(2)	**(10)**

(*) Including a €1,823 million gain on the sale of the Group's stake in EADS and a €137 million loss on the sale of the investment in Canal+ France.
(**) Impairment losses on goodwill, property, plant and equipment and intangible assets.

2012 income statement

	Lagardère Publishing	Lagardère Services	Lagardère Active	Lagardère Unlimited	Lagardère Media	Other activities (*)	Total
Net sales	2,106	3,809	1,016	472	**7,403**		**7,403**
Inter-segment sales	(29)		(2)	(2)	**(33)**		**(33)**
Consolidated net sales	**2,077**	**3,809**	**1,014**	**470**	**7,370**		**7,370**
Recurring operating profit (loss) before associates	**223**	**104**	**64**	**(33)**	**358**	**(19)**	**339**
Income (loss) from associates before impairment losses		7	8	1	**16**	89	**105**
Recurring operating profit (loss)	**223**	**111**	**72**	**(32)**	**374**	**70**	**444**
Restructuring costs	(3)	(7)	(28)	(2)	**(40)**		**(40)**
Gains (losses) on disposals of assets	3	(3)	(4)	1	**(3)**		**(3)**
Impairment losses(**)	(6)	(6)	(34)	(49)	**(95)**	(43)	**(138)**
Fully consolidated companies	*(6)*	*(6)*	*(33)*	*(49)*	***(94)***		***(94)***
Companies accounted for by the equity method			*(1)*		***(1)***	*(43)*	***(44)***
Amortisation of intangible assets	(1)	(11)	0	(14)	**(26)**	0	**(26)**
Fully consolidated companies	*(1)*	*(11)*		*(14)*	***(26)***		***(26)***
Companies accounted for by the equity method					**0**		**0**
Acquisition-related expenses		(4)	(3)	(2)	**(9)**		**(9)**
Purchase price adjustments					**0**		**0**
Profit (loss) before finance costs and tax(*)	**216**	**80**	**3**	**(98)**	**201**	**27**	**228**
Items included in recurring operating profit (loss)							
Depreciation and amortisation of intangible assets and property, plant and equipment	(23)	(63)	(15)	(111)	**(212)**	(8)	**(220)**
Cost of share option plans	(3)	(2)	(4)	(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.

2013 statement of cash flows

	Lagardère Publishing	Lagardère Services	Lagardère Active	Lagardère Unlimited	Lagardère Media	Other Activities and eliminations	Total
Cash flows from (used in) operations	277	124	72	104	**577**	(7)	**570**
Interest paid and received, and income taxes paid	(62)	(39)	(45)	(13)	**(159)**	(76)	**(235)**
Net cash from (used in) operating activities	**215**	**85**	**27**	**91**	**418**	**(83)**	**335**
Cash used in investing activities	(46)	(132)	(21)	(129)	**(328)**	(9)	**(337)**
– Purchases of intangible assets and property, plant and equipment	*(41)*	*(125)*	*(16)*	*(109)*	***(291)***	*(5)*	***(296)***
– Purchases of investments and other non-current assets	*(5)*	*(7)*	*(5)*	*(20)*	***(37)***	*(4)*	***(41)***
Proceeds from disposals of non-current assets	1	4	115	10	**130**	3,288	**3,418**
– Intangible assets and property, plant and equipment		*2*	*5*		***7***	*1*	***8***
– Investments and other non-current assets	*1*	*2*	*110*	*10*	***123***	*3,287*	***3,410***
(Increase) decrease in short-term investments		29			**29**		**29**
Net cash from (used in) investing activities	**(45)**	**(99)**	**94**	**(119)**	**(169)**	**3,279**	**3,110**
Total cash from (used in) operating and investing activities	**170**	**(14)**	**121**	**(28)**	**249**	**3,196**	**3,445**

Balance sheet at 31 December 2013

	Lagardère Publishing	Lagardère Services	Lagardère Active	Lagardère Unlimited	Lagardère Media	Other Activities and eliminations	Total
Segment assets	2,158	1,574	1,448	974	**6,154**	241	**6,395**
Investments in associates	18	15	116	3	**152**		**152**
Segment liabilities	(1,195)	(1,071)	(1,061)	(677)	**(4,004)**	23	**(3,981)**
Capital employed	**981**	**518**	**503**	**300**	**2,302**	**264**	**2,566**
Assets held for sale and associated liabilities							
Net cash and cash equivalent							**361**
Equity							**2,927**

2012 statement of cash flows

	Lagardère Publishing	Lagardère Services	Lagardère Active	Lagardère Unlimited	Lagardère Media	Other Activities and eliminations	Total
Cash flows from operations	196	127	73	121	**517**	14	**531**
Interest paid and received, and income taxes paid	(50)	(31)	(57)	(19)	**(157)**	17	**(140)**
Net cash from (used in) operating activities	**146**	**96**	**16**	**102**	**360**	**31**	**391**
Cash used in investing activities	(49)	(347)	(101)	(146)	**(643)**	(5)	**(648)**
– Purchases of intangible assets and property, plant and equipment	*(43)*	*(99)*	*(10)*	*(108)*	***(260)***	*(4)*	***(264)***
– Purchases of investments and other non-current assets	*(6)*	*(248)*	*(91)*	*(38)*	***(383)***	*(1)*	***(384)***
Proceeds from disposals of non-current assets	12	11	60	1	**84**	1	**85**
– Intangible assets and property, plant and equipment	*11*	*8*		*1*	***20***		***20***
– Investments and other non-current assets	*1*	*3*	*60*		***64***	*1*	***65***
(Increase) decrease in short-term investments		28			**28**		**28**
Net cash from (used in) investing activities	**(37)**	**(308)**	**(41)**	**(145)**	**(531)**	**(4)**	**(535)**
Total cash from (used in) operating and investing activities	**109**	**(212)**	**(25)**	**(43)**	**(171)**	**27**	**(144)**

Balance sheet at 31 December 2012

	Lagardère Publishing	Lagardère Services	Lagardère Active	Lagardère Unlimited	Lagardère Media	Other Activities and eliminations	Total
Segment assets	2,194	1,599	1,735	944	**6,472**	297	**6,769**
Investments in associates	20	13	260	4	**297**	1,154	**1,451**
Segment liabilities	(1,155)	(1,128)	(1,064)	(625)	**(3,972)**	6	**(3,966)**
Capital employed	**1,059**	**484**	**931**	**323**	**2,797**	**1,457**	**4,254**
Assets held for sale and associated liabilities							**437**
Net debt							**(1,700)**
Equity							**2,991**

5.2 INFORMATION BY GEOGRAPHICAL SEGMENT

Net sales

	2013	2012
France	**2,658**	2,687
European Union (excl. France)	**2,701**	2,723
Other European countries	**457**	502
United States and Canada	**759**	753
Middle East	**24**	33
Asia-Pacific	**477**	527
Other (Africa, Latin America)	**140**	145
Total	**7,216**	7,370

Segment assets

	31 Dec. 2013	31 Dec. 2012
France	**2,771**	3,098
European Union (excl. France)	**2,072**	2,113
Other European countries	**276**	254
United States and Canada	**793**	806
Asia-Pacific	**448**	460
Other (Africa, Latin America)	**35**	38
Total	**6,395**	6,769

Purchases of intangible assets and property, plant and equipment

	31 Dec. 2013	31 Dec. 2012
France	**68**	66
European Union (excl. France)	**127**	106
Other European countries	**29**	29
United States and Canada	**30**	13
Asia-Pacific	**40**	49
Other (Africa, Latin America)	**2**	1
Total	**296**	264

NOTE 6 NET SALES

Consolidated net sales contracted 2.1% in 2013 on a reported basis and 1.3% based on a comparable group structure and exchange rates (like-for-like).

Like-for-like net sales were calculated by adjusting:

- 2013 net sales to exclude companies consolidated for the first time during the year, and 2012 net sales to exclude companies divested in 2013;
- 2013 net sales based on 2012 exchange rates.

Net sales break down as follows:

	2013	2012
Sales of goods and services	**6,779**	6,828
Advertising revenue	**420**	526
Barter transactions	**17**	16
Total	**7,216**	7,370

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:

	2013	2012
Lagardère Publishing	**6,935**	7,109
Lagardère Services	**10,780**	10,454
Lagardère Active	**4,824**	5,081
Lagardère Unlimited	**1,228**	1,174
Lagardère Media	**23,767**	23,818
Other Activities	**239**	250
Total	**24,006**	24,068

7.2 PAYROLL COSTS

	2013	2012
Wages and salaries	**1,233**	1,226
Payroll taxes	**294**	292
Share-based payments	**10**	13
Total	**1,537**	1,531

7.3 SHARE-BASED PAYMENTS

Share option plans

In past years up to and including 2006, the Managing Partners awarded share options on Lagardère SCA shares to certain executives and employees of the Group under shareholder-approved plans. The main features of the outstanding share option plans at 1 January 2013 are presented in note 26.2.

In accordance with the principles described in note 3.5 "Share-based payments", the options awarded were measured at fair value at the grant date. Under the plans' terms and conditions, share options vest after a two-year period and lapse ten years after their grant date.

Details of outstanding share options and movements in 2012 and 2013 are presented below:

	Numbers of options	Weighted average exercice price (in euros)
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**
Options cancelled	(1,183,657)	€51.50
Options exercised		
Options outstanding at 31 December 2013	**4,343,904**	**€55.04**
Including exercisable options	*4,343,904*	*€55.04*

The share options outstanding at 31 December 2013 were exercisable at prices ranging between €51.45 and €56.97 and their average term to maturity was 1.99 years.

Free share award plans

In 2009 to 2013 the Group set up plans to award free shares to employees, the Co-Managing Partners and members of Lagardère Media's Operations Committee. 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;
- 26 December 2013 plan: 712,950 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 31 December 2016, 1 April 2015, 2014 and 2013 under the 2013, 2012, 2011 and 2010 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 awarded reduced accordingly if these objectives are not met.

For the members of Lagardère Media's Operations Committee, who are beneficiaries of the 26 December 2013 plan, the shares will not fully vest until the end of a period of three years and three months following the grant date, i.e., 1 April 2017, and subject to presence and performance conditions based on Lagardère Media's consolidated recurring operating profit and Group net cash flows from operating activities.

Assumptions used to calculate fair value

The assumptions underlying the plans for which an expense was recognised in the 2013 and 2012 financial statements were as follows:

	Free shares				
	26 Dec. 2013 Plan	25 June 2012 Plan	29 Dec. 2011 Plan	15 July 2011 Plan	17 Dec. 2010 Plan
Share price at grant date (€)	26.49	20.43	19.71	27.53	29.30
Expected dividend	Between 4.8% and 5.0%	Between 6.4% and 6.5%	Between 6.6% and 6.8%	Between 6.6% and 6.8%	Between 4.5% and 4.7%

Share-based payment expense recognised by fully consolidated companies amounted to €10 million in 2013 and €13 million in 2012.

NOTE 8 RESTRUCTURING COSTS

Restructuring costs amounted to €122 million in 2013. Out of this total €91 million was incurred by Lagardère Active, relating to:

- the termination of e-commerce activities and the sale of Genao Productions' audiovisual production business;
- measures carried out across the Group's regions to rescale operations relating to advertising sales brokerage;
- ongoing implementation of the overheads cost-cutting programme;
- a restructuring plan announced with a view to refocusing the Press business on its most powerful brands.

Restructuring costs recorded by Lagardère Unlimited and Lagardère Services amounted to €14 million and €10 million respectively and related to various entities within the two divisions. Lagardère Publishing accounted for €3 million of the total restructuring costs for the year (primarily incurred in the United Kingdom) and restructuring costs for Other Activities came to €4 million (chiefly concerning Matra Manufacturing & Services).

Restructuring costs for 2012 totalled €40 million, including (i) €28 million incurred by Lagardère Active, mainly as part of the ongoing cost-cutting programme, (ii) €7 million by Lagardère Services for distribution activities, (iii) €3 million by Lagardère Publishing in the United Kingdom, and (iv) €2 million by Lagardère Unlimited.

NOTE 9 GAINS (LOSSES) ON DISPOSALS OF ASSETS

In 2013, this item represented a net gain of €1,671 million which mainly included:

- a €1,823 million gain on the sale of EADS shares;
- a €137 million loss on the sale of Canal+ France shares;
- a €9 million loss on the sale of Amaury shares.

These transactions are described in note 4.1 above, which sets out the main changes in the scope of consolidation during 2013.

In 2012, the Group recorded a €3 million net loss on disposals of assets. The main disposal loss recorded during that year was €6 million on the sale of the Nextidea group.

NOTE 10 IMPAIRMENT LOSSES ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

The impairment losses recorded in 2013 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	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Publishing	**15**	15	**828**	855	**38**	38	**866**	893
Services	**19**	15	**150**	185	**4**	4	**154**	189
Active	**29**	30	**508**	618	**106**	213	**614**	831
- Press	**3**	4	**174**	283	**64**	171	**238**	454
- Audiovisual	**22**	22	**180**	180	**42**	42	**222**	222
- Digital	**4**	4	**154**	155	**-**	-	**154**	155
Unlimited	**1**	1	**133**	141	**10**	8	**143**	149
Total	**64**	**61**	**1,619**	**1,799**	**158**	**263**	**1,777**	**2,062**

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	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Publishing	**15**	15	**828**	855	**38**	38	**866**	893
Editis group	**5**	5	**236**	238	**1**	1	**237**	239
Hachette UK Holding group	**1**	1	**252**	253	**25**	25	**277**	278
Hachette Book Group (United States)	**1**	1	**213**	223	**-**	-	**213**	223
Hatier group	**1**	1	**84**	84	**-**	-	**84**	84
Hachette Livre España - Salvat	**1**	1	**12**	22	**-**	-	**12**	22
Pika Editions	**1**	1	**14**	14	**-**	-	**14**	14
Les Éditions Albert René	**1**	1	**11**	11	**-**	-	**11**	11
Other	**4**	4	**6**	10	**12**	12	**18**	22
Services	**19**	15	**150**	185	**4**	4	**154**	189
Newslink (Australia)	**1**	1	**27**	32	**-**	-	**27**	32
Aelia CZ (Czech Republic)	**1**	1	**22**	24	**-**	-	**22**	24
Curtis (United States)	**1**	1	**19**	20	**-**	-	**19**	20
Lapker group (Hungary)	**1**	1	**14**	14	**-**	-	**14**	14
HDS Retail CZ (Czech Republic)	**1**	1	**11**	11	**-**	-	**11**	11
SGEL Distribution and Celeritas (Spain)	**1**	1	**9**	10	**-**	-	**9**	10
LS Travel Retail Hong Kong	**1**	1	**8**	10	**-**	-	**8**	10
Payot Naville group (Switzerland)	**1**	1	**6**	35	**-**	-	**6**	35
Other	**11**	7	**34**	29	**4**	4	**38**	33
Active	**29**	30	**508**	618	**106**	213	**614**	831
Presse	**3**	4	**174**	283	**64**	171	**238**	454
Lagardère Active	**1**	1	**124**	184	**-**	-	**124**	184
Société de Presse Féminine	**1**	1	**40**	50	**2**	2	**42**	52
France Magazine Publishing	**1**	1	**10**	45	**62**	169	**72**	214
Interquot (advertising sales brokerage)	**-**	1	**-**	4	**-**	-	**-**	4
Audiovisual	**22**	22	**180**	180	**42**	42	**222**	222
Lagardère Active Broadcast	**1**	1	**70**	70	**-**	-	**70**	70
International radio	**5**	5	**46**	46	**-**	-	**46**	46
Audiovisual production	**11**	11	**32**	32	**3**	3	**35**	35
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
Add-on Factory	**1**	1	**1**	1	**-**	-	**1**	1
Digital	**4**	4	**154**	155	**-**	-	**154**	155
Doctissimo/Mondocteur	**1**	1	**51**	49	**-**	-	**51**	49
Newsweb	**1**	1	**11**	16	**-**	-	**11**	16
Le Guide	**1**	1	**76**	75	**-**	-	**76**	75
Billetreduc.com	**1**	1	**16**	15	**-**	-	**16**	15
Unlimited	**1**	1	**133**	141	**10**	8	**143**	149
Total	**64**	61	**1,619**	1,799	**158**	263	**1,777**	2,062

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 2013 and 2012:

	Discount rate		Perpetuity growth rate	
	2013	2012	**2013**	2012
Publishing	**7.80%**	8.02%	**2.00%**	2.00%
Services				
Travel Retail	**7.42%**	8.44%	**2.50%**	2.00%
Distribution	**7.42%**	8.44%	**0.00%**	2.00%
Active				
Press	**8.05%**	8.46%	**0.00%**	1.50%
Audiovisual	**7.89%**	9.46%	**1.50%**	1.50%
Digital(*)	**7.89%**	9.46%	**2.00%**	3.00%
Unlimited				
Europe/United States	**7.97%**	9.48%	**2.00%**	2.00%
Asia	**7.97%**	9.48%	**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 2014-2016 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 2013 compared with 2012.

Recognised impairment losses

Impairment losses recorded by consolidated companies amounted to €281 million in 2013 (€160 million for goodwill, €110 million for intangible assets and €11 million for property, plant and equipment).

Impairment losses on goodwill and other intangible assets amounted to €270 million, of which €219 million relating to the assets of Lagardère Active's Magazine Publishing business and €29 million to the subsidiary Payot Naville, Lagardère Services' Distribution business in Switzerland.

During 2013, the Magazine Publishing business continued to contract significantly compared with the previous year and underperformed the assumptions set out in the budgets prepared at end-2012 on which the impairment tests carried out for the 2012 consolidated financial statements were based. This shows that the decline in the press market is not only attributable to the economic uncertainty observed in 2012, but is also largely structural. New budgets were prepared in 2013 in which future cash flows were revised downwards. Perpetuity growth rates, which had been set at end-2012 at 1.5% and 2% for Magazine Publishing and Lagardère Services' Distribution business, respectively, were also reduced to 0%.

The other impairment losses recognised in 2013 with respect to consolidated entities mainly included:

- €16 million for Lagardère Publishing, including €10 million for the goodwill on the Spanish subsidiary Salvat (partworks in Spain and Latin America). At 31 December 2012, a €5 million impairment loss had been recognised to take into account the decline in the subsidiary's net sales, reflecting the contraction in the partworks market in Spain. The forecast budget prepared at end-2012 was based on stable net sales for subsequent years. In 2013, the revised forecasts took into account the continued decline in the Spanish partworks market and the subsidiary's difficulties in exporting to Latin America, and in particular to Argentina;
- goodwill with respect to Lagardère Active's digital subsidiary Newsweb in the amount of €5 million. The business plan was revised downwards following worse-than-expected performance.

Out of the total €11 million in impairment losses recorded against property, plant and equipment, €8 million related to a building owned by the Lagardère Publishing division.

In 2012, impairment losses recorded by consolidated companies totalled €94 million, breaking down as (i) €49 million for Lagardère Unlimited, (ii) €33 million for Lagardère Active, (iii) €6 million for Lagardère Publishing, and (iv) €6 million for Lagardère Services.

Sensitivity of impairment tests 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 and average spend per customer for each 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.

The main areas of uncertainty identified that have a bearing on the assumptions used in the budgets are described below:

Lagardère Active

- Magazine Publishing

  The Magazine Publishing business contracted by 5% in 2013 and 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-2013, would have a theorical impact on its value of €55 million, excluding the impact of any corporate cost reduction measures that would necessarily be implemented. At 31 December 2013, the residual amount of goodwill and intangible assets with indefinite useful lives for all of the Press CGUs amounted to €238 million.

- Digital

  In recent years, Google's general search engine has been increasingly favouring its own services, such as Google Shopping, to the detriment of other rival offers. This has led to a significant decrease in traffic for all other price comparison sites, including those of the LeGuide group. Following a number of complaints lodged by various market players, the European Commission launched an investigation into this issue as well as a number of Google's other practices. The Commission is currently in discussions with the search engine and other stakeholders in order to reach an agreement on the possible changes Google could make to the way it presents its search results, with a view to bringing the matter to a close as swiftly as possible. The assumption that these negotiations will result in the re-establishment of a fairer and more balanced competitive environment has been factored into the provisional budget drawn up for the LeGuide group. At 31 December 2013, goodwill related to the LeGuide group amounted to €76 million.

  The recoverable amount of the Doctissimo/Mondocteur CGU was calculated based on budgets that include both forecast advertising revenue and revenue arising from growth in operations aimed at monetising new services. At 31 December 2013, the carrying amount of goodwill allocated to this CGU totalled €51 million.

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 approximately €20 million on the recoverable amount of the assets concerned. At 31 December 2013, the carrying amount of goodwill relating to this division totalled €133 million.

Sensitivity of impairment tests to changes in discount rates and perpetuity growth rates

The following table shows the potential effects on impairment losses of an increase or decrease in the discount rates and perpetuity growth rates applied in the impairment tests performed at 31 December 2013.

Publishing: (Increase) decrease in impairment losses

(in millions of euros)	Discount rate						
Perpetuity growth rate	**-1.5%**	**-1%**	**-0.5%**	**0%**	**+0.5%**	**+1%**	**+1.5%**
-1%	3	2	(1)	(18)	(57)	(93)	(126)(*)
-0.5%	4	3	1	(1)	(23)	(62)	(99)
0%	4	4	3	-	(1)	(28)	(68)
+0.5%	4	4	4	3	1	(2)	(34)
+1%	5	4	4	3	3	-	(3)

(*) Including an €87 million increase in impairment losses for the Hachette UK Holding group CGU.

Services: (Increase) decrease in impairment losses

	Discount rate						
Perpetuity growth rate	**-1.5%**	**-1%**	**-0.5%**	**0%**	**+0.5%**	**+1%**	**+1.5%**
-1%	-	-	-	-	(1)	(5)	(10)
-0.5%	-	-	-	-	-	(1)	(6)
0%	-	-	-	-	-	(0)	(2)
+0.5%	-	-	-	-	-	-	(0)
+1%	-	-	-	-	-	-	-

Active: (Increase) decrease in impairment losses

(in millions of euros)	Discount rate						
Perpetuity growth rate	-1.5%	-1%	-0.5%	0%	+0.5%	+1%	+1.5%
-1%	-	-	-	-	-	(10)	(25)
-0.5%	-	-	-	-	-	(10)	(22)
0%	-	-	-	-	-	(9)	(22)
+0.5%	-	-	-	-	-	(9)	(21)
+1%	-	-	-	-	-	(8)	(21)

Unlimited: (Increase) decrease in impairment losses

(in millions of euros)	Discount rate						
Perpetuity growth rate	-1.5%	-1%	-0.5%	0%	+0.5%	+1%	+1.5%
-1%	-	-	-	-	-	(1)	(13)
-0.5%	-	-	-	-	-	-	-
0%	-	-	-	-	-	-	-
+0.5%	-	-	-	-	-	-	-
+1%	-	-	-	-	-	-	-

NOTE 11 OTHER OPERATING EXPENSES

	2013	2012
Asset impairment losses	**(13)**	(25)
Foreign exchange losses	**(1)**	-
Financial expenses other than interest	**(2)**	(2)
Provisions for contingencies and losses	**-**	-
Other expenses	**(17)**	(17)
Total	**(33)**	(44)

Asset impairment losses recorded under other operating expenses totalled €13 million in 2013 (€25 million in 2012) and principally related to advances paid to writers by Lagardère Publishing.

NOTE 12 OTHER OPERATING INCOME

	2013	2012
Foreign exchange gains	**-**	4
Reversals of provisions for contingencies and losses	**20**	11
Other income	**13**	11
Total	**33**	26

NOTE 13 FINANCIAL INCOME AND EXPENSES

Financial income and expenses break down as follows:

	2013	2012
Interest income on loans	**2**	7
Investment income and gains on sales of marketable securities	**3**	4
Gains on derivative financial instruments acquired as hedges of net debt	**2**	2
Other financial income	**2**	-
Financial income	**9**	13
Interest expense on borrowings	**(95)**	(93)
Loss on sales of marketable securities	**-**	-
Loss on derivative financial instruments acquired as hedges of net debt	**(3)**	(2)
Other financial expenses	**(2)**	-
Financial expenses	**(100)**	(95)
Total	**(91)**	(82)

NOTE 14 INCOME TAX EXPENSE

14.1 ANALYSIS OF INCOME TAX EXPENSE

Income tax expense breaks down as follows:

	2013	2012
Current taxes	**(109)**	(46)
Deferred taxes	**(8)**	6
Total	**(117)**	(40)

14.2 TAX PROOF

The following table reconciles income tax expense reported in the income statement to the theoretical income tax expense for 2013 and 2012:

	2013	2012
Profit (loss) before tax	**1,436**	146
Income (loss) from associates	**40**	(61)
Profit (loss) before tax and income from associates	**1,476**	85
Theoretical tax expense(1)	**(561)**	(31)
Effect on theoretical tax expense of:		
Differences in tax rates on:		
Disposal gains (losses)	**586**	
Impairment losses on goodwill and other intangible assets	**(72)**	(31)
Earnings of foreign subsidiaries	**10**	8
Taxes on dividends	**(40)**	
Limitation on deferred taxes	**(31)**	(4)
Tax loss carryforwards used (recognised) in the year(2)	**(14)**	(17)
Tax credits on recognised tax loss carryforwards		24
Tax credits and similar	**4**	8
Permanent differences and other items	**(1)**	3
Effective tax expense	**(117)**	(40)

(1) Calculated at the French standard rate (38% in 2013 and 36.10% in 2012).
(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 2013 and 2012 concerned the following assets and liabilities:

	31 Dec. 2013	31 Dec. 2012
Intangible assets	**(178)**	(213)
Property, plant and equipment	**(30)**	(36)
Non-current financial assets	**(2)**	(8)
Inventories	**12**	15
Provisions for pension benefit obligations	**32**	31
Other provisions	**125**	115
Other working capital items	**119**	150
Temporary differences (gross amount)	**78**	54
Write-down of deferred tax assets	**(157)**	(154)
Temporary differences (net amount)	**(79)**	(100)
Tax loss carryforwards	**24**	46
Tax credits	**-**	-
Net deferred tax asset (liability)	**(55)**	(54)
Deferred tax assets	**190**	236
Deferred tax liabilities	**(245)**	(290)

At 31 December 2013, 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 €142 million.

14.4 CHANGES IN DEFERRED TAXES

	2013	2012
Net deferred tax asset (liability) at 1 January	**(54)**	41
Income tax benefit (expense) recognised in the income statement	**(8)**	6
Deferred tax recognised directly in equity	**(4)**	7
Effect of change in consolidation scope and exchange rates	**11**	(108)
Net deferred tax asset (liability) at 31 December	**(55)**	(54)

The €108 million shown under changes in scope of consolidation for 2012 was mainly attributable to the acquisition of ADR Retail.

Deferred taxes recognised directly in equity can be analysed as follows:

	31 Dec. 2013	31 Dec. 2012
Available-for-sale investments	**(1)**	-
Cash flow hedges	**(2)**	-
Actuarial gains and losses on pensions and other post-employment benefit obligations	**13**	14
Total	**10**	14

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 share 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 share 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).

	2013	2012
Profit for the year attributable to owners of the Parent (in millions of euros)	**1,307**	89
Number of shares making up the share capital at 31 December	**131,133,286**	131,133,286
Treasury shares	**(3,186,571)**	(3,274,993)
Number of shares outstanding at 31 December	**127,946,715**	127,858,293
Average number of shares outstanding during the year	**127,902,504**	127,609,441
Basic earnings per share attributable to owners of the Parent (in euros)	**10.22**	0.70
Dilutive share options and free shares:		
Share options	**-**	-
Free shares	**1,683,005**	1,609,780
Average number of shares including dilutive share options and free shares	**129,585,509**	129,219,221
Diluted earnings per share attributable to owners of the Parent (in euros)	**10.09**	0.69

NOTE 16 GOODWILL

	2013	2012
At 1 January	**1,799**	1,837
Cost	***2,895***	*2,891*
Accumulated impairment losses	***(1,096)***	*(1,054)*
Acquisitions	**16**	134
Reclassification as assets held for sale	**-**	(45)
Goodwill written off following disposal or deconsolidation	**-**	(44) (*)
Impairment losses	**(160)** (**)	(87) (**)
Translation adjustments	**(31)**	3
Other movements	**(5)**	1
At 31 December	**1,619**	1,799
Cost	***2,871***	*2,895*
Accumulated impairment losses	***(1,252)***	*(1,096)*

(*) Of which €33 million on the sale of Publications Groupe Loisirs.
(**) Of which €115 million in 2013 and €49 million in 2012 related to Lagardère Unlimited.

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 2012	**177**	**136**	**901**	**43**	**428**	**1,685**
Acquisitions	-	1	45	-	37	**83**
Changes in scope of consolidation	-	-	8	350 *	-	**358**
Disposals/Derecognition	-	(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**
Acquisitions	-	3	102	-	27	**132**
Changes in scope of consolidation	-	-	-	5	-	**5**
Disposals/Derecognition	-	-	(134)		(6)	**(140)**
Reclassifications	-	2	(30)	(12)	7	**(33)**
Translation adjustments	-	-	(13)	(5)	(8)	**(26)**
At 31 December 2013	**177**	**147**	**809**	**383**	**453**	**1,969**

(*) Further to the acquisition of ADR Retail by Lagardère Services in 2012, the entire amount of goodwill (€327 million) was allocated to intangible assets (for 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 2012	**(14)**	**(41)**	**(537)**	**(15)**	**(332)**	**(939)**
Amortisation	-	-	(118)	(11)	(16)	**(145)**
Impairment losses	-	-	-	-	(1)	**(1)**
Changes in scope of consolidation	-	-	-	-	(1)	**(1)**
Disposals/Derecognition	-	-	48	-	20	**68**
Reclassifications	-	(1)	-	(1)	1	**(1)**
Translation adjustments	-	-	5	-	(1)	**4**
At 31 December 2012	**(14)**	**(42)**	**(602)**	**(27)**	**(330)**	**(1,015)**
Amortisation	-	-	(80)	(14)	(20)	**(114)**
Impairment losses	(105)	(5)	-	-	-	**(110)**
Changes in scope of consolidation	-	-	-	-	-	**0**
Disposals/Derecognition	-	-	134	-	5	**139**
Reclassifications	-	-	-	-	2	**2**
Translation adjustments	-	-	8	2	4	**14**
At 31 December 2013	**(119)**	**(47)**	**(540)**	**(39)**	**(339)**	**(1,084)**

Carrying amounts

At 31 December 2012	**163**	**100**	**282**	**368**	**103**	**1,016**
At 31 December 2013	**58**	**100**	**269**	**344**	**114**	**885**

See note 10 above for a breakdown by CGU of intangible assets with indefinite useful lives.

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down as follows by category:

2013 – Cost

	At 1 Jan. 2013	Acquisitions	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustments	At 31 Dec. 2013
Land	**235**	-	-	-	1	-	**236**
Buildings	**508**	31	4	(22)	1	(10)	**512**
Machinery and equipment	**434**	36	-	(15)	6	(6)	**455**
Other	**501**	61	1	(20)	8	(13)	**538**
Assets under construction	**41**	42	-	-	(28)	(1)	**54**
Total	**1,719**	**170**	**5**	**(57)**	**(12)**	**(30)**	**1,795**

2013 – Depreciation and impairment losses

	At 1 Jan. 2013	Depreciation	Impairment losses	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustments	At 31 Dec. 2013
Land	**(3)**	-	-	-	-	1	-	**(2)**
Buildings	**(318)**	(25)	(9)	(1)	11	2	6	**(334)**
Machinery and equipment	**(326)**	(34)	-	-	13	-	5	**(342)**
Other	**(333)**	(41)	(2)	(1)	15	(1)	8	**(355)**
Assets under construction	**-**	-	-	-	-	-	-	**-**
Total	**(980)**	**(100)**	**(11)**	**(2)**	**39**	**2**	**19**	**(1,033)**
Carrying amounts	**739**	**70**	**(11)**	**3**	**(18)**	**(10)**	**(11)**	**762**

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**

Investment property

Balance sheet assets include a property complex in France whose carrying amount was €74 million at 31 December 2013 and €77 million at 31 December 2012. In 2013 and 2012, a total of €7 million in rental income was received in relation to this property. The property's market value at 31 December 2013 was estimated at €127 million compared with €120 million one year earlier.

The Group also owns two property complexes outside France whose carrying amount was €38 million at 31 December 2013 and whose market value was an estimated €40 million. Rental income received on these properties in 2013 and 2012 totalled €3 million.

Market values for investment property are based on the valuations of independant appraisers.

Finance leases

The Group did not have any finance leases representing material amounts at either 31 December 2013 or 31 December 2012.

NOTE 19 INVESTMENTS IN ASSOCIATES

The Group's main associates are as follows:

	% interest		Balance sheet		Income statement	
	31 Dec. 2013	31 Dec. 2012	**31 Dec. 2013**	31 Dec. 2012	**31 Dec. 2013**	31 Dec. 2012
Canal+ France		20%		1,154		(43)
Marie Claire	42%	42%	90	125	(35)	5
Amaury group		25%		98		1
O.E.E. (Because)	25%	25%	3	15	(12)	-
Éditions J'ai lu	35%	35%	16	16	1	1
SDA (Société de Distribution Aéroportuaire)	45%	45%	14	11	7	6
SETC	49%	49%	12	14	-	1
Other			17	18	(1)	1
Excluding EADS			**152**	**1,451**	**(40)**	**(28)**
EADS		7.39%		(*)		89
Total			**152**	**1,451**	**(40)**	**61**

(*) The shares held by Lagardère in EADS were reclassified as assets held for sale at 31 December 2012.

Marie Claire

Taking into account the economic environment in which the Magazine Publishing business operates and based on an external valuation carried out by a financial institution, the interest held in the Marie Claire group was valued at €90 million at 31 December 2013. This revaluation led to the recognition of a €35 million impairment loss in 2013.

OEE shares (Because group)

In 2013, a €12 million impairment loss was recognised against the 25% interest held in the Because group (music rights management specialist) in order to write down its carrying amount to €3 million. This valuation was based on the Because group's estimated selling price.

NOTE 20 OTHER NON-CURRENT ASSETS

Other non-current assets break down as follows:

Carrying amount	31 Dec. 2013	31 Dec. 2012
Investments	**59**	47
Loans and receivables	**64**	85
Total	**123**	132

Investments include the following:

Carrying amount	31 Dec. 2013		31 Dec. 2012	
	Carrying amount	% interest	Carrying amount	% interest
Viel et Cie	**20**	**12%**	23	12%
Other	**39**		24	
Total	**59**		47	

The above investments are classified as available-for-sale investments.

Fair value adjustments on available-for-sale investments represented a net gain of €8 million in 2013, recognised in equity.

Cumulative fair value adjustments at 31 December 2013 amounted to a positive €13 million (€5 million at 31 December 2012).

Loans and receivables can be analysed as follows:

Loans and receivables	31 Dec. 2013	31 Dec. 2012
Gross amount	**115**	122
Accumulated impairment losses	**(51)**	(37)
Carrying amount	**64**	**85**

Analysis of impairment losses on loans and receivables	2013	2012
At 1 January	**(37)**	**(52)**
Impairment losses (recognised) reversed in the year	**1**	-
Other movements and translation adjustments	**(15)**	15
At 31 December	**(51)**	**(37)**

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. 2013	31 Dec. 2012
Lagardère Publishing	**365**	386
Lagardère Services	**325**	325
Lagardère Active	**75**	90
Lagardère Unlimited	**1**	1
Other Activities(*)	**21**	21
Cost	**787**	823
Accumulated impairment losses	**(228)**	(242)
Carrying amount	**559**	581

(*) Corresponding to the inventories of Matra Manufacturing & Services in 2013 and 2012.

Analysis of impairment losses	2013	2012
At 1 January	**(242)**	(245)
Impairment losses (recognised) reversed in the year	**13**	3
Other movements and translation adjustments	**1**	-
At 31 December	**(228)**	(242)

NOTE 22 TRADE RECEIVABLES

Trade receivables and their realisable value can be analysed as follows:

	31 Dec. 2013	31 Dec. 2012
Trade receivables (gross amount)	**1,400**	1,445
Accumulated impairment losses	**(161)**	(190)
Carrying amount	**1,239**	1,255
Of which:		
- not yet due	***1,055***	*1,104*
- less than six months past due	***137***	*115*
- more than six months past due	***47***	*36*
Total	**1,239**	1,255

Analysis of impairment losses	2013	2012
At 1 January	**(190)**	(171)
Impairment losses (recognised) reversed in the year	**25**	5
Other movements and translation adjustments	**4**	(24)
At 31 December	**(161)**	(190)

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 2013 and 2012 were as follows:

	31 Dec. 2013	31 Dec. 2012
Assets		
Trade receivables	**73**	73
Other receivables(*)	**(11)**	(11)
Liabilities		
Debt	**62**	62

(*) Guarantee deposits.

NOTE 23 OTHER CURRENT ASSETS

Other current assets break down as follows:

	31 Dec. 2013	31 Dec. 2012
Advances paid	**29**	36
Recoverable taxes and payroll taxes	**277**	262
Derivative financial instruments(*)	**4**	5
Receivable from writers	**324**	343
Receivable from suppliers	**81**	91
Loans	**11**	31
Prepaid expenses	**306**	269
Other	**57**	53
Total	**1,089**	1,090
Accumulated impairment losses	**(70)**	(79)
Carrying amount	**1,019**	1,011

(*) See note 30.1

Analysis of impairment losses	2013	2012
At 1 January	**(79)**	(95)
Impairment losses (recognised) reversed in the year	**(49)**	(32)
Other movements and translation adjustments	**58**	48
At 31 December	**(70)**	(79)

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. 2013	31 Dec. 2012
Shares	**35**	24
Bonds	**1**	31
Total	**36**	55

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 positive €11 million at 31 December 2013 versus a nil amount at 31 December 2012 (following a €1 million write-down of the Group's investment in Deutsche Telekom recorded under financial expenses in 2012).

NOTE 25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents reported in the statement of cash flows were as follows:

	31 Dec. 2013	31 Dec. 2012
Cash and cash equivalents	**1,748**	648
Short-term bank loans and overdrafts	**(71)**	(49)
Cash and cash equivalents, net	**1,677**	599

NOTE 26 EQUITY

26.1 SHARE CAPITAL

At 31 December 2013 and 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.

26.2 EMPLOYEE SHARE OPTIONS

In prior years, the Managing Partners awarded options to certain Group executives and employees to purchase existing Lagardère SCA shares under shareholder-approved share option plans. The main features of the outstanding share option plans at 1 January 2013 are presented below.

Plan	Date of AGM	Number of options originally awarded	Exercise price	Number of beneficiaries	Options exercised in 2013	Options cancelled at end-2013	Options outstanding at end-2013	Exercise period
Share purchase options								
18 Dec. 2003	23 May 2000	1,437,250	€51.45	445	-	1,410,929	-	18 Dec. 2005 to 18 Dec. 2013
20 Nov. 2004	11 May 2004	1,568,750	€51.92	481	-	282,894	1,292,965	20 Nov. 2006 to 20 Nov. 2014
21 Nov. 2005	11 May 2004	1,683,844	€56.97	495	-	260,505	1,423,339	21 Nov. 2007 to 21 Nov. 2015
14 Dec. 2006	11 May 2004	1,844,700	€55.84	451	-	217,100	1,627,600	14 Dec. 2008 to 14 Dec. 2016
							4,343,904	

In addition, plans to award free shares in Lagardère SCA have been set up for certain employees, the Co-Managing Partners of the Group and members of Lagardère Media's Operations Committee (see note 7 above).

26.3 TREASURY SHARES

Changes in the number of shares held in treasury over the last two years were as follows:

	2013	2012
Number of shares held at 1 January	**3,274,993**	3,772,698
Purchases of treasury shares	**1,138,407**	745,772
Sales of treasury shares	**(637,407)**	(836,272)
Awards	**(1,000)**	-
Capital reduction by cancellation of treasury shares	**(588,422)**	(407,205)
Number of treasury shares held at 31 December	**3,186,571**	3,274,993

At 31 December 2013 shares held in treasury represented 2.43% of Lagardère SCA's share capital and were allocated for the following purposes:

- 3,065,071 shares for future allocation to employees;
- 121,500 shares for market-making purposes.

At end-2013, Lagardère SCA also held rights to purchase 1,971,623 shares from Barclays Bank Plc in the form of call options at the price stated below, for subsequent resale to Group employees who are beneficiaries of the following share option plan:

Share option plan	Number of shares under option	Exercise price	Expiry date for call options
2004	1,971,623	€35.82	20 November 2014

As part of the liquidity contract entered into in 2008 with Crédit Agricole Cheuvreux for the purposes of market-making, during 2013 Lagardère SCA purchased 749,407 treasury shares for a total cost of €19 million and sold 637,407 treasury shares for a total of €16 million giving rise to a €0.1 million net disposal gain.

In 2012, the Group purchased 745,772 treasury shares for a total cost of €16 million and sold 836,272 treasury shares for a total of €17 million generating a net disposal gain of €0.8 million.

In 2013, the Group carried out a number of capital reductions by cancelling 589,422 treasury shares for an amount of €27.8 million. These operations took place following capital increases carried out by capitalising reserves and involving the same number of shares. The newly-issued shares were awarded (i) in April 2013 to the Group's Co-Managing Partners who are the beneficiaries under the 17 December 2010 plan, (ii) in July 2013 to executives who are the beneficiaries under the 15 July 2011 plan, (iii) in October 2013 to employee beneficiaries under the 1 October 2009 free share plan and (iv) in December 2013 to employee beneficiaries under the 29 December 2011 free share plan.

In 2012, the Group carried out capital reductions by cancelling 407,205 treasury shares for an amount of €12 million. These operations took place following capital increases carried out by capitalising reserves and involving the same number of shares. The newly-issued shares were allocated (i) in April 2012 to the Group's Co-Managing Partners who are the 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.

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. 2013	31 Dec. 2012	**2013**	2012
Lagardère Publishing	**24**	23	**4**	4
Lagardère Services	**37**	38	**7**	7
Lagardère Active	**8**	10	**3**	2
Lagardère Unlimited	**9**	11	**(2)**	4
Total	**78**	82	**12**	17

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 General and 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 cash, external growth can be financed by borrowings.

The shares due to be remitted to employees between under the free share plans are generally new shares created through a capital increase by capitalising reserves. An equivalent number of treasury shares is cancelled in order to neutralise the resulting dilutive impact on shareholders. In order to maintain a constant level of treasury shares further to such transactions, the Group may purchase shares on the market.

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:

2013	Other reserves	Translation reserve	Valuation reserve	Equity attributable to owners of the Parent	Minority interests	Total equity
Currency translation adjustments		(55)		(55)		(55)
Change in fair value of:						
derivative financial instruments			2	2		**2**
- *unrealised gains and losses recognised directly in equity*			*2*	*2*		***2***
- *amounts reclassified from equity to profit*			-	-		**-**
investments in non-consolidated companies			7	7		**7**
- *unrealised gains and losses recognised directly in equity*			*7*	*7*		***7***
- *amounts reclassified from equity to profit*			-	-		**-**
Actuarial gains and losses on pensions and other post-employment benefit obligations	2			2	(1)	**1**
Share of other comprehensive income (expense) of associates (net of tax)		(69)	79	10		**10**
Tax relating to components of other comprehensive income (expense)	(1)		(3)	(4)		**(4)**
Other comprehensive income (expense) for the year, net of tax	**1**	**(124)**	**85**	**(38)**	**(1)**	**(39)**

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)	7			7		**7**
Other comprehensive income (expense) for the year, net of tax	**(75)**	**9**	**103**	**37**	**1**	**38**

Tax relating to components of other comprehensive income (expense) breaks down as follows:

31 December 2013	Before tax	Tax	After tax
Currency translation adjustments	(55)	-	(55)
Change in fair value of: - derivative financial instruments - investments in non-consolidated companies	 2 7	 (1) (2)	 1 5
Actuarial gains and losses on pensions and other post-employment benefit obligations	1	(1)	0
Share of other comprehensive income (expense) of associates (net of tax)	10	-	10
Other comprehensive income (expense) for the year	**(35)**	**(4)**	**(39)**

31 December 2012	Before tax	Tax	After tax
Currency translation adjustments	9	-	9
Change in fair value of: - derivative financial instruments - investments in non-consolidated companies	 (1) 	 - -	 (1) 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**

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 Group has applied the revised version of IAS 19 since 1 January 2013. The main impact of this change on the 2012 financial statements – which was not material – corresponds to the immediate recognition in the income statement of past service costs that were not recognised at 31 December 2012.

The provision recognised at 31 December represents the value of beneficiaries' accumulated rights less the related plan assets.

The Group's main obligations concerning pensions and other post-employment benefits relate to plans in the United Kingdom, France and Switzerland.

United Kingdom

The Group's pension plans in the United Kingdom are closed to new entrants and current members may no longer accrue any future benefits. The pension benefits payable under these plans are based on beneficiaries' career average salaries. The plans are funded by plan assets and in accordance with the applicable law are subject to minimum funding requirements. A Board of Trustees – made up of an equal number of representatives of the employer and employees/retirees – is responsible for ensuring that the plans are properly managed from both an administrative and financial perspective. At 31 December 2013, the plans in effect in the United Kingdom represented an aggregate obligation of €163 million (43% of the Group's total obligation) and plan assets amounted to €161 million (61% of the Group's total plan assets).

France

The most significant plans in place in France relate to end-of-career bonuses paid to employees in accordance with the specific requirements of each entity's collective bargaining agreement. Employees are paid this bonus when they retire and its amount is calculated based on the employee's length of service and the terms and conditions specified in the relevant collective bargaining agreement. End-of-career bonuses are not covered by funded plans and are not subject to any minimum funding requirements. At 31 December 2013 they represented an aggregate obligation of €60 million (17% of the Group's total obligation).

Switzerland

The plans in place in Switzerland are defined contribution plans with a minimum rate of return and fixed conversion rates on retirement. These plans are offered to employees in accordance with the Swiss "LPP/BVG Act" on occupational pension plans which provides that such plans have to be fully funded. They are therefore subject to minimum funding requirements. The plans are governed by foundations, which are organisations that are legally independent from the entities concerned and are made up of employer and employee representatives (in equal proportions). At 31 December 2013, they represented an aggregate obligation of €82 million (22% of the Group's total obligation) and plan assets amounted to €78 million (29% of the Group's total plan assets).

The tables below give details of the assumptions used for measuring the Group's pension and other post-employment benefit obligation as well as movements in their value and the related provisions recognised.

Change in present value of benefit obligation

	2013	2012
Present value of benefit obligation at beginning of the year	**376**	335
Service cost	**9**	9
Plan amendments/Curtailments	**-**	-
Settlements	**(1)**	(1)
Interest expense	**11**	15
Employee contributions	**2**	2
Benefits paid	**(17)**	(22)
Actuarial (gains) and losses from changes in demographic assumptions	**(2)**	-
Actuarial (gains) and losses from changes in financial assumptions	**(3)**	28
Actuarial (gains) and losses from experience adjustments	**10**	5
Changes in scope of consolidation	**1**	-
Translation adjustments and other	**(6)**	5
Present value of benefit obligation at end of year	**380**	376
Present value of benefit obligation at end of year for funded plans	**287**	284
Present value of benefit obligation at end of year for unfunded plans	**93**	92

Change in fair value of plan assets

	2013	2012
Fair value of plan assets at beginning of year	**257**	234
Interest income	**9**	11
Effect of remeasurements	**7**	8
Employee contributions	**2**	2
Employer contributions	**9**	16
Benefits paid	**(13)**	(19)
Settlements	**-**	-
Changes in scope of consolidation	**-**	-
Translation adjustments and other	**(8)**	5
Fair value of plan assets at end of year	**263**	257

Asset allocation at 31 December

	2013	2012
Shares	**27%**	29%
Bonds	**56%**	59%
Real property	**6%**	7%
Money market instruments	**1%**	2%
Other	**10%**	3%

Calculation of net amount recognised as a provision

	2013	2012	2011	2010	2009
Present value of benefit obligation	**380**	376	335	318	298
Fair value of plan assets	**(263)**	(257)	(234)	(216)	(195)
Unrecognised past service cost	**-**	-	-	(1)	(1)
Net amount recognised as a provision	**116**	119	101	101	102

Movements in the provision recognised in the balance sheet

	2013	2012
Provision at beginning of year	**119**	101
Net expense for the year	**11**	12
Actuarial (gains) and losses recognised in equity	**(2)**	25
Employer contributions	**(10)**	(16)
Benefits paid by the employer	**(2)**	(3)
Changes in scope of consolidation	**1**	-
Translation adjustments and other	**(1)**	-
Provision at 31 December	**116**	119

Calculation of net expense for the year

	2013	2012
Current service cost	**9**	9
Plan amendments/Curtailments	**-**	-
Settlements	**(1)**	(1)
Interest expense	**3**	4
Actuarial gains and losses on other employee benefits	**-**	-
Net expense recognised in the income statement	**11**	12
Actuarial (gains) and losses from changes in demographic assumptions	**(2)**	-
Actuarial (gains) and losses from changes in financial assumptions	**(3)**	29
Actuarial (gains) and losses from experience adjustments	**10**	4
Excess of actual return on plan assets	**(7)**	(8)
Effect of asset ceiling	**-**	-
Remeasurement of the net liability recognised in equity	**(2)**	25
Total expense (income) recognised for the year	**10**	37

Actuarial assumptions used to calculate benefit obligations

	2013	2012
Discount rate: weighted average for all countries including: - Eurozone(*) - United Kingdom(*) - Switzerland(*)	**3.76%** **3.25%** **4.70%** **2.25%**	3.49% 3.00% 4.50% 2.00%
Average expected rate of benefit increase	**3.04%**	2.63%
Average expected rate of salary increase	**2.15%**	2.91%
Expected rate of healthcare cost inflation		
- initial	**4.00%**	4.00%
- ultimate	**2.50%**	2.50%
- year in which ultimate rate is expected to be reached	**2030**	2032

(*) 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

	2013	2012
1. Difference between actual and expected return on plan assets		
Gains (losses)	**7**	8
Percentage of plan assets at year-end	**2.66%**	3.34%
2. Experience adjustments		
Losses (gains)	**10**	5
Percentage of present value of plan liabilities at year-end	**2.66%**	1.33%

Sensitivity to trend rate assumptions (+/-1%) for post-retirement medical plans

	2013	2012
Present value of benefit obligation at 31 December	**6**	6
Effect of a 1% increase - on present value of benefit obligation - on expense for the year	 **67** **1**	 67 1
Effect of a 1% decrease - on present value of benefit obligation - on expense for the year	 **(37)** **-**	 (37) -

Sensitivity of the obligation at 31 December 2013 to changes in discount rates

	0.5% increase	0.5% decrease
Impact on present value of benefit obligation	(28)	31
Weighted average duration of obligations	17 years	17 years

Expected employer contributions

	2014	2013
Expected employer contributions	**10**	10

Actuarial gains and losses recognised directly in equity

	2013	2012
Actuarial gains (losses) at 1 January	**(51)**	(26)
Change during the year: - in value of benefit obligation - in fair value of plan assets	 **(5)** **7**	 (33) 8
Actuarial gains (losses) at 31 December	**(49)**	(51)
Deferred tax impact	**13**	14
Actuarial gains (losses), net of tax at 31 December	**(36)**	(37)

27.2 PROVISIONS FOR CONTINGENCIES AND LOSSES

Non-current and current provisions for contingencies and losses primarily cover the following:

	31 Dec. 2013	31 Dec. 2012
Losses on long-term contracts and other contracts	**24**	31
Restructuring and withdrawal costs	**106**	61
Claims and litigation	**87**	98
Other contingencies	**283**	271
Total	**500**	461
Of which:		
non-current provisions	***158***	*168*
current provisions	***342***	*293*
	500	*461*

	At 1 Jan. 2013	Translation adjustments	Changes in scope of consolidation	Charges	Utilisations	Releases of surplus provisions	Reclassifications	At 31 Dec. 2013
Losses on long-term contracts and other contracts	**31**	-	-	5	(11)	(1)	-	**24**
Restructuring and withdrawal costs	**61**	-	2	71	(10)	(1)	(17)	**106**
Claims and litigation	**98**	(1)	-	17	(11)	(16)	-	**87**
Other contingencies	**271**	(2)	2	53	(32)	(24)	15	**283**
Total	**461**	**(3)**	**4**	**146**	**(64)**	**(42)**	**(2)**	**500**

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. 2013	31 Dec. 2012
Bonds	**587**	1,457
Bank loans	**1**	665
Finance lease liabilities	**-**	1
Debt related to put options granted to minority shareholders	**16**	26
Other debt	**13**	16
Non-current debt	**617**	2,165
Bonds	**639**	102
Bank loans	**12**	11
Finance lease liabilities	**1**	1
Debt related to put options granted to minority shareholders	**13**	-
Other debt	**141**	124
Current debt	**806**	238
Total debt	**1,423**	2,403

The main movements in debt during 2013 were as follows:

- €237 million for the partial buyback of bonds maturing in 2014;
- €666 million for the full repayment of the 2011 syndicated loan;
- €100 million for the redemption of the bonds underwritten by LCL which matured in July 2013.

1 2 3 4 5 6 7 8 9 10 11

28.2 ANALYSIS OF DEBT BY MATURITY

Debt broke down as follows by maturity at 31 December 2013:

Total consolidated debt by maturity

	2014 (*)	2015	2016	2017	2018	Beyond 5 years	Total
Bonds	639	-	98	489	-	-	**1,226**
Bank loans	13	-	-	-	-	-	**13**
Finance lease liabilities	1	-	-	-	-	-	**1**
Debt related to put options granted to minority shareholders	13	1	3	5	6	1	**29**
Other debt	140	1	-	-	-	13	**154**
At 31 December 2013	**806**	**2**	**101**	**494**	**6**	**14**	**1,423**

(*) Debt due within one year is reported in the balance sheet under “Current debt”.

Debt broke down as follows by maturity at 31 December 2012:

Total consolidated debt 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”.

28.3 CHARACTERISTICS OF BONDS AND MAIN BANK LOANS

The following tables provide an analysis of bonds and bank loans:

31 December 2013	Carrying amount	Value of hedging instruments (*)	Total	Original interest rate
6 October 2009 5-year bond issue, for €1,000 million	639	-	**639**	5.08%
31 October 2012 5-year bond issue, for €500 million	489	-	**489**	4.76%
12 January 2011 issue of 5-year bonds with preferred share subscription warrants by Lagardère Media (formerly Hachette SA), for €100 million	98	-	**98**	6 months EURIBOR +0.95%
Bonds	**1,226**	**-**	**1,226**	
Other debt	13	-	**13**	
Bank loans	**13**	**-**	**13**	
Total	**1,239**	**-**	**1,239**	

(*) Fair value of derivative instruments designated as hedges of debt.

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 months 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 months 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 rale 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.

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 2013	Before hedging		After hedging	
		%		%
Euro	1,377	97%	1,377	97%
Pound sterling	17	1%	17	1%
Yuan	11	1%	11	1%
Czech koruna	6	0%	6	0%
Other	12	1%	12	1%
Total	**1,423**	**100%**	**1,423**	**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 increased from 65% to 86% of total borrowings between 31 December 2012 and 31 December 2013.

The Group's liquidity risk is controlled as debt maturing within two years amounted to €808 million at 31 December 2013 whereas cash, cash equivalents and short-term investments totalled €1,784 million, and unused credit facilities €1,675 million. Consequently, at the 2013 year-end the Group had liquidity coverage of €3,453 million in value terms and a liquidity coverage ratio of 427%.

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 (i) recurring operating profit before associates, (ii) depreciation, amortisation and impairment and (iii) 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 2013, none of the applicable covenants had been breached.

Interest rate risks

Both the €639 million bond issue maturing in 2014 and the €489 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 €1,748 million at 31 December 2013. This cash surplus earns interest at variable rates, thus providing natural hedging for the Group's €266 million in variable rate borrowings (excluding debt related to put options granted to minority shareholders). In addition, at end-December 2013 the Group was not exposed to any risk of its overall cost of debt increasing as a result of an increase in the interest rates on its gross debt indexed to variable rates.

The Group's pensions and other post-employment benefit obligations are 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 2013, 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 €84 million (sales) and €132 million (purchases).

In general, routine operating activities are financed through short-term, variable-rate borrowings denominated in the local currency in order to avoid exchange rate risks.

2013 consolidated net sales break down as follows between the principal currencies:

▸ Euros	58%
▸ US dollars	8%
▸ Swiss francs	6%
▸ Pounds sterling	6%
▸ Other	22%
Total	**100%**

Based on accounting data for 2013, the sensitivity of recurring operating profit before associates to a 10% decline in the respective exchange rates for the three main foreign currencies against the euro over a full year, expressed in monetary terms before any adjustments, is as follows:

Currency	Impact on 2013 recurring operating profit before associates
US dollar	€(4) million
Pound sterling	€(4) million
Swiss franc	€(1) million

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 2013	Share price at 31 December 2013	Market capitalisation at 31 December 2013
Lagardère SCA	3,186,571	2.43%	€27.02	€86,101,148
Deutsche Telekom (formerly T-Online)	2,836,836	0.07%	€12.47	€35,375,345
Viel et Cie	8,917,677	11.56%	€2.25	€20,064,773
Pension plan assets invested in equities				€70,162,000

Treasury shares are measured at cost and are deducted from consolidated equity. Subsequent changes in value have no impact on the 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 €35 million, based on their share price on 31 December 2013.

The investment in Viel et Cie is included in "Other non-current assets" in an amount of €20 million, based on Viel et Cie's share price at 31 December 2013.

The fair value of pension plan assets totalled €263 million at 31 December 2013, of which 26.6% or €70 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 high-quality entities, with maturities appropriate to the planned duration of the investment. Speculative or high-risk investments are not permitted.

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 made to deposit surplus cash and/or to cover pension and other post-employment benefit obligations;
- hedging contracts in which the counterparties are financial institutions.

Customer receivables and commitments received under commercial contracts totalled €2,294 million at 31 December 2013. The counterparties for the most significant 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:

	2013	2012
Largest customer	**3.7%**	3.0%
Five largest customers	**8.1%**	7.2%
Ten largest customers	**11.1%**	9.9%

The Group's short-term investments and cash and cash equivalents amounted to €1,784 million at 31 December 2013. 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 €263 million (including €161 million in the UK and €78 million in Switzerland). A total of 56% 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 €515 million at 31 December 2013. 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 2012 and 2013, notably related to (i) the bankruptcies of the US-based retailer Mercury and a number of bookstore brands 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 Treasury 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. 2013	31 Dec. 2012
Derivative financial instruments with positive fair values (current assets)	**4**	5
- Financial instruments allocated as hedges of debt - Currency swaps (effective portion)	**-** **4**	2 3
Derivative financial instruments with negative fair values (current liabilities)	**(1)**	(1)
- Financial instruments allocated as hedges of debt - Currency swaps (effective portion)	**-** **(1)**	- (1)
Total (net)	**3**	4

30.2 FINANCIAL INSTRUMENTS RECOGNISED IN THE BALANCE SHEET

	31 Dec. 2013		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	59	59	-	59	-	-	-
Other non-current financial assets	64	64	64	-	-	-	-
Trade receivables	1,239	1,239	1,239	-	-	-	-
Derivative financial instruments	4	4	-	-	-	-	4
Other current financial assets	1,014	1,014	1,014	-	-	-	-
Short-term investments	36	36	-	36	-	-	-
Cash equivalents	423	423	-	-	-	423	-
Cash	1,326	1,326	1,326	-	-	-	-
Assets	**4,165**	**4,165**	**3,643**	**95**	**0**	**423**	**4**
Bonds and bank loans	1,239	1,305	-	-	1,239	-	-
Other debt	184	184	-	-	184	-	-
Other non-current financial liabilities	108	108	-	-	108	-	-
Trade payables	1,645	1,645	-	-	1,645	-	-
Derivative financial instruments	1	1	-	-	-	-	1
Other current financial liabilities	1,366	1,366	-	-	1,366	-	-
Liabilities	**4,543**	**4,609**	**0**	**0**	**4,542**	**0**	**1**

(1) There were no reclassifications between categories of financial instruments in 2013.

	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.

30.3 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:

31 December 2013	Category of instrument[1]			Fair value hierarchy[2]			Acquisition cost
	Available-for-sale financial assets	Fair value through profit or loss	Derivative financial instruments	Level 1	Level 2	Level 3	
Investments	59			20			39
- Viel et Cie shares	*20*			*20*			
- Other	*39*						*39*
Derivative financial instruments - Assets			4		4		
Short-term investments	36			36			
- Deutsche Telekom shares	*35*			*35*			
- Bonds	*1*			*1*			
Cash equivalents		423		423			
- Marketable securities		*423*		*423*			
Total financial instruments – Assets	**95**	**423**	**4**	**479**	**4**		**39**
Derivative financial instruments – Liabilities			1		1		
Total financial instruments – Liabilities			**1**		**1**		

(1) There were no reclassifications between categories of financial instruments in 2013.
(2) There were no reclassifications between fair value hierarchy levels in 2013.

31 December 2012	Category of instrument[1]			Fair value hierarchy[2]			Acquisition cost
	Available-for-sale financial assets	Fair value through profit or loss	Derivative financial instruments	Level 1	Level 2	Level 3	
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.

NOTE 31 OTHER LIABILITIES

Other liabilities break down as follows:

	31 Dec. 2013	31 Dec. 2012
Due to suppliers of non-current assets	**100**	84
Repayable advances	**-**	-
Other advances and prepayments	**-**	1
Other	**8**	8
Other non-current liabilities	**108**	93
Derivative financial instruments	**1**	1
Accrued taxes and employee benefit expense	**433**	460
Advances and prepayments	**18**	24
Due to writers	**245**	243
Due to customers	**86**	96
Deferred income	**344**	279
Sundry payables	**240**	249
Other current liabilities	**1,367**	1,352
Total	**1,475**	1,445

NOTE 32 ASSETS HELD FOR SALE

At 31 December 2012, Lagardère's 7.39% stake in EADS was reclassified under assets held for sale in the consolidated balance sheet in an amount corresponding to the carrying amount of the investment at that date. The sale of this shareholding was completed on 12 April 2013 (see note 4.1).

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. 2013	31 Dec. 2012
Bonds and bank loans (net of derivatives)	651	588		**1,239**	2,235
Other debt	154	16	14	**184**	168
Other non-current financial liabilities		102	6	**108**	93
Trade payables	1,645			**1,645**	1,651
Derivative financial instruments	1			**1**	1
Other current financial liabilities	1,361	6		**1,367**	1,351
Total financial liabilities *including finance lease obligations*	**3,812**	**712**	**20**	**4,544** **0**	**5,499** 2
Expected bank interest on debt(*)	58	69		**127**	204
Operating leases(**)	109	242	171	**522**	474
Commitments for future capital expenditure	12	2		**14**	32
Total contractual obligations	**3,991**	**1,025**	**191**	**5,207**	**6,209**

(*) Variable-rate interest payable has been calculated based on the rates in force at 31 December 2013.
(**) Minimum future lease payments under non-cancellable operating leases.

Recurring operating profit included rental expense of €445 million in 2013 (€328 million in 2012).

As well as these contractual obligations, at 31 December 2013 entities in two of the Group's divisions (Lagardère Unlimited and Lagardère Services) were committed to the following guaranteed minimum future payments:

- Lagardère Unlimited: €680 million under long-term contracts for the sale of TV and marketing rights;
- Lagardère Services: €785 million under concession agreements.

These payments break down as follows by maturity:

Maturity	2014	2015	2016	2017	2018	Beyond 5 years	Total at 31 Dec. 2013	Total at 31 Dec. 2012
Guaranteed minimum payments under sports rights marketing contracts	148	121	110	66	70	165	**680**	880
Guaranteed minimum payments under concession agreements	161	125	109	93	71	226	**785**	753

In addition, entities forming part of Lagardère Unlimited have signed marketing contracts with distributors and partners. At 31 December 2013, the amounts due under these contracts totalled €1,055 million, breaking down as follows by maturity:

Maturity	2014	2015	2016	2017	2018	Beyond 5 years	Total at 31 Dec. 2013	Total at 31 Dec. 2012
Sports rights marketing contracts signed with broadcasters and partners	373	303	174	68	57	80	**1,055**	1,281

NOTE 34 OFF-BALANCE SHEET COMMITMENTS

The information below relates to subsidiaries controlled and fully consilidated by Lagadère.

	31 Dec. 2013	31 Dec. 2012
Commitments given in the normal course of business: - guarantees and performance bonds - guarantees given to third parties and non-consolidated companies - other commitments given	 **143** **23** **49**	 106 34 56
Commitments on assets	**-**	-
Commitments to purchase shares (estimated amount, excluding put options granted to minority shareholders of fully consolidated subsidiaries)	**-**	-
Commitments received: - counter-guarantees of commitments given - other commitments received	 **23** **60**	 34 79
Confirmed, unused lines of credit	**1,675**	1,056
Of which unused lines on the 2011 syndicated credit facility	***1,645***	*975*

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.

Adjustment of the number of rights to Lagardère SCA free shares awarded and of the exercise price and number of Lagardère SCA share options awarded as a result of the payment of an extra interim dividend

Following the sale of the remainder of the Group's EADS shares, on 21 May 2013 the Managing Partners decided to pay an extra interim dividend of €9 per share, representing more than 30% of the market value of the share before the corresponding ex-dividend date.

In accordance with positive law, adjustments should be made to in order to preserve the rights of holders of free shares not yet awarded at 6 May 2014, the date of the General Meeting called to approve the 2013 financial statements, and of beneficiaries of the three outstanding share purchase option plans.

When questioned, the tax authorities responded that the fact that this extra distribution was carried out in the form of an interim dividend, which is not provided for by the French Commercial Code, meant that the number of rights to free shares and the price and number of options could not be adjusted without calling into question the preferential treatment provided for by law.

However, in light of the terms of the operative part of the judgement handed down by the *Cour de Cassation* on 27 February 2001, in a dispute between Lagardère SCA and ABC Arbitrage, the Managing Partners have decided that:

- the rights of beneficiaries of free shares will be preserved in accordance with the terms and conditions to be decided once the appropriation of 2013 profit has been approved by the General Meeting;
- the rights of beneficiaries of the three outstanding share purchase option plans will be preserved, when necessary, if the exercise price of the options (between €51.92 and €56.97) were to come back in the money between now and the end of the corresponding exercise periods (2014, 2015 and 2016), i.e., a value close to the share price.

NOTE 35 LITIGATION

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 appealed this decision.

On 10 December 2013, the Court of Cassation rejected ABN AMRO's appeal, which means that the decision dated 13 March 2012 – which held that ABN AMRO's claims related to the convertible bonds were inadmissible – has now become final.

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 of EADS (renamed Airbus Group on 2 January 2014) 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 a request issued on 14 February 2013 by the public prosecutor, on 27 November 2013 the investigating magistrate issued an order for Lagardère SCA, Daimler AG and a number of individuals to be sent 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 (ORAPA) 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 further 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. On 5 November 2013 the new panel of judges at the Paris Court of Appeal dismissed all of the Crédit Mutuel group's claims.

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. 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 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 USD 25 million plus interest at 16% per year) 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 granted the BCCI (either until the end of the procedure or 31 December 2017), 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.

Concerning the dispute between WSG and MSM, while MSM filed a lawsuit with the Indian courts claiming the reimbursement of the amounts it had paid, in parallel WSG launched arbitration proceedings in Singapore in accordance with the terminated assistance agreement. The arbitration proceedings were then suspended for a number of years, following an injunction obtained by MSM in the Indian courts preventing WSG from continuing said proceedings. However, on 24 January 2014 the Indian Supreme Court revoked this injunction and ruled that the case should be subject to the arbitration proceedings in Singapore. As a result the arbitration proceedings will recommence.

The main risks associated with the above disputes consist of **(i)** the potential loss of margins or future revenues (since 2011 no revenues from the marketing of IPL rights or the assistance agreement have been 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.

In addition, the Indian tax authorities are currently auditing WSG India's operations for the years concerned .

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 (which BCCI has appealed), but did not impose any sanctions on WSG.

Competition investigations in the e-books market

Lagardère Publishing, as well as a number of other publishers and Apple, have been the subject of a number of different competition investigations concerning the e-books market, and particularly the sales methods used for these books. The US Department of Justice (DOJ), the Texas Attorney General and the Connecticut Attorney General launched investigations in 2010 and have been joined by the European Commission since early 2011. In addition, several class actions were launched in the United States in 2011 against a number of Anglo-Saxon publishers – including Hachette Book Group (HBG) – and Apple concerning the e-books market. On 9 December 2011 all of these cases were consolidated into a single procedure handled by the courts in the State of New York.

Concerning the case in the United States, settlement agreements were reached during 2012 (without HBG admitting any liability or wrongdoing) with (i) the DOJ, in which HBG provided undertakings relating to its future business practices, notably an undertaking to allow its distribution agents to offer price discounts to consumers on e-books for a period of two years, subject to a specified limit; and (ii) all of the US states and territories other than Minnesota, in which HBG undertook to pay certain sums. A settlement was reached with Minnesota at a later date, which received final court approval on 6 December 2013 and provides for the payment by HBG of around USD 1.2 million in damages and costs. These settlement agreements signed with the US States and territories have put an end to the class actions for all US consumers who have not exercised their right to opt out.

In the specific case of Apple – which did not sign up to the settlement agreements in the United States – in the second half of 2013 a US federal court ruled that the company had violated US antitrust law. The judgement handed down provided that, as from 4 October 2013, in its business relations with its publishers (including HBG) Apple is prohibited from entering into or maintaining: (i) any agreement with a publisher that restricts, limits, or impedes Apple's ability to set, alter, or reduce the retail price of any e-book for a period of 24 months, and (ii) any agreement with a publisher containing retail price parity provisions.

In February 2012, a class-action lawsuit was launched on the same basis and against the same parties and their Canadian subsidiaries. In parallel, the Competition Bureau signed a "consent agreement" with HBG and three other e-book publishers, registered on 7 February 2014 with the Competition Tribunal, under which the publishers agree to make commitments in regard to future business practices similar to the undertakings provided to the United States with respect to the Department of Justice, but without incurring any fines or costs. The Tribunal announced the postponement of the scheduled implementation of the agreement further to a request by the distributor Kobo, in order to examine the basis of its request on this transaction, which it claims has no factual basis and represents a danger for the market of due to the discounts granted to e-distributors.

In Europe, the European Commission ended its competition investigations concerning the e-books market by adopting a decision on 12 December 2012 that accepts and 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.

Investigation by the Swiss Competition Commission

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.

Subsequent to the investigation procedure, the Swiss Competition Commission (Comco) made a final decision on 27 May 2013 under which Diffulivre (Lagardère Publishing division) was held liable for territorial exclusivity with the intention or effect of partitioning the Swiss market, one of the three original charges.

This decision has been appealed before the Federal Administrative Court of Switzerland.

Legal action taken by Lagardère 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 (20% interest), on 12 February 2013 Lagardère summoned Vivendi and Groupe Canal+ (hereinafter "the Vivendi group") to appear in the Paris commercial court 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 30 November 2012.

Lagardère believed that the Vivendi group was making permanent use of Canal+ France's entire cash surplus under a cash management agreement, the legality of which Lagardère contested.

Lagardère considered that the use made by the Vivendi group of this cash management agreement caused significant harm to Canal+ France, since it:

(i) received a very low interest, which did not take into account either the amounts at stake or the permanent nature of its use by the Vivendi group;

(ii) provided low-cost funding for the goals pursued by the Vivendi group's wholly-owned subsidiaries;

(iii) was exposed to financial risks that were not justified given the absence of any guarantee protecting Canal+ France.

Lagardère believed that this action was necessary to defend Canal+ France's corporate interests and regretted that this situation, which was created by the Vivendi group, caused a deadlock preventing Canal+ France from going ahead with an IPO in normal conditions.

In their statements of defence filed on 16 May 2013, the Vivendi group and Canal+ France issued counterclaims arguing that the action brought against them by Lagardère was unjustified and was harming their image. As a result, they requested that Lagardère be ordered to pay €7.2 million in damages, €1.7 million to cover their costs, and to pay all the costs of the proceedings. Lagardère considered these claims to be unfounded.

By way of a judgement handed down on 10 June 2013, the Paris Commercial Court designated René Ricol as mediator in order to assist the parties in finding an amicable solution to the dispute.

Following the mediation process, on 28 October 2013, Lagardère and Vivendi agreed on terms for Lagardère's sale of its 20% stake in Canal+ France to Vivendi for €1.020 billion in cash, and the sale was completed on 5 November 2013. The agreement between the two parties brought to an end the dispute concerning Canal+ France.

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 e-book files sold by Amazon.

On 9 December 2013 a Federal Judge dismissed the booksellers' claims and as no appeal was filed within the applicable legal timeframe this judgement has become final.

Dispute with former employees of Matra Manufacturing & Services (formerly Matra Automobile)

Following the termination of automotive manufacturing operations at Matra Manufacturing & Services (MMS), and the ensuing redundancy plans set up in 2002 and 2003, a number of former employees filed a claim with the industrial tribunal alleging that they had been unfairly dismissed. The basis for this claim was that MMS had not complied with its obligation to redeploy the employees, as it did not provide each of them with a written individual proposal to take up positions that had become available as a result of departures from the Spare Parts Department (departures to which MMS had agreed at the request of the Works Council).

MMS disputed this allegation on the grounds that it had respected all of its obligations.

On 14 January 2014, the Blois industrial tribunal ordered MMS to pay 305 former employees a sum of €18,000 each in compensation, plus €300 in costs in accordance with Article 700 of the French Civil Procedure Code. However, no provisional enforcement order was issued for this judgement.

MMS has appealed the industrial tribunal's judgement and the appeal should be heard by the Orléans Appeal Court before the end of 2014.

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 2013 (excluding remuneration paid by EADS) amounted to €9.9 million, and €20 million including related charges. The figure with charges includes a provision recorded for the supplementary pension plan. The corresponding figures for 2012 were €10.1 million and €19.1 million respectively.

In 2013 and 2012, aggregate attendance fees received by members of the Boards of Directors of Group companies (excluding EADS) amounted to €19,475 and €21,171, respectively. In 2013, they were awarded a total of 115,000 performance shares under Lagardère SCA share grant plans, compared with 111,000 in 2012.

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 2013 LC&M invoiced €25.3 million to the Group, compared with €22.7 million for 2012. After deducting expenses (remuneration of Executive Committee members, taxes on high earnings, payroll taxes, 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 2013 undertaken in the normal course of business took place under arm's length conditions.

NOTE 37 FEES PAID TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

	2013			
(in thousands of euros)	Mazars	%	Ernst & Young and other	%
Audit				
Statutory audit, certification, examination of individual and consolidated financial statements	3,382	86.7	3,301	84.1
- Lagardère SCA	*168*	*4.3*	*165*	*4.2*
- Fully-consolidated subsidiaries	*3,214*	*82.4*	*3,136*	*79.9*
Other procedures and services directly related to the statutory audit	313	8.0	244	6.2
- Lagardère SCA	*35*	*1.0*	*10*	*0.2*
- Fully-consolidated subsidiaries	*278*	*7.0*	*234*	*6.0*
Sub-total	**3,695**	**94.7**	**3,545**	**90.3**
Non-audit services rendered by network members to fully-consolidated subsidiaries				
- Legal, tax, human resources	*205*	*5.3*	*380*	*9.7*
- Other	-	-	-	-
Sub-total	**205**	**5.3**	**380**	**9.7**
Total	**3,900**	**100.0**	**3,925**	**100.0**

	2012			
(in thousands of euros)	Mazars	%	Ernst & Young and other	%
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**

NOTE 38 LIST OF CONSOLIDATED COMPANIES

Fully consolidated companies at 31 December 2013:

COMPANY	HEADQUARTERS	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 91160 LONGJUMEAU	381 737 519	100.00	100.00
CYBERTERRE	43 quai de Grenelle – 75015 PARIS	434 661 419	50.00	50.00 (1)
DIFFULIVRE	SAINT SULPICE (SWITZERLAND)		100.00	100.00
DILIBEL	ALLEUR (BELGIUM)		100.00	100.00
DUNOD ÉDITEUR SA	5 rue Laromiguière – 75005 PARIS	316 053 628	100.00	100.00
EDDL	5 rue du Pont de Lodi – 75006 PARIS	403 202 252	99.88	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 SAS	11 rue Paul Bert 92247 MALAKOFF Cedex	582 057 816	100.00	100.00
FERNAND HAZAN ÉDITEUR	11 rue Paul Bert 92247 MALAKOFF Cedex	562 030 221	99.94	100.00
GROUPE HATIER INTERNATIONAL	11 rue Paul Bert 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 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)		100.00	100.00
HACHETTE FASCICOLI	MILAN (ITALY)		100.00	100.00
HACHETTE LIVRE ESPAÑA SA	MADRID (SPAIN)		100.00	100.00
HACHETTE LIVRE USA	NEW YORK (UNITED STATES)		100.00	100.00
HACHETTE PARTWORKS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HACHETTE POLSKA	WARSAW (POLAND)		100.00	100.00
HACHETTE UK HOLDING LTD	LONDON (UNITED KINGDOM)		100.00	100.00

(1) A company over which the Lagardère group exercises control (see note 2.2).

COMPANY	HEADQUARTERS	Registration number	% interest	% control
LAROUSSE SAS	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 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 92247 MALAKOFF Cedex	484 213 954	100.00	100.00
MY BOOX	11 rue Paul Bert 92247 MALAKOFF Cedex	519 774 582	100.00	100.00
PIKA ÉDITION	19 bis rue Pasteur 92100 BOULOGNE-BILLANCOURT	428 902 704	66.67	66.67
SAMAS SAS	11 rue Paul Bert 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 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
SALVAT GROUP				
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
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
CHAMBERS HARRAP PUBLISHER	EDINBURGH (UNITED KINGDOM)		100.00	100.00

COMPANY	HEADQUARTERS	Registration number	% interest	% control
GALONE PARK LTD	LONDON (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 INC	NEW YORK (UNITED STATES)		100.00	100.00
DIGITAL PUBLISHING INNOVATION	NEW YORK (UNITED STATES)		100.00	100.00
HACHETTE BOOK GROUP CANADA LTD	TORONTO (CANADA)		100.00	100.00
HACHETTE BOOK GROUP HOLDINGS INC (DELAWARE)	BOSTON (UNITED STATES)		100.00	100.00
HACHETTE BOOK GROUP INTERNATIONAL DIGITAL SALES INC	NEW YORK (UNITED STATES)		100.00	100.00
HACHETTE DIGITAL INC	NEW YORK (UNITED STATES)		100.00	100.00
PUBLISHER'S ADVERTISING LLC	NEW YORK (UNITED STATES)		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
EDICIONES LAROUSSE MEXICO				
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 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 CALEDONIE	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
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 ESPAÑA	MADRID (SPAIN)		90.04	100.00
AÉROBOUTIQUE INFLIGHT RETAIL ITALIA	MILAN (ITALY)		90.04	100.00
AÉROBOUTIQUE INFLIGHT RETAIL NEDERLAND	AMSTERDAM (NETHERLANDS)		90.04	100.00
AÉROBOUTIQUE SALES GROUPE	CASABLANCA (MOROCCO)		90.04	100.00
ALVADIS	BRUSSELS (BELGIUM)		100.00	100.00

COMPANY	HEADQUARTERS	Registration number	% interest	% control
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
BURNONVILLE SA	BRUSSELS (BELGIUM)		100.00	100.00
CURTIS CIRCULATION COMPANY	PENNSAUKEN (UNITED STATES)		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	HASSELT (BELGIUM)		100.00	100.00
DISTRISUD	LIÈGE (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 (UNITED STATES)		100.00	100.00
HDS CANADA	MONTREAL (CANADA)		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
IMPORT LUX BURNONVILLE SARL	BRUSSELS (BELGIUM)		100.00	100.00
IN CELEBRATION OF GOLF HOUSTON LLC	NEW YORK (UNITED STATES)		100.00	100.00
LAGARDÈRE SERVICES ASIA PACIFIC	SYDNEY (AUSTRALIA)		100.00	100.00
LAGARDÈRE SERVICES BELGIUM	BRUSSELS (BELGIUM)		100.00	100.00
LAGARDÈRE SERVICES DEUTSCHLAND (FORMERLY HDS DEUTSCHLAND)	WIESBADEN (GERMANY)		100.00	100.00
LAGARDÈRE SERVICES DISTRIBUTION	2 rue Lord Byron – 75008 PARIS	451 344 220	100.00	100.00
LAGARDÈRE SERVICES SINGAPORE	SINGAPORE (SINGAPORE)		100.00	100.00
LS DISTRIBUTION BENELUX (FORMERLY HDS BELGIUM)	BRUSSELS (BELGIUM)		100.00	100.00
LS DISTRIBUTION LOGISTICS NV	BRUSSELS (BELGIUM)		100.00	100.00
LS DISTRIBUTION NORTH AMERICA INC CROSSINGS FRENCH FOOD	NEW YORK (UNITED STATES)		100.00	100.00
LS TRAVEL MALAYSIA	KUALA LUMPUR (MALAYSIA)		97.00	100.00
LS TRAVEL RETAIL BENELUX (FORMERLY PRESS-SHOP ALG)	BRUSSELS (BELGIUM)		85.40	100.00
LS TRAVEL RETAIL BULGARIA	SOFIA (BULGARIA)		100.00	100.00
LS TRAVEL RETAIL DEUTSCHLAND (FORMERLY HDS EINZELHANDEL)	HUERTH HERMUELHEIM (GERMANY)		100.00	100.00
LS TRAVEL RETAIL FOODSERVICES	WARSAW (POLAND)		100.00	100.00
LS TRAVEL RETAIL HONG KONG	HONG KONG (CHINA)		100.00	100.00
LS TRAVEL RETAIL NEW ZEALAND	AUCKLAND (NEW ZEALAND)		100.00	100.00
LS TRAVEL RETAIL NORTH AMERICA (FORMERLY HDS RETAIL NORTH AMERICA)	NEW YORK (UNITED STATES)		100.00	100.00
LS TRAVEL RETAIL ROMANIA	BUCHAREST (ROMANIA)		100.00	100.00

COMPANY	HEADQUARTERS	Registration number	% interest	% control
LS TRAVEL RETAIL SHANGHAI CO	SHANGHAI (CHINA)		65.00	100.00
LS TR ITALIA	FIUMICINO (ITALY)		90.04	100.00
LS TR UK & IRELAND (FORMERLY AELIA UK)	LONDON (UNITED KINGDOM)		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	100.00
M. TRAFIK	PRAGUE (CZECH REPUBLIC)		100.00	100.00
MUSIC RAILWAY	55 rue Deguingand 92689 LEVALLOIS-PERRET	414 434 431	100.00	100.00
NAVILLE	CAROUGE (SWITZERLAND)		64.99	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 (UNITED STATES)		63.00	63.00
PRESS RELAY LOGAN	NEW YORK (UNITED STATES)		87.00	87.00
PRESS RELAY/RMD-DELTA	NEW YORK (UNITED STATES)		83.00	83.00
PRESS RELAY WASHINGTON NATIONAL	NEW YORK (UNITED STATES)		90.00	90.00
RELAY FRANCE	126 rue Jules Guesde 92300 LEVALLOIS-PERRET	542 095 336	100.00	100.00
SCSC	126 rue Jules Guesde 92300 LEVALLOIS-PERRET	431 960 004	100.00	100.00
SI ANDRE PILLER	CORMINBOEUF (SWITZERLAND)		65.00	100.00
SOCIÉTÉ GASTRONOMIE ET CONFISERIES	55 rue Deguingand 92689 LEVALLOIS-PERRET	509 535 795	100.00	100.00
TEXAS TERRITORIES HOUSTON LLC	NEW YORK (UNITED STATES)		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
SGEL GROUP				
SOCIEDAD GENERAL ESPANOLA DE LIBRERIA (SGEL)	MADRID (SPAIN)		100.00	100.00
CELERITAS	ALCOBENDAS (SPAIN)		60.00	100.00
DISTRIRUEDA	REUS (SPAIN)		50.01	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
GROUPE LAGARDÈRE SERVICES CHINA				
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

COMPANY	HEADQUARTERS	Registration number	% interest	% control
LAPKER GROUP				
LAPKER	BUDAPEST (HUNGARY)		80.41	100.00
BUVIHIR	BUDAPEST (HUNGARY)		80.41	100.00
HIRKER	BUDAPEST (HUNGARY)		80.41	100.00
LS DISTRIBUTOR KTF	BUDAPEST (HUNGARY)		80.41	100.00
SPRINTER	BUDAPEST (HUNGARY)		80.41	100.00
LAGARDÈRE ACTIVE				
LAGARDÈRE ACTIVE	149-151 rue Anatole France 92300 LEVALLOIS-PERRET	433 443 124	100.00	100.00
909 PRODUCTION	45 rue de Chabrol – 75010 PARIS	432 861 334	47.87	60.00
ADD-ON	149 rue Anatole France 92300 LEVALLOIS-PERRET	482 467 610	99.49	100.00
AMAYA-TECHNISONOR	7 rue du Dôme 92100 BOULOGNE-BILLANCOURT	542 088 604	99.49	100.00
ATLANTIQUE PRODUCTIONS	7 rue du Dôme 92100 BOULOGNE-BILLANCOURT	324 873 421	99.49	100.00
AUBES PRODUCTIONS	7 rue du Dôme 92100 BOULOGNE-BILLANCOURT	429 138 019	99.49	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	79.72	80.00
CERT	SARREBRUCK (GERMANY)		99.30	99.81
DEMD PRODUCTIONS	7 rue du Dôme 92100 BOULOGNE-BILLANCOURT	377 608 377	99.49	100.00
DOCTISSIMO	149 rue Anatole France 92300 LEVALLOIS-PERRET	562 013 524	100.00	100.00
DOCTIPHARMA	149 rue Anatole France 92300 LEVALLOIS-PERRET	794 411 561	100.00	100.00
ECEP	149 rue Anatole France 92300 LEVALLOIS-PERRET	300 938 826	99.97	100.00
ÉDITIONS MUSICALES FRANÇOIS 1ER	7 rue du Dôme 92100 BOULOGNE-BILLANCOURT	381 649 771	99.49	100.00
ÉLECTRON LIBRE PRODUCTIONS	7 rue du Dôme 92100 BOULOGNE-BILLANCOURT	449 448 372	75.12	75.51
EUROPE 1 IMMOBILIER	26 bis rue François 1er – 75008 PARIS	622 009 959	99.42	100.00
EUROPE 1 SPORT	26 bis rue François 1er – 75008 PARIS	450 964 937	99.49	100.00
EUROPE 1 TÉLÉCOMPAGNIE	26 bis rue François 1er – 75008 PARIS	542 168 463	99.40	100.00
EUROPE 2 COMMUNICATION	26 bis rue François 1er – 75008 PARIS	339 696 072	99.49	100.00
EUROPE 2 ENTREPRISES	28 rue François 1er – 75008 PARIS	352 819 577	99.49	100.00
EUROPE NEWS	26 bis rue François 1er – 75008 PARIS	343 508 750	99.40	100.00
FENIPROD	7 rue du Dôme 92100 BOULOGNE-BILLANCOURT	391 464 633	99.49	100.00
FRANCE-CANADA ÉDITIONS ET PUBLICATIONS	MONTREAL (CANADA)		99.97	100.00
GENAO PRODUCTION	7 rue du Dôme 92100 BOULOGNE-BILLANCOURT	448 829 275	99.49	100.00
GMT PRODUCTIONS	7 rue du Dôme 92100 BOULOGNE-BILLANCOURT	342 171 667	99.49	100.00
HACHETTE FILIPACCHI ASSOCIÉS	149 rue Anatole France 92300 LEVALLOIS-PERRET	324 286 319	99.97	100.00

COMPANY	HEADQUARTERS	Registration number	% interest	% control
HACHETTE FILIPACCHI FILMS	149 rue Anatole France 92300 LEVALLOIS-PERRET	572 028 959	99.97	100.00
HACHETTE FILIPACCHI PRESSE	149 rue Anatole France 92300 LEVALLOIS-PERRET	582 101 424	99.97	100.00
HACHETTE PREMIÈRE & CIE	7 rue du Dôme 92100 BOULOGNE-BILLANCOURT	334 805 686	99.49	100.00
IMAGE & COMPAGNIE	7 rue du Dôme 92100 BOULOGNE-BILLANCOURT	334 027 620	99.49	100.00
JEUNESSE INTERACTIVE	28 rue François 1er – 75008 PARIS	491 848 222	99.49	100.00
LAGARDÈRE ACTIVE BROADBAND	9 Place Marie Jeanne Bassot 92300 LEVALLOIS-PERRET	343 611 208	100.00	100.00
LAGARDÈRE ACTIVE BROADCAST	57 rue Grimaldi – 98000 MONACO	775 751 779	99.49	99.49
LAGARDÈRE ACTIVE DIGITAL	149 rue Anatole France 92300 LEVALLOIS-PERRET	497 909 051	100.00	100.00
LAGARDÈRE ACTIVE ENTREPRISES JAPAN	TOKYO (JAPAN)		99.97	100.00
LAGARDÈRE ACTIVE FINANCES	149 rue Anatole France 92300 LEVALLOIS-PERRET	410 208 136	100.00	100.00
LAGARDÈRE ACTIVE FM	28 rue François 1er – 75008 PARIS	441 942 760	99.49	100.00
LAGARDÈRE ACTIVE TV	28 rue François 1er – 75008 PARIS	334 595 881	99.49	100.00
LAGARDÈRE DIGITAL FRANCE	149 rue Anatole France 92300 LEVALLOIS-PERRET	433 934 312	100.00	100.00
LAGARDÈRE ENTERTAINMENT	7 rue du Dôme 92100 BOULOGNE-BILLANCOURT	309 001 477	99.49	100.00
LAGARDÈRE ENTERTAINMENT RIGHTS	7 rue du Dôme 92100 BOULOGNE-BILLANCOURT	339 412 611	99.49	100.00
LAGARDÈRE GLOBAL ADVERTISING	10 rue Thierry Le Luron 92300 LEVALLOIS-PERRET	350 277 059	99.72	99.88
LAGARDÈRE IMMOBILIARE ITALIA	MILAN (ITALY)		99.97	100.00
LAGARDÈRE NEWS	28 rue François 1er – 75008 PARIS	415 096 502	99.36	100.00
LAGARDÈRE MEDIA CONSULTING	28 rue François 1er – 75008 PARIS	307 718 320	99.49	100.00
LAGARDÈRE MÉTROPOLES	28 rue François 1er – 75008 PARIS	329 209 993	99.97	100.00
LAGARDÈRE PUBLICITÉ	10 rue Thierry Le Luron – 92300 LEVALLOIS-PERRET	345 404 040	99.97	100.00
LAGARDÈRE TÉLÉVISION INTERNATIONAL	149 rue Anatole France 92300 LEVALLOIS-PERRET	612 039 164	99.49	100.00
LAGARDÈRE THÉMATIQUES	28 rue François 1er – 75008 PARIS	350 787 594	99.49	100.00
LA WEBCO	21 avenue Gaston Monmousseau 93240 STAINS	752 445 387	70.00	100.00
LÉO VISION	7 rue du Dôme 92100 BOULOGNE-BILLANCOURT	383 160 942	99.49	100.00
LTI VOSTOK	MOSCOW (RUSSIA)		99.49	100.00
MAXIMAL NEWS TÉLÉVISION	7 rue du Dôme 92100 BOULOGNE-BILLANCOURT	384 316 907	99.49	100.00
MAXIMAL PRODUCTIONS	7 rue du Dôme 92100 BOULOGNE-BILLANCOURT	432 608 313	99.49	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
MONDOCTEUR	41 rue du Sentier – 75002 Paris	790 148 001	70.00	70.00
MONTREUX PUBLICATIONS	MONTREUX (SWITZERLAND)		50.09	50.00
NEWSWEB	151 rue Anatole France 92300 LEVALLOIS-PERRET	424 905 172	100.00	100.00

COMPANY	HEADQUARTERS	Registration number	% interest	% control
PERFORMANCES	28 rue François 1er – 75008 PARIS	327 655 551	99.49	100.00
PLURIMEDIA	9 place Marie-Jeanne Bassot 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	99.40	100.00
PUBLICATIONS FRANCE MONDE	149 rue Anatole France 92300 LEVALLOIS-PERRET	562 113 787	99.94	99.97
QUILLET SA	149 rue Anatole France 92300 LEVALLOIS-PERRET	542 043 971	99.96	100.00
RÉGIE 1	28 rue François 1er – 75008 PARIS	383 154 663	99.97	100.00
RFM ENTREPRISES	28 rue François 1er – 75008 PARIS	405 188 871	99.49	100.00
RFM RÉSEAU NORD	28 rue François 1er – 75008 PARIS	338 532 419	99.49	100.00
RFM RÉSEAU SUD	28 rue François 1er – 75008 PARIS	382 002 509	99.49	100.00
SBDS ACTIVE	152 boulevard Haussman 75008 PARIS	489 909 343	91.04	91.04
SOCIÉTÉ DE PRESSE FÉMININE	149 rue Anatole France 92300 LEVALLOIS-PERRET	441 174 554	100.00	100.00
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	99.49	100.00
VIRGIN RADIO RÉSEAU SUD	28 rue François 1er – 75008 PARIS	339 802 118	99.49	100.00
LARI GROUP				
LAGARDÈRE ACTIVE RADIO INTERNATIONAL	28 rue François 1er – 75008 PARIS	388 404 717	99.49	100.00
BBC RADIOCOM	PRAGUE (CZECH REPUBLIC)		99.49	100.00
EDI ROMANIA	BUCHAREST (ROMANIA)		99.49	100.00
EUROPA 2	BRATISLAVA (SLOVAKIA)		99.49	100.00
EUROPE 2 PRAGUE	PRAGUE (CZECH REPUBLIC)		99.49	100.00
EUROPE DÉVELOPPEMENT CZECH REPUBLIC	PRAGUE (CZECH REPUBLIC)		99.49	100.00
EURO-RADIO SAAR	SARREBRUCK (GERMANY)		50.94	51.00
EUROZET	WARSAW (POLAND)		99.49	100.00
EUROZET CONSULTING	WARSAW (POLAND)		99.49	100.00
EUROZET RADIO	WARSAW (POLAND)		99.49	100.00
FORWARD MEDIA	BRATISLAVA (SLOVAKIA)		99.49	100.00
INFINITIV	PRAGUE (CZECH REPUBLIC)		99.49	100.00
RADIO BONTON	PRAGUE (CZECH REPUBLIC)		99.49	100.00
RADIO LAS VEGAS	WARSAW (POLAND)		99.49	100.00
RADIO MERCHANDISING COMPANY	PRAGUE (CZECH REPUBLIC)		99.49	100.00
RADIO PLUS POLSKA	WARSAW (POLAND)		79.59	80.00
RADIO PLUS POLSKA CENTRUM	WARSAW (POLAND)		99.49	100.00
RADIO PLUS POLSKA ZACHOD	WARSAW (POLAND)		63.67	80.00
RG FREKVENCE 1	PRAGUE (CZECH REPUBLIC)		99.49	100.00
RRM BUCAREST	BUCHAREST (ROMANIA)		99.49	100.00
RRM PRAGUE	PRAGUE (CZECH REPUBLIC)		99.49	100.00
RRM SLOVAKIA	BRATISLAVA (SLOVAKIA)		99.49	100.00
SPOLKA PRODUCENCKA PLUS POLSKA	WARSAW (POLAND)		89.34	100.00
STUDIO ZET	WARSAW (POLAND)		99.49	100.00
TRAFFIC FM	WARSAW (POLAND)		99.49	100.00
ZET PREMIUM	WARSAW (POLAND)		99.49	100.00

COMPANY	HEADQUARTERS	Registration number	% interest	% control
LEGUIDE GROUP				
LEGUIDE.COM	12 rue Godot de Mauroy 75009 PARIS	425 085 875	96.06	100.00
SHOPPING GUIDE GmbH (CIAO)	MUNICH (GERMANY)		96.06	100.00
GOOOSTER	112 rue Godot de Mauroy 75009 PARIS	450 888 433	96.06	100.00
DOOYOO GmbH	BERLIN (GERMANY)		96.06	100.00
DOOYOO LTD	CANVEY (UNITED KINGDOM)		96.06	100.00
DOOYOO SRL	ROME (ITALY)		96.06	100.00
PSYCHOLOGIES MAGAZINE GROUP				
FINEV	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
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
ISPR GmbH	HAMBURG (GERMANY)		100.00	100.00
LAGARDÈRE UNLIMITED STADIUM SOLUTIONS SAS	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
SPORT BUSINESS COMPANIONS GmbH	HAMBURG (GERMANY)		100.00	100.00
SPORTFIVE GmbH	HAMBURG (GERMANY)		100.00	100.00
SPORTFIVE CONSULTING SAS (FORMERLY F.F.P.)	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	324 592 674	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 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 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

COMPANY	HEADQUARTERS	Registration number	% interest	% control
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 AG	ZURICH (SWITZERLAND)		90.00	90.00
VIP SPORTSTRAVEL GmbH	BERLIN (GERMANY)		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 (UNITED STATES)		100.00	100.00
BLACKWAVE SPORTS GROUP LLC	NEW YORK (UNITED STATES)		100.00	100.00
BLACWAVE SPORTS INVESTMENT COMPANY	NEW YORK (UNITED STATES)		100.00	100.00
BLUE ENTERTAINMENT SPORTS & TELEVISION (BEST)	NEW YORK (UNITED STATES)		100.00	100.00
DYNASTY SPORTS GROUP LLC (CA)	BEVERLY HILLS (UNITED STATES)		100.00	100.00
DYNASTY SPORTS GROUP LLC (FL)	BEVERLY HILLS (UNITED STATES)		100.00	100.00
GAME SEVEN SPORTS MEDIA LLC	LEXINGTON (UNITED STATES)		100.00	100.00
SPORTS MEDIA ADVISORS LLC	WASHINGTON (UNITED STATES)		100.00	100.00
TEAM CHAMPIONSHIPS INTERNATIONAL LLC	DENVER (UNITED STATES)		100.00	100.00
TENNIS ADVISORS LLC	WASHINGTON (UNITED STATES)		100.00	100.00
WORLWIDE FOOTBALL LLC	JERICHO (UNITED STATES)		100.00	100.00
UPSOLUT GROUP				
EVENTERPRISE GmbH	HAMBURG (GERMANY)		51.00	51.00
UPSOLUT EVENT GmbH	HAMBURG (GERMANY)		100.00	100.00
UPSOLUT MERCHANDISING GmbH & CO.KG	HAMBURG (GERMANY)		51.00	51.00
UPSOLUT SPORT AG	HAMBURG (GERMANY)		100.00	100.00
UPSOLUT SPORTS UK	LONDON (UNITED KINGDOM)		100.00	100.00
UPSOLUT VERWALTUNGS	HAMBURG (GERMANY)		51.00	100.00
UPSOLUT SPORTS OCEANIA	AUCKLAND (NEW ZEALAND)		80.00	80.00
LAGARDÈRE UNLIMITED INC. GROUP				
LAGARDÈRE UNLIMITED INC	WILMINGTON (UNITED STATES)		100.00	100.00
CROWN SPORTS MANAGEMENT LLC	ST SIMONS ISLAND (UNITED STATES)		100.00	100.00

COMPANY	HEADQUARTERS	Registration number	% interest	% control
LAGARDÈRE UNLIMITED LLC	WILMINGTON (UNITED STATES)		100.00	100.00
LAGARDÈRE UNLIMITED ARIZONA LLC	SCOTTSDALE ARIZONA (UNITED STATES)		80.00	80.00
LAGARDÈRE UNLIMITED CONSULTING LLC	WILMINGTON (UNITED STATES)		100.00	100.00
UPSOLUT USAT LLC	WILMINGTON (UNITED STATES)		78.00	78.00
HORS SPORT GROUP				
LAGARDÈRE PARIS RACING RESSOURCES	5 rue Éblé – 75007 Paris	433 565 819	100.00	100.00
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
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 FZ-LLC	DUBAI (UNITED ARAB EMIRATES)		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
SPORTS MARKETING & MANAGEMENT PTY LTD	ST LEONARDS (AUSTRALIA)		100.00	100.00
JAVELIN AUSTRALIA PTY LTD	ST LEONARDS (AUSTRALIA)		100.00	100.00
SPORTS MARKETING & MANAGEMENT (UK) LIMITED	SURREY (UNITED KINGDOM)		100.00	100.00
JAVELIN (EUROPE) LTD	SURREY (UNITED KINGDOM)		100.00	100.00
OTHER ACTIVITIES				
LAGARDÈRE SCA	4 rue de Presbourg – 75116 PARIS	320 366 446	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 – 75408 PARIS	400 231 072	100.00	100.00
ÉCRINVEST 4	42 rue Washington – 75408 PARIS	434 211 793	100.00	100.00
ÉDIFINANCE PARTICIPATIONS	42 rue Washington – 75408 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 – 75408 PARIS	433 436 870	100.00	100.00

COMPANY	HEADQUARTERS	Registration number	% interest	% control
HOLPA	42 rue Washington – 75408 PARIS	572 011 526	100.00	100.00
LAGARDÈRE FINANCE	42 rue Washington – 75408 PARIS	409 882 883	100.00	100.00
LAGARDÈRE HOLDING TV	42 rue Washington – 75408 PARIS	428 705 537	100.00	100.00
LAGARDÈRE MEDIA	4 rue de Presbourg – 75116 PARIS	402 345 128	100.00	100.00
LAGARDÈRE NORTH AMERICA, INC	NEW YORK (UNITED STATES)		100.00	100.00
LAGARDÈRE PARTICIPATIONS	4 rue de Presbourg – 75116 PARIS	303 600 902	100.00	100.00
LAGARDÈRE RESSOURCES	42 rue Washington – 75408 PARIS	348 991 167	100.00	100.00
LAGARDÈRE UK	LONDON (UNITED KINGDOM)		100.00	100.00
MNC	42 rue Washington – 75408 PARIS	345 078 927	100.00	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 – 75408 PARIS	569 803 687	100.00	100.00
SOFRIMO IBERIA	MADRID (SPAIN)		100.00	100.00
TEAM LAGARDÈRE	42 rue Washington – 75408 PARIS	482 741 725	100.00	100.00

Companies accounted for under the equity method at 31 December 2013:

COMPANY	HEADQUARTERS	Registration number	% interest	% control
LAGARDÈRE PUBLISHING				
BOOKISH	WILMINGTON (UNITED STATES)		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 SERVICES				
C-STORE	55 rue Deguingand 92689 LEVALLOIS-PERRET	505 387 795	50.00	50.00(2)
HUNGARO PRESSE	BUDAPEST (HUNGARY)		50.00	50.00(2)
DUTYFLY	ZAC du Moulin – 6 rue du Meunier 95700 ROISSY EN FRANCE	443 014 527	45.02	50.00(2)
RELAY @ ADP	55 rue Deguingand 92689 LEVALLOIS-PERRET	533 970 950	49.84	50.00
LYON DUTY FREE	Aéroport Lyon Saint-Exupéry 69124 COLOMBIER-SAUGNIEU	533 770 074	45.02	49.84
SOCIÉTÉ DE DISTRIBUTION AÉROPORTUAIRE	114 avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE	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 ACTIVE				
CELLFISH MEDIA LLC	NEW YORK (UNITED STATES)		56.18	25.00
DISNEY HACHETTE PRESSE	124 rue Danton 92300 LEVALLOIS PERRET	380 254 763	49.99	50.00(2)
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)
GULLI	28 rue François 1er – 75008 PARIS	480 937 184	65.66	50.00(2)
MARIE CLAIRE	149 rue Anatole France 92300 LEVALLOIS-PERRET	383 953 601	41.99	42.00
LA PLACE MEDIA	43 boulevard Barbès – 75018 PARIS	753 186 337	24.60	24.60
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)		49.75	50.00(2)
MAX LOYD	PRAGUE (CZECH REPUBLIC)		33.83	34.00
RADIO 21	BUCHAREST (ROMANIA)		19.90	20.00
MEDIAMARK (FORMERLY RADMARK)	RIVOGNA (SOUTH AFRICA)		29.85	50.00(2)

(2) Jointly controlled company (see note 2.2).

COMPANY	HEADQUARTERS	Registration number	% interest	% control
LAGARDÈRE UNLIMITED				
SADDLEBROOK INTERNATIONAL	WESLEY CHAPEL (UNITED STATES)		30.00	30.00
SPORTFIVE GROUP				
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)
IEC IN SPORTS GROUP				
SC LONG DISTANCE SKIING AB	STOCKHOLM (SWEDEN)		49.00	49.00
OTHER ACTIVITIES				
GLOBAL CAR SERVICES	42 rue Washington – 75408 PARIS	304 233 406	50.00	50.00(2)

(2) Jointly controlled company (see note 2.2).

NOTE 39 CONSOLIDATED FINANCIAL STATEMENTS FOR 2012 AND 2011

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 158 to 295 of the French Reference Document for 2012, filed with the AMF on 5 April 2013 under registration number D.13-0298.
- the consolidated financial statements and the related audit report on pages 133 to 271 of the French Reference Document for 2011, filed with the AMF on 3 April 2012 under registration number D.12-0270

The non-incorporated parts of the above documents are either irrelevant for investors or covered in another part of this Reference Document.

6.4 COMMENTS ON THE LAGARDÈRE SCA PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2013

AFR

6.4.1 INCOME STATEMENT

The condensed income statements are as follows:

(in millions of euros)	2013	2012
Operating revenues	**7**	7
Operating loss	**(17)**	(16)
Net financial income (expense)	**26**	(20)
Earnings (loss) before tax and exceptional items	**9**	(36)
Net exceptional income	**1,974**	2
Income tax gain	**24**	88
Profit	**2,007**	54

In 2013 the Company reported an operating loss of €17 million, on a par with 2012 (€16 million). The total includes income from fees charged to 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)	2013	2012
Interest income from marketable securities and other	**-**	-
Net interest income on loans to subsidiaries	**5**	7
Interest and expenses on borrowings	**(77)**	(83)
Finance costs, net	**(72)**	(76)
Dividends received or receivable	**32**	46
Net (additions to) reversals of provisions	**(27)**	7
Other	**93**	3
Net financial income (expense)	**26**	(20)

In 2013 the Company reported net financial income of €26 million, up €46 million on 2012. This was mainly attributable to:

- a €6 million decrease in interest and expenses on borrowings;
- a €14 million decrease in dividends received (entirely attributable to Lagardère Finance in 2013 and 2012);
- a €34 million increase in additions to provisions. In 2013, additions totalled €27 million and mainly concerned the Company's investment in Lagardère Ressources (€15 million) and Matra Manufacturing & Services (€12 million). In 2012 the Company reported net provision reversals of €7 million thanks to a €21 million reversal of provisions set aside for treasury shares, partially offset by impairment charges in respect of Lagardère Ressources (€9 million) and Matra Manufacturing & Services (€5 million);
- the "Other" line included in net financial income (expense) mainly included the €93 million surplus resulting from the liquidation of Désirade (holding company for EADS shares) through the transfer of all assets to Lagardère SCA.

Exceptional items amounted to €1,974 million in 2013, €1,971 million of which corresponded to the gain, net of expenses, from the disposal of EADS shares.

The €24 million income tax gain recorded in 2013 included an expense of €40 million corresponding to the 3% tax contribution on dividends paid. This gain was generated by taxes paid by subsidiaries in the tax group in excess of the tax due by the whole consolidated tax group.

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

6.4.2 BALANCE SHEET AND CASH FLOWS

Assets

(in millions of euros)	31 Dec. 2013	31 Dec. 2012
Fixed assets	**6,185**	7,183
Trade receivables and other	**41**	40
Cash and cash equivalents	**8**	12
Total assets	**6,234**	7,235

Liabilities and shareholders' equity

(in millions of euros)	31 Dec. 2013	31 Dec. 2012
Shareholders' equity	**4,227**	3,558
Provisions for risks and liabilities	**37**	32
Borrowings	**1,930**	3,612
Short-term bank loans	**-**	-
Other liabilities	**40**	33
Total liabilities and shareholders' equity	**6,234**	7,235

In 2013 cash flows used in operating activities amounted to €54 million, down significantly on 2012, and were attributable to income tax paid and the decrease in dividends received.

Net cash from investment activities came to €2,630 million, including €2,272 from the sale of EADS shares (income of €2,283 less €11 million in expenses relating to the disposal) and €370 million corresponding to the repayment of foreign currency loans by subsidiaries, which were transferred to Lagardère Finance in 2013.

Financing activities generated a net cash outflow of €2,581 million and reflected the following:

- €1,323 million in dividends paid. This amount includes an extra dividend of €1,156 million following the sale of the stake held in EADS and corresponding to an interim dividend which will be submitted for approval at the Annual General Meeting of shareholders held in 2014 to approve the financial statements for the year ended 31 December 2013;
- €1,003 million in repayments of borrowings, including **(i)** €237 million for the partial repurchase of the bond maturing in 2014, **(ii)** €666 million for the full repayment of the 2011 syndicated loan and **(iii)** €100 million for the redemption of the bonds underwritten by LCL which matured in July 2013;
- €265 million for the repayment of debt underwritten by Lagardère Finance. This transaction follows the repayment of foreign currency loans by subsidiaries;
- €10 million in cash from the merger of Sogeade.

Net debt – which corresponds to cash and cash equivalents less borrowings – was as follows at 31 December 2013 and 2012:

(in millions of euros)	31 Dec. 2013	31 Dec. 2012
Net debt	**(1,922)**	(3,600)

Net debt contracted by €1,678 million in 2013, primarily reflecting cash from operating and investing activities (€2,576 million), dividends paid (€1,323 million), plus the cancellation of borrowings in respect of Désirade (following the transfer of assets to Lagardère SCA) for €407 million.

Term of payment for trade payables

In application of the French Commercial Code *(Code de commerce),* all of Lagardère SCA's trade payables at 31 December 2013 are due within 30 days.

6.5 PARENT COMPANY BALANCE SHEET AT 31 DECEMBER 2013

AFR

Parent compagny balance sheet at 31 décembre 2013

Assets (in millions of euros)	31 Dec. 2013 Gross	31 Dec. 2013 Depreciation, amortisation and provisions	31 Dec. 2013 Net	31 Dec. 2012 Net
Tangible assets	-	-	-	-
Long-term investments:				
- Investments in subsidiaries and affiliates	6,283	190	**6,093**	6,724
- Loans and advances to subsidiaries and affiliates	-	-	**-**	377
- Other investment securities	127	35	**92**	82
- Loans	-	-	**-**	-
- Other long-term investments	-	-	**-**	-
Fixed assets	**6,410**	**225**	**6,185**	**7,183**
Trade receivables	-	-	**-**	-
Other receivables	72	33	**39**	28
Marketable securities	7	-	**7**	11
Cash and cash equivalents	1	-	**1**	1
Prepaid expenses	-	-	**-**	-
Current assets	**80**	**33**	**47**	**40**
Deferred charges	2	-	**2**	-
Translation adjustment	-	-	**-**	12
Total assets	**6,492**	**258**	**6,234**	**7,235**

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

Liabilities and shareholders' equity (in millions of euros)	**31 Dec. 2013 Amount**	31 Dec. 2012 Amount
Share capital	**800**	800
Share and other premiums	**1,030**	1,045
Reserves: - Legal reserve - Tax regulated reserves - Other reserves	 **87** **-** **31**	 87 - 31
Retained earnings	**1,428**	1,541
Profit for the year	**2,007**	54
Interim dividend to be allocated	**(1,156)**	-
Shareholders' equity	**4,227**	3,558
Provisions for risks and liabilities	**37**	32
Special borrowings	**-**	-
Borrowings: - Bonds - Bank loans - Loans from subsidiaries and affiliates	 **1,152** **-** **778**	 1,491 671 1,450
Trade payables	**4**	7
Other payables	**36**	17
Accrued expenses and deferred income	**-**	-
Translation adjustment	**-**	9
Total liabilities and shareholders' equity	**6,234**	7,235

PARENT COMPANY INCOME STATEMENT

(in millions of euros)	2013	2012
Operating revenues	**7**	7
Operating expenses	**(24)**	(23)
Operating loss	**(17)**	(16)
Financial income	**133**	61
Financial expenses	**(110)**	(117)
Net reversals of provisions	**3**	36
Net financial income (expense)	**26**	(20)
Earnings (loss) before tax and exceptional items	**9**	(36)
Net exceptional income	**1,974**	2
Income tax gain	**24**	88
Profit	**2,007**	54

PARENT COMPANY STATEMENT OF CASH FLOWS

(in millions of euros)	2013	2012
Profit	**2,007**	54
Depreciation, amortisation and provision expense (reversal)	**23**	(15)
Liquidation surplus	**(93)**	-
Net loss on sale of fixed assets	**(1,971)**	(1)
Changes in working capital	**(20)**	7
Cash from (used in) operating activities	**(54)**	45
Acquisitions of long-term investments	**(29)**	(585)
Proceeds from disposals of long-term investments	**2,289**	19
Decrease in loans and receivables	**370**	6
Cash from (used in) investing activities	**2,630**	(560)
Cash from (used in) operating and investing activities	**2,576**	(515)
Dividends paid	**(1,323)**	(166)
Decrease in borrowings and financial liabilities	**(1,003)**	(273)
Proceeds from new borrowings	**-**	738
Change in Group current accounts	**(265)**	213
Cash and cash equivalents from mergers and transfers of assets	**10**	-
Cash from (used in) financing activities	**(2,581)**	512
Translation adjustments	**1**	6
Change in cash and cash equivalents	**(4)**	3
Cash and cash equivalents at beginning of the year	**12**	9
Cash and cash equivalents at end of the year	**8**	12

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

(All figures are expressed in millions of euros unless otherwise specified)

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.

SIGNIFICANT EVENTS

In light of the disposal of its investment in EADS, the Company reorganised the legal structure of the companies holding this interest:

- Transfer of all assets of Désirade (holding company for Sogeade SCA, which owns EADS shares) to Lagardère SCA on 6 April 2013. The €93 million surplus resulting from this liquidation was recognised in net financial income.
- Merger of Sogeade SCA into Lagardère SCA on 16 May 2013, with retroactive effect from 4 April 2013. The €4 million loss resulting from this merger was charged to the gain on the disposal of EADS shares.

The sale of the shares was carried out on 12 April 2013 at €37.36 per share for a total amount of €2,283 million, generating a gain of €1,971 million net of expenses. Following this transaction, the Group's Managing Partners decided to pay a dividend of €9 per share, which corresponds to the extra portion of the dividend which will be submitted for approval at the Annual General Meeting held to approve the financial statements for the year ended 31 December 2013. The total interim dividend paid amounted to €1,156 million.

The Group also reduced its net debt through the repayment of the amount outstanding on the 2011 syndicated loan (€666 million) and the partial repurchase of the bond maturing on 5 October 2014 (€237 million).

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. Impairment losses are booked to cover any unrealised losses, which are generally estimated on the basis of a review of the past year and outlook 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. Impairment losses 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. 2013	Increase	Decrease	31 Dec. 2013
Tangible assets	**-**	**-**	**-**	**-**
Long-term investments:				
Investments in subsidiaries and affiliates and other investment securities(*)	**7,027**	28	656	**6,399**
Loans and advances to subsidiaries and affiliates	**377**	-	377	**-**
Other long-term investments(**)	**-**	11	-	**11**
Total fixed assets	**7,404**	**39**	**1,033**	**6,410**

(*) This item includes changes in treasury shares.
(**) This item corresponds to the Group's investment in the Idinvest fund.

The decrease in "Investments in subsidiaries and affiliates and other investment securities" reflects the cancellation of Désirade shares in light of its liquidation through the transfer of assets to Lagardère SCA (€612 million) and the cancellation of treasury shares through a capital reduction (€28 million).

Changes in depreciation, amortisation and impairment can be analysed as follows:

	1 Jan. 2013	Increase	Decrease	31 Dec. 2013
Long-term investments:				
Investments in subsidiaries and affiliates and other investment securities	**221**	19	15	**225**
Loans and advances to subsidiaries and affiliates	**-**	-	-	**-**
Total	**221**	**19**	**15**	**225**

Movements during the year reflect:

- The amount recorded under "Increase" for 2013 corresponds to additions to provisions for the impairment of shares held in Lagardère Ressources (€7 million plus an addition to provisions for risks and liabilities of €8 million) and Matra Manufacturing & Services (€12 million);
- The amount of €13 million recorded under "Decrease" includes the cancellation of provisions set aside for treasury shares further to the capital decrease.

2. RECEIVABLES

At 31 December 2013, the maturity of receivables was as follows:

	Gross	Due within one year	Due beyond one year
Long-term receivables	**-**	-	-
Short-term receivables	**72**	72	-
Total	**72**	**72**	**-**

Short-term investments mainly include tax-consolidated current accounts and premiums on call options on treasury shares that have been almost fully written down.

3. MARKETABLE SECURITIES

	31 Dec. 2013	31 Dec. 2012
At cost	7	11
Impairment	-	-
Carrying amount	7	11
Market value	7	11
Unrealised gains	-	-

4. CHANGES IN SHAREHOLDERS' EQUITY

Changes in shareholders' equity are analysed below:

	Share capital	Share premiums and reserves	Retained earnings	Profit for the year	Interim dividend to be allocated	Total
Shareholders' equity at 31 December 2012	800	1,163	1,541	54	-	**3,558**
Capital reduction	(4)	(11)	-	-	-	**(15)**
Capital increase	4	(4)	-	-	-	**-**
Dividends paid [1]	-	-	(167)	-	-	**(167)**
Appropriation of profit for 2012	-	-	54	(54)	-	**-**
Profit for the year	-	-	-	2,007	-	**2,007**
Interim dividend to be allocated	-	-	-	-	(1,156)	**(1,156)**
Shareholders' equity at 31 December 2013	**800**	**1,148**	**1,428**	**2,007**	**(1,156)**	**4,227**

(1) Including the portion of profit paid to the General Partners.

At 31 December 2013, 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 2013, the Company carried out a number of capital reductions by cancelling 588,422 treasury shares representing a carrying amount of €15 million, following capital increases carried out by capitalising reserves and involving the same number of new shares.

The newly-issued shares were awarded (i) in April 2013 to the Group's Co-Managing Partners who are the beneficiaries under the 17 December 2010 plan, (ii) in July 2013 to executives who are the beneficiaries under the 15 July 2011 plan, (iii) in October 2013 to employee beneficiaries under the 1 October 2009 free share plan and (iv) in December 2013 to employee beneficiaries under the 29 December 2011 free share plan.

5. TREASURY SHARES

Changes in the number of treasury shares held by Lagardère SCA break down as follows for 2013:

	2013
Number of shares held at 1 January	**3,274,993**
Purchases of treasury shares under the liquidity contract[1]	**749,407**
Sales of treasury shares under the liquidity contract[1]	**(637,407)**
Purchases (for treasury shares awarded to employees)	**389,000**
Awards	**(1,000)**
Capital reduction by cancellation of treasury shares	**(588,422)**
Number of treasury shares held at 31 December	**3,186,571**

(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 3-month Euribor +1.035%, on a quarterly basis;
- the bonds were bought back on 10 July 2013;
- the interest expense for 2013 amounted to €0.7 million.

B. 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.

The Company bought back and cancelled a portion of these bonds:

- the aggregate face value of the bonds bought back in 2012 was €123 million and their purchase price was €129 million;
- the aggregate face value of the bonds bought back in 2013 was €237 million and their purchase price was €250 million.

As a result of these two transactions, the remaining balance is €640 million.

The interest expense for 2013 amounted to €49.2 million.

C. 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 2013 amounted to €20.6 million.

7. MATURITIES OF LIABILITIES

	31 Dec. 2013	Due within one year	Due between one and five years	Due beyond five years
Bonds	**1,152**	652	500	0
Bank loans	**-**	-	-	0
Other borrowings(*)	**778**	-	-	778
Trade and other payables	**40**	30	10	0
Total	**1,970**	**682**	**510**	**778**

(*) Lagardère Finance current account.

8. PROVISIONS

Type of provision and impairment	1 Jan. 2013	Additions	Reversals	31 Dec. 2013
Provisions for risks and liabilities	**32**	**8**	**3** (*)	**37**
Impairment				
- long-term investments *- other*	***221*** ***65***	*19*	*15* (**) *32* (***)	***225*** ***33***
Impairment sub-total	**286**	**19**	**47**	**258**
Total	**318**	**27**	**50**	**295**
Including additions and reversals: *- relating to financial items* *- relating to exceptional items*		*27*	*47* *3*	

(*) Analysed as follows:
- Utilised provisions: €0 million;
- Surplus provisions: €3 million.

(**) Details provided in note 1: Fixed assets.

(***) Concerns a €30 million reversal of impairment of premiums on call options cancelled during the year. This reversal was offset by an expense in the same amount recorded under financial expenses.

9. TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES (NET VALUES) – BALANCE SHEET

	Assets		Liabilities
Long-term investments	6,093	Borrowings:	778
Short-term receivables	17	Trade and other payables	25
Other	-	Other	-

10. TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES – INCOME STATEMENT

	Expenses		Revenues
Interest on loans	2	Income from subsidiaries and affiliates	38
Losses related to subsidiaries	27	Profits related to subsidiaries	2

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	-	Borrowings	11
Short-term receivables	-	Trade and other payables	12
Cash and cash equivalents	-		
Total	**-**	**Total**	**23**

12. NET FINANCIAL INCOME (EXPENSE)

	2013	2012
Financial income	**136**	111
Financial income from investments in subsidiaries and affiliates	**39**	57
Income from other investment securities and long-term receivables	**-**	-
Other interest and similar income(*)	**93**	4
Net income from marketable securities	**-**	-
Reversals of provisions	**3**	50
Foreign exchange gains	**1**	-
Financial expenses	**(110)**	(131)
Interest and similar expenses	**(80)**	(117)
Additions to provisions	**(27)**	(13)
Foreign exchange losses	**(2)**	(1)
Net financial income (expense)	**26**	(20)

(*) Désirade liquidation surplus.

13. EXCEPTIONAL ITEMS

	2013	2012
Gains on disposals of assets	**1,971**	-
Net reversals of provisions	**3**	5
Other exceptional income and expenses	**-**	(3)
Net exceptional income	**1,974**	2

14. INCOME TAX GAIN

The €24 million income tax gain recorded in 2013 included an expense of €40 million corresponding to the 3% tax contribution on dividends paid. This gain was generated by taxes paid by subsidiaries in the tax group in excess of the tax due by the whole consolidated tax group. At 31 December 2013, the tax group comprising Lagardère SCA and its subsidiaries had unused tax loss carryforwards of some €413 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	1,645
Guarantees given to third parties	9	Counter-guarantees received from third parties	9
Bank interest on long-term loans			

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 to employee beneficiaries of the plans.

At 31 December 2013, the call option position was as follows:

- 1,971,623 options at €35.82
  for shares under the 2004 Lagardère Plan €71 million

The call options were carried at their market value of €0.5 million in the balance sheet at 31 December 2013, leading to the recognition of a €0.4 million reversal of impairment during the year (compared with an impairment charge of €0.2 million in 2012).

The 2005 and 2006 plans, involving 1,423,339 options at €56.97 and 1,627,600 options at €55.84 respectively, were covered by the allocation of 3,186,571 shares held directly by Lagardère SCA.

At 31 December 2013, the Lagardère share price was €27.02.

Free share award plans

In 2009 to 2013 the Group set up plans to award free shares to employees, the Co-Managing Partners and members of Lagardère Media's Operations Committee. The number of shares awarded under these plans was as follows:

	Number of free shares awarded	Number of outstanding rights at 31 December 2013
1 October 2009 and 31 December 2009 plans	571,525	21,155
17 December 2010 plan	634,950	129,200
15 July 2011 and 29 December 2011 plans	650,000	192,250
25 June 2012 plan	645,800	627,450
26 December 2013 plan	712,950	712,950

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 31 December 2016, 1 April 2015, 2014 and 2013 under the 2013, 2012, 2011 and 2010 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 awarded reduced accordingly if these objectives are not met.

For the members of Lagardère Media's Operations Committee, who are beneficiaries of the 26 December 2013 plan, the shares will not fully vest until the end of a period of three years following the grant date, i.e., 1 April 2017, and subject to presence and performance conditions based on Lagardère Media's consolidated recurring operating profit and Group net cash flows from operating activities.

Adjustment of the number of rights to Lagardère SCA free shares awarded and of the exercise price and number of Lagardère SCA share options awarded as a result of the payment of an extra interim dividend

Following the sale of the remainder of the Group's EADS shares, on 21 May 2013 the Managing Partners decided to pay an extra interim dividend of €9 per share, representing more than 30% of the market value of the share before the corresponding ex-dividend date.

In accordance with positive law, adjustments should be made to in order to preserve the rights of holders of free shares not yet awarded at 6 May 2014, the date of the General Meeting called to approve the 2013 financial statements, and of beneficiaries of the three outstanding share purchase option plans.

When questioned, the tax authorities responded that the fact that this extra distribution was carried out in the form of an interim dividend, which is not provided for by the French Commercial Code, meant that the number of rights to free shares and the price and number of options could not be adjusted without calling into question the preferential treatment provided for by law.

However, in light of the terms of the operative part of the judgement handed down by the *Cour de Cassation* on 27 February 2001, in a dispute between Lagardère SCA and ABC Arbitrage, the Managing Partners have decided that:

- the rights of beneficiaries of free shares will be preserved in accordance with the terms and conditions to be decided once the appropriation of 2013 profit has been approved by the General Meeting;
- the rights of beneficiaries of the three outstanding share purchase option plans will be preserved, when necessary, if the exercise price of the options (between €51.92 and €56.97) were to come back in the money between now and the end of the corresponding exercise periods (2014, 2015 and 2016), i.e., a value close to the share price.

Cette page est laissée intentionnellement blanche.

Subsidiaries and affiliates at 31 December 2013

(in thousands of euros)	Share 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%)				
FINANCIÈRE DE PICHAT & Compagnie (6 rue Laurent Pichat - 75116 Paris)	99,169	36,439	99.25	
HOLPA (immeuble Monceau - 42, Rue Washington - 75008 Paris)	536	3,109	100.00	
LAGARDÈRE FINANCE (immeuble Monceau - 42 rue Washington - 75008 Paris)	2,800,000	287,484	100.00	
LAGARDÈRE MEDIA (4 rue de Presbourg - 75116 Paris) (*)	873,600	207,746	100.00	
LAGARDÈRE PARTICIPATIONS (4 rue de Presbourg - 75116 Paris)	15,250	4,893	100.00	
LAGARDÈRE RESSOURCES (immeuble Monceau - 42 rue Washington - 75008 Paris)	10,000	(3,397)	100.00	
MATRA MANUFACTURING & SERVICES (4 rue de Presbourg - 75116 Paris)	13,528	17,829	100.00	
MNC (immeuble Monceau - 42 rue Washington - 75008 Paris)	89,865	29,749	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 subsidiaries				
C. Investments not included in paragraph C above				
- Other subsidiaries				

(*) Provisional net profit (loss).

Carrying amount of shares held		Outstanding loans and advances granted by the Company	Guarantees given by the Company	Net sales for the last financial year	Net profit (loss) for the last financial year (*)	Dividends received by the Company during the year
Gross	Net					
165,450	134,707				120	56
16,938	3,616				(29)	
3,080,000	3,080,000				30,704	31,640
2,695,983	2,695,983			6,638	(141,992)	
25,444	25,444				(1,491)	
92,332	0			60,912	(14,084)	
94,035	39,800			18,354	(13,454)	
112,732	112,732				6,208	
452	452					

Investment portfolio at 31 December 2013
(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		6,092,283
Number of shares held:		
6,453,988	Financière de Pichat & Compagnie	134,707
107,284	Holpa	3,616
280,000,000	Lagardère Finances	3,080,000
54,600,000	Lagardère Medias	2,695,983
999,991	Lagardère Participations	25,445
1,000,000	Lagardère Ressources	0
845,474	Matra Manufacturing & Services	39,800
7,848,480	MNC	112,732
Book value below €15,000		
Total investments in French companies		**6,092,283**
B. Investments in non-French companies		
Number of shares held:		
325,100	Lagardère UK	452
Book value below €15,000		0
Total investments in non-French companies		**452**
Total investments in subsidiaries and affiliates		**6,092,735**
II. Other long-term investments (in thousands of euros)		
C. Investment funds	FCPR IDINVEST	563
Total investment funds		**563**
D. Treasury shares		80,713
Total treasury shares		**80,713**
Total other long-term investments		**81,276**
III. Short-term investments (in thousands of euros)		
A. French securities		
1. Equities and mutual funds		**0**
Number of shares held:		
2. Collective investment funds		**7,528,246**
Number of shares held:		
10	AMUNDI TRESO 3 MOIS PARTS DP	7,528,246
Total short-term investments (book value)		**7,528,246**

Lagardère SCA - Five-year financial summary

(Articles R. 225-83 and R. 225-102 of the French Commercial Code)

Type of indications	2009	2010	2011	2012	**2013**
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	9,846	8,457	12,535	7,054	**7,239**
b) Earnings before tax, depreciation, amortisation and provisions	156,294	272,386	257,302	(65,638)	**1,976,989**
c) Income tax	87,203 (1)	88,017 (1)	93,037 (1)	88,276 (1)	**23,410** (1)
d) Earnings after tax, depreciation, amortisation and provisions	298,529	373,527	297,253	53,952	**2,006,615**
e) Total dividends	165,142	165,097	165,700	166,247	(2)
III Earnings per share (in euros)					
a) Earnings per share after tax, but before depreciation, amortisation and provisions	1.86	2.75	2.67	0.17	**15.25**
b) Earnings per share after tax, depreciation, amortisation and provisions	2.28	2.85	2.27	0.41	**15.30**
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 tax consolidation.
(2) The Annual General Meeting on 6 May 2014 will be asked to approve a dividend of €10.30 per share, of which €1.30 corresponds to the ordinary portion of this dividend and €9 to the extraordinary portion, for which an interim dividend was paid following the Managing Partners' decision of 21 May 2013, as well as an extra dividend of €6 per share, to be deducted from share premiums.

6.6 STATUTORY AUDITORS' REPORT ON THE COMPANY'S 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 2013, 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 2013 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, 31 March 2014

The Statutory Auditors

ERNST & YOUNG et Autres	**MAZARS**
Jeanne Boillet	Bruno Balaire

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

6.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AFR

1 2 3 4 5 6 7 8 9 10 11

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 2013, 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 matter described in Note 10 to the consolidated financial statements related to the assumptions used for impairment tests on goodwill and intangible fixed assets, especially with regard to Lagardère Unlimited.

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 Notes 3.10 and 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 2013.

  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.

  With regard to the assets of the Active division, the achievement of the assumptions used by the Managing Partners in determining the cash flow forecasts depends in particular on the French Magazine Publishing Business market and on its consequences on advertising revenues, and for digital activities, on the reestablishment of a balanced competitive environment as well as the monetization of new services.

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.

- 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, on 31 March 2014

The Statutory Auditors

MAZARS	**ERNST & YOUNG et Autres**
Bruno Balaire	Jeanne Boillet

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

6.8 SPECIAL STATUTORY AUDITORS' REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

To the Partners,

In our capacity as Statutory Auditors of your company, we hereby present our report on regulated agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of the agreements and commitments of which we were informed or which may have come to our attention during our assignment, without pronouncing on their utility and merits, or seeking the existence of other agreements and commitments. It is your responsibility, pursuant to Article R. 226-2 of the Commercial Code, to assess the merit of these agreements and commitments with a view to approving them.

We are also required to provide you with the information required under Article R. 226-2 of the Commercial Code in respect of the execution during the past year of any agreements and commitments already approved by the general meeting.

We carried out the work we deemed necessary in light of the professional standards of the Compagnie Nationale des Commissaires aux Comptes applicable to this responsibility. These standards require that we perform procedures to verify that the information given to us is coherent with the underlying documents.

AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE GENERAL MEETING

Agreements and commitments approved during the past year

We have not been informed of any agreement or commitment authorised during the past year to be submitted to the general meeting for approval in accordance with Article L. 226-10 of the Commercial Code.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

Agreements and commitments approved in previous years which were applicable during the period

In application of Article R. 226-2 of the Commercial Code, we have been informed of the following agreements and commitments, already approved by the general meeting during previous years and applicable during the period:

LAGARDÈRE CAPITAL & MANAGEMENT

Service Agreement

Under an agreement signed in 1988 by Lagardère Capital & Management with Matra and Hachette, Lagardère Capital & Management provides a range of resources and skills specific to general strategy, international development, company operations, and management of financial capacity, human potential and corporate image. All top management working at Lagardère Capital & Management are members of the management bodies of the Group and its principal subsidiaries.

Following the various 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 2013, 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 2013, the amount billed by Lagardère Capital & Management in accordance with those agreements amounted to 25.3 million euros, compared to 22.7 million euros in 2012.

Paris-La Defense and Courbevoie, 31 March 2014

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.

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

7.2 GENERAL PARTNERS, MANAGING PARTNERS AND MEMBERS OF THE SUPERVISORY BOARD

AFR

1 2 3 4 5 6 7 8 9 10 11

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 2013, 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 2013 (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 2013)

Chairman and Chief Executive Officer of Lagardère Media SAS
4 rue de Presbourg – 75116 Paris – France

Director, Hachette Livre SA
43 quai de Grenelle – 75015 Paris

Chairman of the Supervisory Board, Lagardère Services SAS
2 rue Lord Byron – 75008 Paris – France

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, Fondation Jean-Luc Lagardère
4 rue de Presbourg – 75116 Paris – France

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 – France

Chairman, Lagardère Capital & Management SAS
4 rue de Presbourg – 75116 Paris – France

Chairman and Chief Executive Officer, Arjil Commanditée-Arco SA
4 rue de Presbourg – 75116 Paris – France

C) DIRECTORSHIPS AND OTHER POSITIONS HELD OUTSIDE THE GROUP

None.

D) DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

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)*

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

Member of the Supervisory Board, Daimler AG
Epplestrasse 225 – D 70546 Stuttgart – Möhringen, Germany
(until April 2010)

Chairman, Association des Amis de Paris Jean-Bouin C.A.S.G. (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 – 75016 Paris *(until May 2011)*

Member of the Board of Directors, European Aeronautic Defence and Space Company – EADS NV
Mendelweg 30, 2333 CS Leiden, the Netherlands *(until April 2013)*

Member of the Board of Directors, EADS Participations BV
Teleportboulevard 140, 1043 EJ Amsterdam
PO Box 2838, 1000 CV, the Netherlands *(until April 2013)*

Chairman and Director, Sogeade Gérance SAS
42 rue Washington – 75008 Paris *(until October 2013)*

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;

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.

Positions held by the legal representatives of Arjil Commanditée-Arco in other companies (at 31 December 2013):

ARNAUD LAGARDÈRE (see above)

PIERRE LEROY

4 rue de Presbourg – 75116 Paris – France

Date of birth: 8 October 1948

Number of Lagardère SCA shares held: 41,031

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 2013)

Chairman, Lagardère Ressources SAS

Director, Deputy Chairman and Chief Operating Officer, Lagardère Media SAS

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)

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

---

(1) See section 8.2.4 of the individual financial statements of Arjil Commanditée-Arco.

C) DIRECTORSHIPS AND OTHER POSITIONS HELD OUTSIDE THE GROUP

Chairman, IMEC (*Institut Mémoires de l'Édition Contemporaine*)

Chairman, Fondation pour la Mémoire de la Création Contemporaine

Member of the Consultative Committee, Sotheby's

Member of the Board of Directors, Doucet-Littérature (not-for-profit organisation)

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

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)*

Chairman, Désirade SAS *(until April 2013)*

Director, Sogeade Gérance SAS *(until April 2013)*

DOMINIQUE D'HINNIN

4 rue de Presbourg – 75116 Paris – France

Date of birth: 4 August 1959

Number of Lagardère SCA shares held: 65,083

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 and Chief Operating Officer, Lagardère Media SAS

Member of the Supervisory Board, Lagardère Active SAS

Permanent representative of Lagardère Media SAS 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

Member of the Supervisory Board, Financière de Pichat & Compagnie SCA

Member of the Supervisory Board, Matra Manufacturing & Services SAS

Director, Lagardère North America, Inc. (USA)

C) DIRECTORSHIPS AND OTHER POSITIONS HELD OUTSIDE THE GROUP

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

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)*

Director, Sogeade Gérance SAS *(until April 2013)*

Member of the Board of Directors, European Aeronautic Defence and Space Company – EADS NV *(until April 2013)*

Member of the Board of Directors, EADS Participations BV *(until April 2013)*

Permanent representative of Hachette Filipacchi Presse to the Board of Directors, Les Éditions P. Amaury SA *(until May 2013)*

Deputy Chairman, member of the Supervisory Board and member of the Audit Committee, Canal+ France SA *(until November 2013)*

THIERRY FUNCK-BRENTANO

4 rue de Presbourg – 75116 Paris, France

Date of birth: 2 May 1947

Number of Lagardère SCA shares held: 44,862

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 SAS

Permanent representative of Lagardère Media SAS 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 Management 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, 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)*

Chairman and Chief Executive Officer, Sopredis SA *(until January 2013)*

7.2.3 MEMBERS OF THE SUPERVISORY BOARD

List of members of the Supervisory Board during 2013

		Date of first appointment or re-appointment	End of current term of office
Chairman of the Board Chairman of the Audit Committee	**Xavier de Sarrau** Independent member of the Board(1)	10 March 2010	2014 OGM(*)
Member of the Board Member of the Audit Committee	**Nathalie Andrieux** Independent member of the Board(1)	3 May 2012	2016 OGM(*)
Member of the Board	**Antoine Arnault** Independent member of the Board(1)	3 May 2012	30 October 2013
Member of the Board	**Martine Chêne** Independent member of the Board(1)	29 April 2008	2014 OGM(*)
Member of the Board Member of the Appointments and Remuneration Committee	**Georges Chodron de Courcel** Non-independent member of the Board(1)	3 May 2012	2016 OGM(*)
Member of the Board Member of the Audit Committee Chairman of the Appointments and Remuneration Committee	**François David** Independent member of the Board(1)	29 April 2008	2014 OGM(*)
Member of the Board Member of the Appointments and Remuneration Committee	**Pierre Lescure** Independent member of the Board(1)	29 April 2008	2014 OGM(*)
Member of the Board	**Jean-Claude Magendie** Independent member of the Board(1)	27 April 2010(**)	2014 OGM(*)
Member of the Board	**Soumia Belaidi Malinbaum** Independent member of the Board(1)	3 May 2013	2017 OGM(*)
Member of the Board	**Hélène Molinari** Independent member of the Board(1)	3 May 2012	2016 OGM(*)
Member of the Board	**Javier Monzón** Independent member of the Board(1)	29 April 2008	2014 OGM(*)
Member of the Board Member of the Audit Committee	**Amélie Oudéa-Castéra** Non-independent member of the Board(1)	3 May 2012	3 May 2013
Member of the Board Member of the Audit Committee	**Didier Pineau-Valencienne** Independent member of the Board(1)	29 April 2008	3 May 2013
Member of the Board	**François Roussely** Independent member of the Board(1)	3 May 2012	2016 OGM(*)
Member of the Board Member of the Audit Committee	**Aline Sylla-Walbaum** Independent member of the Board(1)	3 May 2013	2017 OGM(*)
Member of the Board	**Susan M. Tolson** Independent member of the Board(1)	10 May 2011(***)	2015 OGM(*)
Member of the Board Member of the Audit Committee	**Patrick Valroff** 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

Nationality: French

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)

Director, IRR SA (Switzerland)

Member of the Board, EFTC (USA)

Member of the Board, 16 West Halkin (UK)

Director, Oredon Associates (UK)

Director, Verny Capital (Kazakhstan)

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, Dombes SA (Switzerland)

Member of the Board, FCI Holding SA

Member of the Board, Continental Motors Inns SA (Luxembourg)

NATHALIE ANDRIEUX

Tour Cristal – 7-11 Quai André Citroen – 75015 Paris

Date of birth: 27 July 1965

Nationality: French

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 and since 17 January 2013, she has been a member of the French Digital Board (*Conseil National du Numérique*).

Directorships and other positions held in other companies

In France:

Chair of Mediapost Holding

Chair of Matching

Chair of Media Prisme

Director of Maileva

Member of the Steering Committee, Mediapost

Member of the Steering Committee, Mediapost Publicité

Member of the Steering Committee, SMP

Member of the Steering Committee, Cabestan

Director of Mix Commerce

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 of Mediapost

Chair of Mediapost Publicité

Chair of SMP

Chair of Financière Adverline

Chair of Cabestan

Chair of Mix Commerce

Committee member, Multicanal

(1) Coopted by the Supervisory Board on 10 March 2010 and approved by the General Meeting on 27 April 2010.
(2) Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

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

Nationality: French

Date of appointment: 3 May 2012

End of current term of office: 30 October 2013

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 the LVMH group, where he was successively Head of Marketing and then Head of Louis Vuitton France's regional network.

In 2007, he became Head of Communications for Louis Vuitton, responsible for advertising, publishing, digital development and media purchasing.

He has been Chief Executive Officer of Berluti since 2011. During the same year, Antoine Arnault was the inspiration behind the "Les Journées Particulières" campaign. At end-2013, he was also appointed Chairman of Loro Piana.

Directorships and other positions held in other companies

In France:

Director, LVMH – Moët Hennessy Louis Vuitton SA

Chairman of the Executive Board, Berluti SA

Member of the Supervisory Board, Echos SAS

Director, Comité Colbert

Director, Madrigall SA

Chairman, AA Conseil SAS

Outside France:

Manager, Berluti LLC (USA)

Director, Berluti Hong Kong Company Limited

Director, Berluti (Shanghai) Company Limited (China)

Director, Berluti Orient FZ-LLC (United Arab Emirates)

Chairman of the Board of Directors, Loro Piana SpA (Italy)

Director, Manifattura Berluti SRL (Italy)

Directorships and other positions held during the last five years

Chairman, F.G. SAS

Legal representative, Berluti, and Managing Partner, Société de Distribution Robert Estienne SNC (SDRE)

Chairman of the Board of Directors, Société Nouvelle de Chemiserie Arnys

Member of the Supervisory Board, Sport Runner, Inc. (USA)

MARTINE CHÊNE

64 rue du Parc – 34980 Saint-Gely-du-Fesc

Date of birth: 12 May 1950

Nationality: French

Date of appointment: 29 April 2008

End of current term of office: 2014 OGM[(1)]

Number of Lagardère SCA shares held: 150

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

Nationality: French

Date of appointment: 19 May 1998

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

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

(1) Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

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, SGLRI (SCOR Global Life Reinsurance Ireland)

Directorships and other positions held during the last five years

Chairman and Director, BNP Paribas UK Holdings Ltd (UK)

Director, BNP Paribas ZAO (Russia)

Director, CNP (Compagnie Nationale à Portefeuille – Belgium)

Board Advisor (*censeur*), Safran SA

Board Advisor (*censeur*), Scor SE

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

Nationality: French

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, 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

Director, Vinci

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)

PIERRE LESCURE

38 rue Guynemer – 75006 Paris

Date of birth: 2 July 1945

Nationality: French

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

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

Member of the Board of Directors, Thomson SA

Chairman, Lescure Farrugia Associés

JEAN-CLAUDE MAGENDIE

19 rue Raynouard – 75016 Paris

Date of birth: 24 May 1945

Nationality: French

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.

(1) Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

He was also a Member of the Commission for analysis on prevention of conflicts of interest in public life.

Within the scope of his role as Chairman of the Justice Commission of the French think tank Le Club des Juristes, he published a report on reform within the commercial courts which appeared in the general edition of the weekly *La Semaine Juridique* on 15 July 2013.

Directorships and other positions held in other companies

Member of the Scientific Committee of the National Institute of High Studies for Security and Justice

Consultant for the French Union of Manufacturers (Unifab)

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

Member of the Board of Directors, Lextenso

SOUMIA BELAIDI MALINBAUM

23 rue d'Edimbourg – 75008 Paris

Date of birth: 8 April 1962

Nationality: French

Date of appointment: 3 May 2013

End of current term of office: 2017 OGM(1)

Number of Lagardère SCA shares held: 200

Soumia Belaidi Malinbaum has spent most of her career working in the digital and technologies sector, both as a founder and managing director of small and medium-sized companies. She is currently Deputy Chief Executive Officer of Keyrus, a management consulting firm which was merged with Specimen, the IT company she created and managed for 15 years. Before being appointed Business Development Manager of the group, she was Director of Human Resources.

She is extremely committed to promoting and managing diversity in the corporate environment and is President of the European Association of Diversity Managers and founder of the French equivalent (AFMD).

Directorships and other positions held in other companies

Director and Chair of the Audit Committee, FMM (France Médias Monde)

Member of the Educational Board, HEC Paris

Member of the Board of Directors, Université Paris Dauphine

Member of the Board of Directors, Institut du monde arabe (IMA)

Directorships and other positions held during the last five years

Soumia Belaidi Malinbaum has not held any other directorships or other positions in the last five years.

HÉLÈNE MOLINARI

80 rue de Lourmel – 75015 Paris

Date of birth: 1 March 1963

Nationality: French

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 engineer. She began her career in 1985 as a consultant at Cap Gemini and in 1987 joined the Robeco group where she was responsible for developing institutional sales. In 1991, she joined the Axa group where she was involved in creating Axa Asset Managers, a leading asset management company. 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 Global Head of Brand and Communication.

In 2005, she joined MEDEF where she occupied a number of positions reporting to Laurence Parisot, notably as head of communications, membership and societal activities. She also supervised a number of support functions including the Corporate Secretary's department, and contributed to the drafting of the AFEP-MEDEF code of corporate governance. In 2011, she was appointed Chief Operating Officer and member of the Executive Council of MEDEF.

In 2013, she joined Be-Bound as a Vice President. Be-Bound is a digital startup that is based in France and in Silicon Valley, which allows users to stay connected to the Internet even with no data access.

Directorships and other positions held in other companies

Member of the Board of Directors, NQT (*Nos quartiers ont des talents*)

Member of the Steering Committee, *Tout le monde chante contre le cancer* (cancer charity)

Directorships and other positions held during the last five years

Member of the Board of Directors, CELSA (*Centre d'Études Littéraires et Scientifiques Appliquées*)

Member of the Board of Directors, EPA (*Entreprendre pour Apprendre*)

Committee member, JDE (*Les Journées de l'Entrepreneur*)

Member of the Board of Directors, Axa IM Limited

JAVIER MONZÓN

Avenida De Bruselas, 33-35, 28108 Arroyo de la Vega – Alcobendas, Madrid, Spain

Date of birth: 29 March 1956

Nationality: Spanish

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 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.

(1) 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

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

Nationality: French

Date of appointment: 2 December 2009

Date of renewal: 3 May 2012

End of current term of office: 3 May 2013

Number of Lagardère SCA shares held: 150

Member of the Audit Committee of Lagardère SCA.

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*)

Director, Compagnie Plastic Omnium

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

Nationality: French

Date of appointment: 19 May 1998

Date of renewal: 29 April 2008

End of current term of office: 3 May 2013

Number of Lagardère SCA shares held: 0

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

Nationality: French

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

(1) Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

ALINE SYLLA-WALBAUM

20 rue Chauchat – 75009 Paris

Date of birth: 12 June 1972

Nationality: French

Date of appointment: 3 May 2013

End of current term of office: 2017 OGM(1)

Number of Lagardère SCA shares held: 160

Member of the Audit Committee of Lagardère SCA.

A graduate of HEC Business School, Institut d'études politiques de Paris and École nationale d'administration, Aline Sylla-Walbaum is an Inspector of Finance and Managing Director of Christie's France, the world's leading art business. Before joining Christie's France, she was Deputy Chief Executive Officer of Development at Unibail-Rodamco, Europe's leading listed commercial property company, Cultural and communications advisor to the office of the French Prime Minister from 2007 to 2008, and Deputy Executive Director, Director of cultural development at the Louvre museum for five years.

Directorships and other positions held in other companies

Member of the Board of Directors, Louvre-Lens museum

Vice-Chair of the Board of Directors, Orchestre de Paris

Member of the Board of Directors, Musée d'Orsay

Directorships and other positions held during the last five years

Aline Sylla-Walbaum has not held any other directorships or positions in the last five years.

SUSAN M. TOLSON

3319 Prospect St. NW

Washington, DC 20007, USA

Date of birth: 7 March 1962

Nationality: American

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.

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

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

Honorary Chair, American Women's Group in Paris

Director, Fulbright Commission

PATRICK VALROFF

26 rue de Clichy – 75009 Paris

Date of birth: 3 January 1949

Nationality: French

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

(1) Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

7.2.4 ADDITIONAL INFORMATION ON MEMBERS OF THE SUPERVISORY BOARD AND THE MANAGING PARTNERS

7.2.4.1 DECLARATION OF NON-CONVICTION AND COMPETENCE

To the best of Lagardère SCA's knowledge:

- No member of the Supervisory Board or Managing Partner has been convicted of fraud in the last five years;
- No member of the Supervisory Board or Managing Partner has been associated with 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 AGREEMENTS 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 agreement 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 2013, the members of the Executive Committee were as follows:

Arnaud Lagardère,	General and Managing Partner	*Managing Partners*
Pierre Leroy,	Co-Managing Partner, Secretary General	
Dominique D'Hinnin,	Co-Managing Partner, Chief Financial Officer	
Thierry Funck-Brentano,	Co-Managing Partner, Chief Human Resources and Communications Officer	
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 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 received remuneration from EADS for the duties they performed in their capacity as members of the Board of Directors of EADS up to April 2013, at which time the Lagardère group sold its stake in 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) FIXED AND VARIABLE SALARIES

Salaries consist of a fixed portion and a variable portion and may be supplemented by special bonuses.

Fixed salaries are paid in 12 equal monthly instalments over the year. Arnaud Lagardère's fixed salary has not changed since 2009 while the fixed salaries of his Co-Managing Partners have not changed since 2011.

The variable portion is determined on the basis of principles defined in 2003 which have been consistently applied since that date. For the year concerned, it comprises the following components, based on reference amounts determined for each individual:

- a component directly related to Group performance based on the reference amount in relation to the average of the two following inputs:
  - the differential between the midpoint of the forecast rise in recurring operating profit before associates for Lagardère Media companies – 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; this differential is applied on a directly proportional basis in the event of a negative change and at a rate of an additional 10% per percentage point in the event of a positive change.
  - 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; the differential is applied on a directly proportional basis.

  A further criterion related to the intrinsic change in recurring operating profit before associates as defined above for the year concerned in relation to the previous year 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 2013, the relevant input-based formula results in the application of a factor of 1.176 to the reference amounts (compared with 1.02 for 2012).
- a qualitative component (except for Arnaud Lagardère), taking into account the personal 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. The assessment of these factors can increase or decrease the reference amount, though the resulting figure may not exceed 25% of the fixed salary.

The variable portion of remuneration is determined by applying criteria to the reference amounts. As indicated above, Arnaud Lagardère does not receive a qualitative component. Since he receives neither share options nor free shares, his variable salary is based on a reference amount of €1,400,000, to which are applied the input-based performance-related criteria, with no minimum limit and with a maximum limit of 150% of his fixed salary.

For the other members of the Executive Committee, the reference qualitative component and the input-based performance-related component are equal and represent in total around 50% of the fixed salaries. For each of the three Co-Managing Partners they represent a total of €300,000 each, i.e., a total reference amount of €600,000 as a basis for their variable salary, which may not exceed 75% of their fixed salary.

Since the variable portion of salary can only be calculated after the year-end, it is paid during the following year.

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

In euros	Reference amount	Achievement rate	Amounts payable	Percentage compared with fixed salary	Ceiling compared with fixed salary
Arnaud Lagardère					
Qualitative	N/A	N/A	N/A	N/A	-
Input-based performance-related	1,400,000	1.176	1,646,000	144%	150%
Total	**-**	**-**	**1,646,000**	**144%**	**150%**
Pierre Leroy					
Qualitative	300,000	-	300,000	20.3%	25%
Input-based performance-related	300,000	1.176	352,800	23.9%	-
Total	**600,000**	**-**	**652,800**	**44.3%**	**75%**
Dominique D'Hinnin					
Qualitative	300,000	-	300,000	24.9%	25%
Input-based performance-related	300,000	1.176	352,800	29.3%	-
Total	**600,000**	**-**	**652,800**	**54.2%**	**75%**
Thierry Funck-Brentano					
Qualitative	300,000	-	300,000	24.9%	25%
Input-based performance-related	300,000	1.176	352,800	29.3%	-
Total	**600,000**	**-**	**652,800**	**54.2%**	**75%**

B) DEFERRED VARIABLE SALARY

The members of the Executive Committee do not receive any deferred variable salary.

C) MULTI-ANNUAL VARIABLE SALARY

The members of the Executive Committee do not receive any multi-annual variable salary.

D) SPECIAL BONUSES

The members of the Executive Committee did not receive any special bonuses in 2013.

E) ATTENDANCE FEES

The members of the Executive Committee do not receive any attendance fees for their duties within the Lagardère group.

However, Arnaud Lagardère and Dominique D'Hinnin received remuneration for 2013 in respect of their duties as members of the Board of Directors of EADS: as Chairman of the Board of Directors, Arnaud Lagardère received a fixed salary of €45,000 and attendance fees of €20,000 while Dominique D'Hinnin, in his capacity as a director, received a fixed salary of €30,000 and attendance fees of €10,000. Similarly, Arnaud Lagardère, Pierre Leroy and Dominique D'Hinnin received attendance fees of approximately €7,000 each from Sogeade Gérance, owned jointly by the French government and by Lagardère SCA. Their right to this remuneration ended in May 2013 with the sale of the Group's stake in EADS.

F) AWARDING OF SHARE OPTIONS AND/OR PERFORMANCE SHARES

The members of the Executive Committee have not received share options since 2006 and only receive performance shares.

On 26 December 2013, Arnaud Lagardère, in his capacity as Managing Partner, awarded the members of the Executive Committee the right to receive performance shares. 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 2017 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 2014, 2015 and 2016 by comparison with the target 2014, 2015 and 2016 recurring operating profit before associates communicated as market guidance; the second based on the changes in net cash from operating activities in 2014, 2015 and 2016 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 sixth 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 2016 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 2014 and in 2015. If this objective is not achieved, then the number of shares resulting from the application of the six objectives described above will be reduced proportionately.
- *Presence conditions:* in order for the shares to fully vest, the Managing Partners must still be serving as executives of Lagardère SCA on 31 December 2016; this condition will be deemed met in the event of their removal from their executive

1 2 3 4 5 6 7 8 9 10 11

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 2017 to 1 April 2019.
  - 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 salary 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".

G) BENEFITS LINKED TO TAKING UP OR TERMINATING OFFICE

Neither LC&M nor any other Group company has undertaken any commitment or given any promise to grant benefits linked to taking up or terminating office to the Managing Partners or other members of the Executive Committee.

H) BENEFITS LINKED TO NON-COMPETITION AGREEMENTS

Neither LC&M nor any other Group company has undertaken any commitment to grant benefits linked to non-competition agreements to members of the Executive Committee.

I) SUPPLEMENTARY PENSION PLAN

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. In addition, in order to benefit from the plan, beneficiaries are required to have been members of the Executive Committee for at least five years at the date that they retire.

After the beneficiary's death, 60% of the pension is transferable to the surviving spouse.

J) 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.

7.3.1.2 REMUNERATION AND BENEFITS OF MEMBERS OF THE EXECUTIVE COMMITTEE

A) GROSS REMUNERATION PAID

	2011	2012	**2013**
"Lagardère"	(1)	(2)	**(3)**
Fixed salary and benefits in kind	6,893,901	6,412,243	**5,866,729**
Special bonuses		26,792	**-**
Variable portion of salary (in respect of the previous year)	4,250,475	3,047,000	**3,525,120**
Attendance fees	20,900	21,171	**19,475**
Total	11,165,276	9,507,206	**9,411,324**
"EADS"	(4)	(4)	**(4)**
Fixed salary	220,000	220,000	**284,167**
Variable portion of salary (in respect of the previous year)	-		
Attendance fees	75,000	135,000	**30,000**
Total	295,000	355,000	**314,167**

(1) Arnaud Lagardère, Philippe Camus, Pierre Leroy, Dominique D'Hinnin, Thierry Funck-Brentano and Ramzi Khiroun (full-time).
(2) Arnaud Lagardère, Pierre Leroy, Dominique D'Hinnin, Thierry Funck-Brentano and Ramzi Khiroun (full-time) and Philippe Camus (until 30 June).
(3) Arnaud Lagardère, Pierre Leroy, Dominique D'Hinnin, Thierry Funck-Brentano and Ramzi Khiroun (full-time).
(4) Arnaud Lagardère and Dominique D'Hinnin for their duties on the Board of Directors which ended on 2 April 2013.

The "Lagardère" variable portion of salary to be paid in 2014 for 2013 represents €4,040,000. 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 2013	Options forfeited at end-2013	Options outstanding at end-2013	Exercise period
Share subscription options							
None							
Share purchase options							
Plans expired:							
18 Dec. 2003 23 May 2000	178,000	€51.45	5	0	30,333	0	18 Dec. 2005 to 18 Dec. 2013
Plans in force:							
20 Nov. 2004 11 May 2004	178,000	€51.92	5	0	30,336	149,640(*)	20 Nov. 2006 to 20 Nov. 2014
20 Nov. 2005 11 May 2004	240,000	€56.97	5	0	50,000	190,000	21 Nov. 2007 to 21 Nov. 2015
14 Dec. 2006 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	No. of rights granted	No. of beneficiaries	No. of shares vested in 2013	No. of rights forfeited at end-2013	No. of rights outstanding at end-2013	Vesting date
Plan expired in 2009 (the conditions of this plan were not fulfilled and the rights have lapsed):						
28 Dec. 2007 27 April 2007	107,000	7	0	107,000	0(*)	29 Dec. 2009
Plan in force:						
1 Oct. 2009 31 Dec. 2009	126,000	6	21,155	7,690	21,155	2 Oct. 2011** 1 April 2012***
17 Dec. 2010	126,000	5	69,547	56,453	0	17 Dec. 2012 1 April 2013***
29 Dec. 2011	119,000	5	0	26,000	93,000	30 Dec. 2013 1 April 2014***
25 June 2012	111,000	4	0	0	111,000	25 May 2014 2 April 2015***
26 Dec. 2013	115,000	4	0	0	115,000	2 April 2017

(*) 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 the Managing Partner who is 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				
	2012		**2013**	
	Amounts receivable	Amounts received	**Amounts receivable**	**Amounts received**
"Lagardère"				
Fixed salary	1,140,729	1,140,729	**1,140,729**	**1,140,729**
Variable portion of salary	1,432,320	804,000[1]	**1,646,400**	**1,432,320[1]**
Special bonuses	-	-	**-**	**-**
Attendance fees	4,750	6,514	**-**	**4,750**
Benefits in kind	20,499	20,499	**20,499**	**20,499**
Total	2,598,298	1,971,742	**2,807,628**	**2,598,298**
"EADS"				
Fixed salary	100,000	100,000	**45,000**	**164,167**
Variable portion of salary	-	-	**-**	**-**
Attendance fees	80,000	80,000	**20,000**	**20,000**
Total	180,000	180,000	**65,000**	**184,167**
Overall total	2,778,298	2,151,742	**2,872,628**	**2,782,465**

(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		
	2012	**2013**
Remuneration and benefits receivable for the year (details in previous table)	2,778,298	**2,872,628**
Value of share options granted during the year	N/A	**N/A**
Value of performance shares granted during the year	N/A	**N/A**
Total	2,778,298	**2,872,628**

Pierre Leroy

Summary of remuneration and benefits				
	2012		**2013**	
	Amounts receivable	Amounts received	**Amounts receivable**	**Amounts received**
Fixed salary	1,474,000	1,474,000	**1,474,000**	**1,474,000**
Variable portion of salary	522,200	489,500[1]	**652,800**	**522,200[1]**
Special bonuses	-	-	**-**	**-**
Attendance fees	7,125	7,057	**-**	**7,125**
Benefits in kind	8,430	8,430	**8,430**	**8,430**
Total	2,011,755	1,978,987	**2,135,230**	**2,011,755**

(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 2013						
Date of AGM authorisation	**Date of plan**	**Number of shares awarded in 2013**	**Value under IFRS 2**	**Vesting date**	**End of lock-up period**	**Performance conditions**
3 May 2013	26 Dec. 2013	32,000	686,080	1 April 2017	1 April 2019	(1)

(1) Based on changes in recurring operating profit before associates of the Media business for 2014, 2015 and 2016 and net cash from operating activities for 2014, 2015 and 2016.

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 and in part F of section 7.3.1.1 above.

- 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.

Under the 2010 plan, 19,849 of the 29,000 free shares granted to Pierre Leroy vested in 2013, i.e., 68% of the shares granted, 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		
	2012	**2013**
Remuneration and benefits receivable for the year (details in previous table)	2,011,755	**2,135,230**
Value of share options granted during the year	N/A	**N/A**
Value of performance shares granted during the year	538,240	**686,080**
Total	2,549,995	**2,821,310**

Dominique D'Hinnin

Summary of remuneration and benefits				
	2012		**2013**	
	Amounts receivable	Amounts received	**Amounts receivable**	**Amounts received**
«Lagardère»				
Fixed salary	1,206,000	1,206,000	**1,206,000**	**1,206,000**
Variable portion of salary	564,800	580,000 (1)	**652,800**	**564,800** (1)
Special bonuses	-	-	**-**	**-**
Attendance fees	7,600	7,600	**-**	**7,600**
Benefits in kind	8,013	8,013	**8,013**	**8,013**
Total	1,786,413	1,801,613	**1,866,813**	**1,786,413**
«EADS»				
Fixed salary	120,000	120,000	**30,000**	**120,000**
Variable portion of salary	-	-	**-**	**-**
Attendance fees	55,000	55,000	**10,000**	**10,000**
Total	175,000	175,000	**40,000**	**130,000**
Overall total	1,961,413	1,976,613	**1,906,813**	**1,916,413**

(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 2013						
Date of AGM authorisation	**Date of plan**	**Number of shares awarded in 2013**	**Value under IFRS 2**	**Vesting date**	**End of lock-up period**	**Performance conditions**
3 May 2013	26 Dec. 2013	32,000	686,080	1 April 2017	1 April 2019	(1)

(1) Based on changes in recurring operating profit before associates of the Media business for 2014, 2015 and 2016 and net cash from operating activities for 2014, 2015 and 2016.

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 and in part F of section 7.3.1.1 above.

- 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.

Under the 2010 plan, 19,849 of the 29,000 free shares granted to Dominique D'Hinnin vested in 2013, i.e., 68% of the shares granted, 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		
	2012	**2013**
Remuneration and benefits receivable for the year (details in previous table)	1,961,413	**1,906,813**
Value of share options granted during the year	N/A	**N/A**
Value of performance shares granted during the year	538,240	**686,080**
Total	2,499,653	**2,592,893**

Thierry Funck-Brentano

Summary of remuneration and benefits				
	2012		**2013**	
	Amounts receivable	Amounts received	**Amounts receivable**	**Amounts received**
Fixed salary	1,206,000	1,206,000	1,206,000	1,206,000
Variable portion of salary	601,800	578,500[(1)]	652,800	601,800[(1)]
Special bonuses	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind	10,628	10,628	10,628	10,628
Total	1,818,428	1,795,128	**1,869,428**	**1,818,428**

(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 2013						
Date of AGM authorisation	**Date of plan**	**Number of shares awarded in 2013**	**Value under IFRS 2**	**Vesting date**	**End of lock-up period**	**Performance conditions**
3 May 2013	26 Dec. 2013	32,000	686,080	1 April 2017	1 April 2019	(1)

(1) Based on changes in recurring operating profit before associates of the Media business for 2014, 2015 and 2016 and net cash from operating activities for 2014, 2015 and 2016.

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 and in part F of section 7.3.1.1 above.

- 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.

Under the 2010 plan, 19,849 of the 29,000 free shares granted to Thierry Funck-Brentano vested in 2013, i.e., 68% of the shares granted, 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		
	2012	**2013**
Remuneration and benefits receivable for the year (details in previous table)	1,818,428	**1,869,428**
Value of share options granted during the year	N/A	**N/A**
Value of performance shares granted during the year	538,240	**686,080**
Total	2,356,668	**2,555,508**

Share options[1]

Date of AGM	Plans expired			Plans in force		
	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 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 Dec. 2003	19 Dec. 2004	18 Dec. 2005	20 Nov. 2006	21 Nov. 2007	14 Dec. 2008
Option expiry date	19 Dec. 2008	19 Dec. 2009	18 Dec. 2013	20 Nov. 2014	21 Nov. 2015	14 Dec. 2016
Subscription or purchase price	€46.48[*]	€51.45[*]	€51.45[*]	€51.92[*]	€56.97	€55.84
Number of shares acquired at 28 March 2014	30,336[2]	-	-	-	-	-
Total number of share options cancelled or forfeited:						
Arnaud Lagardère	50,560	50,554	-	-	-	-
Pierre Leroy		30,333	40,444	-	-	-
Philippe Camus	20,224	20,222	30,333	30,336	50,000	50,000
Dominique D'Hinnin	30,336	30,333	40,444	-	-	-
Thierry Funck-Brentano	30,336	30,333	40,444	-	-	-
Share options[1] outstanding at end-2013:						
Arnaud Lagardère	0	0	-	-	-	-
Pierre Leroy	0	0	0	40,447	50,000	50,000
Philippe Camus	0	0	0	0	0	0
Dominique D'Hinnin	0	0	0	40,447	50,000	50,000
Thierry Funck-Brentano	0	0	0	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.

Historical information on performance share grants

	Plan 1	Plan 2	Plan 3	Plan 4	Plan 5
Date of AGM	28 April 2009	28 April 2009	28 April 2009	28 April 2009	3 May 2013
Date of grant[1]	31 Dec. 2009	17 Dec. 2010	29 Dec. 2011	25 June 2012	26 Dec. 2013
Total number of free shares granted	50,000	116,000	104,000	96,000	96,000
Of which granted to:					
Arnaud Lagardère[2]	-	-	-	-	-
Pierre Leroy	25,000	29,000	26,000	32,000	32,000
Philippe Camus	25,000	29,000	26,000	-	-
Dominique D'Hinnin	-	29,000	26,000	32,000	32,000
Thierry Funck-Brentano	-	29,000	26,000	32,000	32,000
Vesting date	2 April 2012 2 April 2014	2 April 2013	2 April 2014	2 April 2015	2 April 2017
End of holding period	2 April 2014	2 April 2015	2 April 2016	2 April 2017	2 April 2019
Performance conditions	Yes	Yes	Yes	Yes	Yes
Number of shares vested at 28 February 2014	21,155	59,547	0	0	0
Total number of shares cancelled or forfeited	7,690	56,453	26,000	0	0
Arnaud Lagardère	-	-	-	-	-
Pierre Leroy	3,845	9,151	0	0	0
Philippe Camus	3,845	29,000	26,000	-	-
Dominique D'Hinnin	-	9,151	0	0	0
Thierry Funck-Brentano	-	9,151	0	0	0
Performance shares outstanding at end-2013:	21,155	0	78,000	96,000	96,000
Arnaud Lagardère	-	-	-	-	-
Pierre Leroy	0	0	26,000	32,000	32,000
Philippe Camus	21,155	0	0	-	-
Dominique D'Hinnin	-	0	26,000	32,000	32,000
Thierry Funck-Brentano	-	0	26,000	32,000	32,000

(1) Since Lagardère SCA is a French partnership limited by shares, the granting of performance shares is the responsibility of the Managing Partners and is coordinated by the Supervisory Board.
(2) Arnaud Lagardère, Managing Partner, does not receive any performance shares.

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 Position: Managing Partner Date of appointment: End of term of office: *Renewed on 11 March 2009 for a period of six years*		X	X			X		X
Pierre Leroy Position: [(a)] Date of appointment: End of term of office:	N.A.[(1)]		X			X		X
Dominique D'Hinnin Position: [(b)] Date of appointment: End of term of office:	N.A.[(1)]		X			X		X
Thierry Funck-Brentano Position: [(b)] Date of appointment: 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 CONSULTATION OF THE SHAREHOLDERS ON THE COMPONENTS OF REMUNERATION PAYABLE OR GRANTED TO THE MANAGING PARTNERS IN RESPECT OF 2013

In accordance with the recommendations of the AFEP-MEDEF code of corporate governance, as revised in June 2013, to which the Company refers pursuant to the provisions of article L. 225-37 of the French Commercial Code (*Code de commerce*), the Company will submit for the shareholders' advisory opinion the components of remuneration, taken as a whole, payable or granted in respect of 2013 to each of the Company's executive corporate officers, namely:

- Arnaud Lagardère, in his capacity as Managing Partner of Lagardère SCA and Chairman and Chief Executive Officer of Arjil Commanditée-Arco, Managing Partner of Lagardère SCA;
- Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano, in their capacity as Chief Operating Officers of Arjil Commanditée-Arco, Managing Partner of Lagardère SCA.

In accordance with the provisions of the AFEP-MEDEF code of corporate governance, the shareholders' opinion is sought regarding the components of remuneration, taken as a whole, payable or granted to these persons in respect of 2013, namely:

- the fixed portion;
- the annual variable portion;
- performance shares;
- any other benefits.

The components of remuneration payable, paid or granted during or in respect of 2013 to Arnaud Lagardère, Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano were described in detail in the previous section.

The components of remuneration payable or granted in respect of 2013 can be summarised as follows:

ARNAUD LAGARDÈRE:

Components of remuneration	Amount or accounting value	Comments
Fixed salary	€1,140,729	▸ This is the amount before deducting social security contributions, the amount of which has not changed since 2009.
Variable salary	€1,646,400	▸ This remuneration is determined on the basis of rules defined in 2003 which have been consistently applied since that date. ▸ It is based solely on the Group's performance in 2013 (change in recurring operating profit before associates for Lagardère Media companies compared with the target recurring operating profit before associates communicated as market guidance and changes in net cash from operating activities compared with the budget prepared at the start of the year. These results will be reduced, where applicable, by applying the ratio between the recurring operating profit before associates for Lagardère Media companies in 2013 and that generated in 2012). (See section 7.3.1.1 of the Reference Document). ▸ It cannot exceed 150% of the fixed salary. ▸ In light of the success rate for achieving these objectives in 2013, the variable portion amounted to 144% of the fixed annual salary in 2013.
Deferred variable salary	N/A	▸ Arnaud Lagardère does not receive any deferred variable salary.
Multi-annual variable salary	N/A	▸ Arnaud Lagardère does not receive any multi-annual variable salary.
Special bonuses	N/A	▸ Arnaud Lagardère did not receive any special bonuses.
Attendance fees in respect of EADS Fixed salary in respect of EADS	€20,000 €45,000	▸ These attendance fees and this salary are payable in respect of his office as Chairman of the Board of EADS.
Awarding of share options and/or performance shares	N/A	▸ Since his appointment as Managing Partner in 2003, Arnaud Lagardère does not receive any share options or performance shares.
Benefits linked to non-competition agreements	N/A	▸ Arnaud Lagardère does not receive any benefits of this nature.
Benefits linked to taking up or terminating office	N/A	▸ Arnaud Lagardère does not receive any benefits of this nature.
Supplementary pension plan	No payment in respect of 2013	▸ Arnaud Lagardère benefits from the defined benefit supplementary pension plan in force within Lagardère Capital & Management under the same conditions as the other beneficiaries. (See section 7.3.1.1 of the Reference Document). ▸ These entitlements under the plan are acquired at a rate of 1.75% of the benchmark remuneration per year up to a limit of 20 years. Accordingly, the supplementary pension plan cannot exceed 35% of the benchmark remuneration. ▸ The benchmark remuneration corresponds to the average gross annual remuneration over the last five years (fixed + variable up to a maximum of 100% of the fixed portion) and cannot exceed 50 times the annual 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. ▸ The corresponding commitment was authorised by the Supervisory Board on 14 September 2005 (in accordance with the rules governing related party agreements and commitments) and approved by the General Meeting of 2 May 2006 (4th resolution). ▸ For example, if the annual annuity payable to Arnaud Lagardère was calculated today based on the benchmark remuneration as defined in the plan, it would represent approximately 29.9% of his fixed and variable salary for 2013.
Benefits in kind	€20,499	▸ This corresponds to a possible personal use of his company car.

PIERRE LEROY:

Components of remuneration	Amount or accounting value	Comments
Fixed salary	€1,474,000	▶ This is the amount before deducting social security contributions, the amount of which has not changed since 2011.
Variable salary	€652,800	▶ This remuneration is determined on the basis of rules defined in 2003 which have been consistently applied since that date. ▶ It includes: – a qualitative component, which may not exceed 25% of the fixed salary, taking into account his personal contribution to the development of the Group, changes in his value added, the quality of his management, the relevance of his organisation, the motivation of his teams and attention paid to social and environmental issues; – a performance-related component, based on the Group's performance in 2013 (change in recurring operating profit before associates for Lagardère Media companies compared with the target recurring operating profit before associates communicated as market guidance and changes in net cash from operating activities compared with the budget prepared at the start of the year. These results will be reduced, where applicable, by applying the ratio between the recurring operating profit before associates for Lagardère Media companies in 2013 and that generated in 2012). ▶ The total amount of the variable salary may not exceed 75% of the fixed salary. ▶ In light of the success rate for achieving these objectives in 2013 (see section 7.3.1.1 of the Reference Document), the variable portion amounted to 44% of the fixed annual salary in 2013.
Deferred variable salary	N/A	▶ Pierre Leroy does not receive any deferred variable salary.
Multi-annual variable salary	N/A	▶ Pierre Leroy does not receive any multi-annual variable salary.
Special bonuses	N/A	▶ Pierre Leroy did not receive any special bonuses.
Attendance fees	N/A	▶ Pierre Leroy did not receive any attendance fees in respect of 2013.
Awarding of share options and/or performance shares	€686,080	▶ In 2013 Pierre Leroy benefited from the right to receive 32,000 performance shares (0.024% of the share capital). ▶ These shares will only vest subject to the beneficiary remaining with the Group and the achievement of conditions related to the Group's performance in 2014, 2015 and 2016 (change in recurring operating profit before associates for Lagardère Media companies compared with the target recurring operating profit before associates communicated as market guidance and changes in target net cash from operating activities compared with the budget prepared at the start of the year. These results will be reduced, where applicable, by applying the ratio between recurring operating profit before associates for Lagardère Media companies for 2016 and the average for 2014 and 2015 – see section 7.3.5 of the Reference Document). ▶ The corresponding award was authorised by the General Meeting of 3 May 2013 (17th Resolution).
Benefits linked to non-competition agreements	N/A	▶ Pierre Leroy does not receive any benefits of this nature.
Benefits linked to taking up or terminating office	N/A	▶ Pierre Leroy does not receive any benefits of this nature.
Supplementary pension plan	No payment in respect of 2013	▶ Pierre Leroy benefits from the defined benefit supplementary pension plan in force within Lagardère Capital & Management under the same conditions as the other beneficiaries (see section 7.3.1.1 of the Reference Document). ▶ These entitlements under the plan are acquired at a rate of 1.75% of the benchmark remuneration per year up to a limit of 20 years. Accordingly, the supplementary pension plan cannot exceed 35% of the benchmark remuneration. ▶ The benchmark remuneration corresponds to the average gross annual remuneration over the last five years (fixed + variable up to a maximum of 100% of the fixed portion) and cannot exceed 50 times the annual 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. ▶ The corresponding commitment was authorised by the Supervisory Board in 2005 and approved by the General Meeting in 2006 in accordance with the rules governing related party agreements and commitments. ▶ For example, if the annual annuity payable to Pierre Leroy was calculated today based on the benchmark remuneration as defined in the plan, it would represent approximately 30.9% of his fixed and variable salary for 2013.
Benefits in kind	€8,430	▶ This corresponds to a possible personal use of his company car.

DOMINIQUE D'HINNIN:

Components of remuneration	Amount or accounting value	Comments
Fixed salary	€1,206,000	▸ This is the amount before deducting social security contributions, the amount of which has not changed since 2011.
Variable salary	€652,800	▸ This remuneration is determined on the basis of rules defined in 2003 which have been consistently applied since that date. ▸ It includes: – a qualitative component, which may not exceed 25% of the fixed salary, taking into account his personal contribution to the development of the Group, changes in his value added, the quality of his management, the relevance of his organisation, the motivation of his teams and attention paid to social and environmental issues; – a performance-related component, based on the Group's performance in 2013 (change in recurring operating profit before associates for Lagardère Media companies compared with the target recurring operating profit before associates communicated as market guidance and changes in net cash from operating activities compared with the budget prepared at the start of the year. These results will be reduced, where applicable, by applying the ratio between the recurring operating profit before associates for Lagardère Media companies in 2013 and that generated in 2012). ▸ The total amount of the variable salary may not exceed 75% of the fixed salary. ▸ In light of the success rate for achieving these objectives in 2013 (see section 7.3.1.1 of the Reference Document), the variable portion amounted to 54% of the fixed annual salary in 2013.
Deferred variable salary	N/A	▸ Dominique D'Hinnin does not receive any deferred variable salary.
Multi-annual variable salary	N/A	▸ Dominique D'Hinnin does not receive any multi-annual variable salary.
Special bonuses	N/A	▸ Dominique D'Hinnin did not receive any special bonuses.
Attendance fees in respect of EADS Fixed salary in respect of EADS	€10,000 €30,000	▸ These attendance fees and this salary are payable in respect of his office on the Board of EADS.
Awarding of share options and/or performance shares	€686,080	▸ In 2013 Dominique D'Hinnin benefited from the right to receive 32,000 performance shares (0.024% of the share capital). ▸ These shares will only fully vest subject to the beneficiary remaining with the Group and the achievement of conditions related to the Group's performance in 2014, 2015 and 2016 (change in recurring operating profit before associates for Lagardère Media companies compared with the target recurring operating profit before associates communicated as market guidance and changes in target net cash from operating activities compared with the budget prepared at the start of the year. These results will be reduced, where applicable, by applying the ratio between recurring operating profit before associates for Lagardère Media companies for 2016 and the average for 2014 and 2015 – see section 7.3.5 of the Reference Document). ▸ The corresponding award was authorised by the General Meeting of 3 May 2013 (17th Resolution).
Benefits linked to non-competition agreements	N/A	▸ Dominique D'Hinnin does not receive any benefits of this nature.
Benefits linked to taking up or terminating office	N/A	▸ Dominique D'Hinnin does not receive any benefits of this nature.
Supplementary pension plan	No payment in respect of 2013	▸ Dominique D'Hinnin benefits from the defined benefit supplementary pension plan in force within Lagardère Capital & Management under the same conditions as the other beneficiaries (see section 7.3.1.1 of the Reference Document). ▸ These entitlements under the plan are acquired at a rate of 1.75% of the benchmark remuneration per year up to a limit of 20 years. Accordingly, the supplementary pension plan cannot exceed 35% of the benchmark remuneration. ▸ The benchmark remuneration corresponds to the average gross annual remuneration over the last five years (fixed + variable up to a maximum of 100% of the fixed portion) and cannot exceed 50 times the annual 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. ▸ The corresponding commitment was authorised by the Supervisory Board in 2005 and approved by the General Meeting in 2006 in accordance with the rules governing related party agreements and commitments. ▸ For example, if the annual annuity payable to Dominique D'Hinnin was calculated today based on the benchmark remuneration as defined in the plan, it would represent approximately 33.4% of his fixed and variable salary for 2013.
Benefits in kind	€8,013	▸ This corresponds to a possible personal use of his company car.

THIERRY FUNCK-BRENTANO:

Components of remuneration	Amount or accounting value	Comments
Fixed salary	€1,206,000	▸ This is the amount before deducting social security contributions, the amount of which has not changed since 2011.
Variable salary	€652,800	▸ This remuneration is determined on the basis of rules defined in 2003 which have been consistently applied since that date. ▸ It includes: – a qualitative component, which may not exceed 25% of the fixed salary, taking into account his personal contribution to the development of the Group, changes in his value added, the quality of his management, the relevance of his organisation, the motivation of his teams and attention paid to social and environmental issues; – a performance-related component, based on the Group's performance in 2013 (change in recurring operating profit before associates for Lagardère Media companies compared with the target recurring operating profit before associates communicated as market guidance and changes in net cash from operating activities compared with the budget prepared at the start of the year. These results will be reduced, where applicable, by applying the ratio between the recurring operating profit before associates for Lagardère Media companies in 2013 and that generated in 2012). ▸ The total amount of the variable salary may not exceed 75% of the fixed salary. ▸ In light of the success rate for achieving these objectives in 2013 (see section 7.3.1.1 of the Reference Document), the variable portion amounted to 54% of the fixed annual salary in 2013.
Deferred variable salary	N/A	▸ Thierry Funck-Brentano does not receive any deferred variable salary.
Multi-annual variable salary	N/A	▸ Thierry Funck-Brentano does not receive any multi-annual variable salary.
Special bonuses	N/A	▸ Thierry Funck-Brentano did not receive any special bonuses.
Attendance fees	N/A	▸ Thierry Funck-Brentano did not receive any attendance fees in respect of 2013.
Awarding of share options and/or performance shares	€686,080	▸ In 2013, Thierry Funck-Brentano benefited from the right to receive 32,000 performance shares (0.024% of the share capital). ▸ These shares will only fully vest subject to the beneficiary remaining with the Group and the achievement of conditions related to the Group's performance in 2014, 2015 and 2016 (change in recurring operating profit before associates for Lagardère Media companies compared with the target recurring operating profit before associates communicated as market guidance and changes in target net cash from operating activities compared with the budget prepared at the start of the year. These results will be reduced, where applicable, by applying the ratio between recurring operating profit before associates for Lagardère Media companies for 2016 and the average for 2014 and 2015 – see section 7.3.5 of the Reference Document). ▸ The corresponding award was authorised by the General Meeting of 3 May 2013 (17th Resolution).
Benefits linked to non-competition agreements	N/A	▸ Thierry Funck-Brentano does not receive any benefits of this nature.
Benefits linked to taking up or terminating office	N/A	▸ Thierry Funck-Brentano does not receive any benefits of this nature.
Supplementary pension plan	No payment in respect of 2013	▸ Thierry Funck-Brentano benefits from the defined benefit supplementary pension plan in force within Lagardère Capital & Management under the same conditions as the other beneficiaries (see section 7.3.1.1 of the Reference Document). ▸ These entitlements under the plan are acquired at a rate of 1.75% of the benchmark remuneration per year up to a limit of 20 years. Accordingly, the supplementary pension plan cannot exceed 35% of the benchmark remuneration. ▸ The benchmark remuneration corresponds to the average gross annual remuneration over the last five years (fixed + variable up to a maximum of 100% of the fixed portion) and cannot exceed 50 times the annual 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. ▸ The corresponding commitment was authorised by the Supervisory Board in 2005 and approved by the General Meeting in 2006 in accordance with the rules governing related party agreements and commitments. ▸ For example, if the annual annuity payable to Thierry Funck-Brentano was calculated today based on the benchmark remuneration as defined in the plan, it would represent approximately 32.4% of his fixed and variable salary for 2013.
Benefits in kind	€10,628	▸ This corresponds to a possible personal use of his company car.

7.3.3 SUPERVISORY BOARD

7.3.3.1 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 2012, 2013 and 2014 (in euros):

	2012 for 2011	2013 for 2012	2014 for 2013
Nathalie Andrieux	-	30,050.51	64,512.71
Antoine Arnault	-	13,257.58	11,122.88
Bernard Arnault	10,000	2,651.52	-
Martine Chêne	18,000	21,212.12	22,245.76
Georges Chodron de Courcel	38,000	42,424.24	44,491.53
François David	93,333.33	102,525.25	111,228.81
Xavier de Sarrau	100,000(1)	106,060.61(1)	111,228.81(1)
Pierre Lescure	36,000	39,772.73	40,042.37
Raymond H. Lévy	60,000	19,444.44	-
Jean-Claude Magendie	20,000	18,560.61	20,021.19
Soumia Malinbaum	-	-	11,122.88
Christian Marbach	60,000	19,444.44	-
Bernard Mirat	30,000	-	-
Hélène Molinari	-	15,909.09	22,245.76
Javier Monzón	20,000(1)	21,212.12(1)	17,796.61(1)
Amélie Oudéa-Castera	56,666.67	60,101.01	21,504.24
Didier Pineau-Valencienne	54,666.67	63,636.36	23,728.82
François Roussely	18,000	21,212.12	20,021.19
Aline Sylla-Walbaum	-	-	39,300.85
Susan M. Tolson	8,000(1)	18,560.61(1)	22,245.76(1)
Patrick Valroff	40,000	63,636.36	64,512.71
Total attendance fees paid	**662,666.67**	**679,671.72**	**667,372.88**

(1) Less withholding tax.

Raymond Levy received €74,131 in retirement benefits for 2013, 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.

7.3.3.2 SHARE OPTIONS

None.

7.3.3.3 FREE SHARE AWARDS

None.

7.3.4 TRANSACTIONS IN LAGARDÈRE SCA SHARES BY THE MANAGING PARTNERS AND MEMBERS OF THE SUPERVISORY BOARD AND THEIR RELATIVES DURING 2013

7.3.4.1 MANAGING PARTNERS

- The Managing Partners did not purchase or sell any Lagardère SCA shares in 2013.
- On 2 April 2013, Dominique D'Hinnin, Thierry Funck-Brentano and Pierre Leroy received 19,849 vested shares each out of the 29,000 free shares awarded to them under the free share plan of 17 December 2010.

7.3.4.2 MEMBERS OF THE SUPERVISORY BOARD

SOUMIA MALINBAUM

Soumia Malinbaum purchased 200 Lagardère SCA shares on 26 April 2013 following her appointment.

ALINE SYLLA-WALBAUM

Aline Sylla-Walbaum purchased 160 Lagardère SCA shares on 2 August 2013 following her appointment.

***

To the best of the Company's knowledge, no other transactions in the Company's shares were carried out in 2013 by any Managing Partner or Supervisory Board member or any parties related to them.

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 2013.

***

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 arose after the award, this condition was not met and accordingly the plan lapsed on 29 December 2009.

Annual plans have been implemented since 2009.

Under the 2009 plan, 109,925 shares vested in early October 2013 for employees residing outside of France, for whom the vesting period was set at four years. These shares were issued as part of a share capital increase through capitalisation of reserves. 1,000 shares were also awarded in May 2013 to one of the beneficiaries of the 2009 plan who had re-established French residency for tax purposes. These shares were deducted from the Company's treasury shares.

Under the 2010 plan, 59,547 shares vested in early April 2013 for the legal representatives of Lagardère SCA residing in France. These shares were issued as part of a share capital increase through capitalisation of reserves.

Under the 2011 plan, 418,950 shares vested in 2013 for employees residing in France. These shares were issued as part of a share capital increase through capitalisation of reserves.

No shares have vested in 2013 under the 2012 plans.

2. In 2013, based on the authorisations given by the General Meeting of 3 May 2013 (17th and18th resolutions), the Managing Partners of the Company awarded 712,950 free Lagardère SCA shares (representing 0.54% of the total number of shares comprising the share capital) to 415 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 26 December 2013 are as follows:

- *Number of beneficiaries:* 406 persons.
- *Number of shares awarded:* 495,950 shares, (representing 0.378% of the total number of shares comprising the share capital).
- *Vesting period:* two years; the shares awarded will not fully vest until 27 December 2015, 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 27 December 2017 inclusive and, as from the next day, 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 27 December 2017 (the shares awarded will fully vest on such date, on the condition that at 27 December 2015 the beneficiaries have neither resigned nor been terminated or dismissed for serious or gross negligence); 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 €26.49 per share at the opening of trading on the Paris stock exchange on 26 December 2013. In accordance with IFRS, this same value was €23.07 per share for the shares vesting end-2015, and €20.42 per share for the shares vesting end-2017.

b. On 26 December 2013, Arnaud Lagardère, in his capacity as Managing Partner, awarded Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano, employees of Lagardère Capital & Management and representatives of the Managing Partner, 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 gross annual remuneration.

The characteristics of this award and the conditions to which it is subject are as follows:

- *Vesting period:* the shares awarded will fully vest on 1 April 2017 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 does not have 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 2014, 2015 and 2016 by comparison with the target 2014, 2015 and 2016 recurring operating profit before associates communicated as market guidance; the second based on the changes in net cash from operating activities in 2014, 2015 and 2016 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 sixth 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 2016 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 2014 and in 2015. If this objective is not achieved, then the number of shares resulting from application of the six 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 legal representatives of Lagardère SCA on 31 December 2016; this condition will be deemed met in the event of their removal from their 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 2017 to 1 April 2019;
  - 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 salary 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".

c. Lastly, on 26 December 2013, Arnaud Lagardère, in his capacity as Managing Partner, awarded a total of 121,000 free shares (i.e., 0.09% of the total number of shares comprising the share capital) to the six other members of Lagardère Media's Operating Committee, subject to the same performance conditions as the legal representatives of the Managing Partner and on the condition, in particular, that at 31 December 2016 the beneficiaries have neither resigned nor been terminated or dismissed for serious or gross negligence. All of the shares vesting on 1 April 2017 must be held for a period of no less than two years, i.e., until 1 April 2019.

The value of the rights to the shares awarded to the members of Lagardère Media's Operating Committee, including the legal representatives of the Managing Partner, was €26.49 per share at the opening of trading on the Paris stock exchange on 26 December 2013. In accordance with IFRS, this same value was €21.44 for the shares that will vest on 1 April 2017.

3. The main characteristics of all of the free share plans in force at 31 December 2013 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	535,330	21,155
17 December 2010	634,950	60,153	445,597	129,200
15 July and 29 December 2011	650,000	38,800	418,950	192,250
25 June 2012	645,800	18,350	-	627,450
26 December 2013	712,950	-	-	712,950
Total	**3,215,225**	**132,343**	**1,399,877**	**1,683,005**

4. The total number of free shares awarded during 2013 to the ten largest beneficiaries who are not members of the managing bodies of Lagardère SCA was 145,000 free Lagardère SCA shares, representing an average of 14,500 rights per person.

5. Lastly, we bring to your attention that, in relation to the Group's subsidiaries, a plan covering 2,500 free LeGuide.com shares, i.e., less than 0.1% of the current share capital, with a unit value of €28, was implemented on 25 January 2013 by LeGuide.com in favour of an employee.

6. Preserving the rights of beneficiaries of non-fully vested Lagardère SCA free shares awarded as a result of the payment of an extra interim dividend.

Following the sale of the remainder of the Group's EADS shares, on 21 May 2013 the Managing Partners decided to pay an extra interim dividend of €9 per share, representing more than 30% of the market value of the share before the corresponding ex-dividend date.

In accordance with positive law, adjustments should be made to the number of rights to free shares not yet fully vested in order to preserve the rights of holders of free shares under plans still in force at the date of this General Meeting.

When questioned, the tax authorities responded that as this extra distribution had been carried out in the form of an interim dividend, which is not provided for by law, the number of rights to free shares could not be adjusted without calling into question the preferential treatment provided for by law.

However, in light of the terms of the operative part of the judgement handed down by the Cour de Cassation on 27 February 2001, in a dispute between our Company and ABC Arbitrage, the rights of beneficiaries should be preserved in accordance with the terms and conditions to be decided by the Managing Partners once the appropriation of 2013 profit has been approved by the General Meeting.

The Managing Partners

7.3.6 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 2013.

GENERAL INFORMATION

1. Lagardère SCA

During 2013, 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-2013 are summarised in the table below.

Plan	Number of beneficiaries	Number of options originally granted*	Exercise price*	Options exercised at end-2013	Options forfeited at end-2013	Options outstanding at end-2013	Period of exercise
Subscription options:							
None							
Purchase options:							
Expired plan:							
18 Dec. 2003	445	1,437,250	€51.45	42,522	1,410,929	0	18 Dec. 2005 to 18 Dec. 2013
Plans in force:							
20 Nov. 2004	481	1,568,750	€51.92	10,660	282,894	1,292,965	20 Nov. 2006 to 20 Nov. 2014
21 Nov. 2005	495	1,683,844	€56.97	0	260,505	1,423,339	21 Nov. 2007 to 21 Nov. 2015
14 Dec. 2006	451	1,844,700	€55.84	0	217,100	1,627,600	14 Dec. 2008 to 14 Dec. 2016
Total					**2,171,428**	**4,343,904**	

(*) Before the adjustments of 6 July 2005 for the 2003 and 2004 plans.

It should be noted that no options were exercised during 2013 due to share price levels, which ranged between €18.42 and €29.59, whereas purchase prices ranged between €51.45 and €56.97.

2. Subsidiaries

In the course of 2013, 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 2013, within the Company's subsidiaries.

SPECIFIC INFORMATION ON MEMBERS OF THE MANAGING BODIES OF LAGARDÈRE SCA

In 2013, Lagardère SCA's Managing Partners and the legal representatives of Arjil Commanditée-Arco 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 2003 to 2006.

ADJUSTMENT OF EXERCISE PRICES AND OF THE NUMBER OF LAGARDÈRE SCA SHARE OPTIONS AWARDED AS A RESULT OF THE PAYMENT OF AN EXTRA INTERIM DIVIDEND

Following the sale of the remainder of the Group's EADS shares, on 21 May 2013 the Managing Partners decided to pay an extra interim dividend of €9 per share, representing more than 30% of the market value of the share before the corresponding ex-dividend date.

In accordance with positive law, adjustments should have accordingly been made to the subscription price and the number of options awarded in order to preserve the rights of holders of the three share purchase option plans still in force at the date of this General Meeting.

When questioned, the tax authorities responded that as this extra distribution had been carried out in the form of an interim dividend, which is not provided for by article L. 225-181 of the French Commercial Code, the price and number of options could not be adjusted without calling into question the preferential treatment provided for by law.

However, in light of the terms of the operative part of the judgement handed down by the Cour de Cassation on 27 February 2001, in a dispute between our Company and ABC Arbitrage, the rights of beneficiaries of outstanding share purchase options will be preserved when necessary, if the exercise price of the options (between €51.92 and €56.97) were to come back in the money between now and the end of the corresponding exercise periods (2014, 2015 and 2016), i.e., a value close to the share price.

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 434 companies in 2013 (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 Sports 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.

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.

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.

Lagardère Capital & Management employs the Managing Partners under the conditions set out in sections 7.3.1 and 7.5 of this report.

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 Senior Executive 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 Senior Executive 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 Executives 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.

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

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.

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 Executives, 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 Senior Executive and Chief Financial Officer of each division 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.

In addition, each month the "Cash Flow Reporting Committee" examines, under the responsibility of the Group's Chief Financial Officer, an analysis of cash flows and balances for each division, and a breakdown of the bank covenants described in note 29 to the consolidated financial statements.

Lastly, the "Counterparty Risks Committee" regularly analyses the counterparty risks described in the above-mentioned note.

7.4.1.2.B THE GROUP'S CORPORATE DEPARTMENTS

The Managing Partners are supported by the Group's Corporate Departments to implement, monitor and follow-up their decisions. The Group's Corporate Departments have the following functions:

- 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 for the purposes of the Group's financial management and the monitoring of the divisions' operations;
- 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 divisions 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 and Legal Departments is handled by the corresponding Corporate Departments.

Depending on their functional responsibilities, the Corporate Departments report to the Secretary General, Chief Financial Officer or Chief Human Relations, Communications and Sustainable Development Officer, all three of whom are Managing Partners and members of the Executive Committee. The Group Audit Department reports directly to Arnaud Lagardère in his capacity as General and Managing Partner.

Most of 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 employs almost 160 people and is chaired by the Group Secretary General.

As the tasks entrusted to these Corporate Departments are performed for the benefit of Lagardère SCA as well as for all of the subsidiaries, these companies have various service agreements with Lagardère Ressources, which receives a fee for its services, currently set at a percentage of net sales (or gross margin for Lagardère Services).

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 within 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.

During the year, the Group continued to roll out its Talent Management Policy, which was first shared with the divisions towards the end of 2012 at the initiative of the Managing Partners. The divisions identified the personnel concerned by this policy as well as the appropriate succession plans. At the end of 2013, this work was presented to the Managing Partners by the division Senior Executives alongside their respective Human Resources Departments.

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 CSR 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 Responsible Procurement Policy which, rounded out by the Responsible Supplier Charter, seeks to involve all external partners in respecting 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 take better account of 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 strengthened 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 on 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

1 2 3 4 5 6 7 8 9 10 11

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 SINGLE 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 Senior Executives, 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 purchasing policy.

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.

As part of its overall Group compliance drive launched in 2012, the Managing Partners tasked the Group Legal Department with forming a Group Compliance Department. Alongside other initiatives, this project led to the appointment of a Group Chief Compliance Officer in September 2013, in charge of drawing up, rolling out and monitoring the implementation of compliance programmes aimed at preventing legal and regulatory risks from arising, so as to safeguard the Group's interests and reputation and ensure that its activities remain in line with its ethical values.

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.

As part of the above-described overall Group compliance drive, the Group appointed a number of compliance officers in 2013.

Their work concerned in particular the roll-out of a pilot anti-corruption programme within Lagardère Unlimited and the launch of procedures concerning other topics (personal data protection and competition law).

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 brand licensing agreements for use 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 it is for management reporting or intended for publication.

This unified organisation of the cycle relies on the finance departments of each division, 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:

- net 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 addition, each month as part of the "Cash Flow Reporting Committee", the Finance Department prepares a detailed analysis of cash flows and balances for each division, and a breakdown of the bank covenants described in note 29 to the consolidated financial statements. Through its "Counterparty Risks Committee", the Finance Department also produces regular analyses of the counterparty risks described in the same note.

G.4 Interim and annual consolidated financial statements

Additional information is supplied for the preparation of the interim or annual consolidated financial statements for publication.

Chapter 6 contains a description of the principles and methods used in preparing 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 all available 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 Risk and Internal Control Department also sits on the Financial Committee and thereby contributes to its decision-making process.

In addition, the Group 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 high-quality entities, with maturities appropriate to the planned duration of the investments. Speculative or high-risk investments are not permitted.

There are no derivatives related to these investments."

C.4 Risks related to paper price

Lagardère pays particular attention to changes in paper price: 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 price 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 Treasury 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.

C6.1 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.

C6.2 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, Lagardère SCA coordinates awareness among the Group's employees, and implements a policy to improve the prevention, detection and processing 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

The information systems self-assessment questionnaire is rolled out separately.

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 on a regular basis, 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.A2, 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.A3, 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 works to strengthen the monitoring of its internal control and risk management frameworks. In 2013, the Group set up a Risk Management and Internal Control Committee, whose members include a Managing Partner and the Senior Executive of the division concerned, tasked with monitoring the effectiveness of risk management and internal controls at the level of each division. Its first two meetings were held in 2013, focusing on Lagardère Services and Lagardère Unlimited.

7.4.1.10.A PERMANENT MONITORING OF THE RISK MANAGEMENT SYSTEM

As mentioned in section 7.4.1.8.A2, 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, and the exercise is scheduled to be repeated in 2014. 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 had 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, eleven operational processes and two risk management processes covered by 211 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 Executive 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.C7, 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.

1 2 3 4 5 6 7 8 9 10 11

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 section 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 Executives. 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 Executives;
- 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 Audit Department, its powers and responsibilities are set out in an internal audit charter. The Group 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 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.

7.4.2 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 30 January 2014 and by the Audit Committee at its meeting of 6 March 2014 for matters within their remit.

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 12 March 2014.

1. MEMBERSHIP OF THE SUPERVISORY BOARD

In accordance with the Company's Articles of Association, the Supervisory Board is composed of a maximum of 15 members. Previously, around one-half of the Board members were replaced every two years. If the shareholders approve the resolutions put to them, this rate will increase and one-third of the Board will be replaced each year with effect from 2016. The Board also decided that members would be appointed for a maximum term of four years.

Following the resignation of Antoine Arnault, at 31 December 2013 the Board was composed of 14 members: Xavier de Sarrau (Chairman), Nathalie Andrieux, Martine Chêne, Georges Chodron de Courcel, François David, Pierre Lescure, Jean-Claude Magendie, Soumia Malinbaum, Hélène Molinari, Javier Monzón, François Roussely, Aline Sylla-Walbaum, 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.

Further to the recommendation of the Appointments and Remuneration Committee, the Board defined a set of criteria for the selection of members. Members are therefore chosen first and foremost based on their expertise and experience (managerial, financial, strategic and legal) as well as their knowledge of the Group's businesses, so that it can exercise its control duties in full. Moreover, the Board is required to comply with and anticipate the provisions of the Copé-Zimmerman law concerning gender parity. At the 2013 Annual General Meeting, the 40% quota was met.

The following diagram illustrates these objectives:

* Media/Distribution/Innovation/New technology.
** Legal/Governance/Social relations/Marketing/Diversity.

In view of its control duties, the Board must 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 13 Supervisory Board members – or more than 90% of the Board – currently qualify as "independent" members 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 13 members concerned are:

- Xavier de Sarrau;
- Nathalie Andrieux;
- Martine Chêne;
- François David;
- Pierre Lescure;
- Jean-Claude Magendie;
- Soumia Malinbaum;
- Hélène Molinari;
- Javier Monzón;
- François Roussely;
- Aline Sylla-Walbaum;
- Susan M. Tolson;
- Patrick Valroff.

However, as regards these independence criteria, Georges Chodron de Courcel, Chief Operating Officer of BNP Paribas, a significant bank for the Group, is considered a "non-independent" member.

The Board ruled that François Roussely could qualify as an independent member despite his role as Deputy Chairman of Crédit Suisse Europe, as the business dealings between this bank and the Group are negligible.

2. BOARD'S INTERNAL RULES AND OPERATION (PREPARATION AND ORGANISATION 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 12 March 2014) 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. It lists a certain number of criteria, which form a framework for determining whether or not a member may be considered independent.
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;
   - 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: five meetings are planned for 2014. During 2013, the Supervisory Board met five times with an average attendance rate of 82.3% (see the attendance table below):

- on 7 March, with an attendance rate of 80%, mainly to examine the Company's and the 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 – during this meeting, Amélie Oudéa Castéra presented an update to her June 2011 study concerning the risks and outlook of the Lagardère Unlimited division and Javier Monzón provided an overview of the situation in Spain and South America;
- on 15 March, with an attendance rate of 73%, to ask the Annual General Meeting to appoint two new Supervisory Board members to replace resigning members Amélie Oudéa-Castéra and Didier Pineau Valencienne;
- on 5 June, with an attendance rate of 93%, mainly to examine Group developments and Lagardère Active's strategic view (presentation given by Denis Olivennes and his team) as well as the findings of the self-assessment of the operations and work of the Board and its committees. Patrick Valroff also gave an update to his study concerning the impact of digital technology on the Group and Pierre Lescure presented his report on the "Act II of the cultural exception in the digital era" project commissioned by the French government;
- on 4 September, with an attendance rate of 86%, mainly to examine the interim company and consolidated financial statements and the business position and outlook, examine Lagardère Services' strategic view (presentation given by Dag Rasmussen and his team); the Board also reviewed the June 2013 amendments to the AFEP-MEDEF code of corporate governance (presentation by Hélène Molinari);
- on 4 December, with an attendance rate of 78%, mainly to examine the Group's general position and strategy. Denis Olivennes and his team also presented the Group's Audiovisual businesses.

  Following this Supervisory Board meeting, the members met without the Managing Partners in attendance.

Members' attendance at Supervisory Board and Committee meetings in 2013

Members 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	80%	100%	
Antoine Arnault	25%		
Martine Chêne	100%		
Georges Chodron de Courcel	100%		100%
François David	100%	100%	100%
Pierre Lescure	60%		100%
Jean-Claude Magendie	80%		
Soumia Malinbaum	66%		
Hélène Molinari	100%		
Javier Monzón	60%		
Amélie Oudéa-Castéra	50%	100%	
Didier Pineau Valencienne	100%	100%	
François Roussely	80%		
Xavier de Sarrau	100%	100%	
Aline Sylla-Walbaum	100%	75%	
Susan M. Tolson	100%		
Patrick Valroff	80%	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 company and consolidated financial statements, and to monitor the process for preparing financial information;
- to monitor the audit of the 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 the Reference Document.

At 31 December 2013, the Audit Committee comprised Xavier de Sarrau (Chairman), Nathalie Andrieux, François David, Aline Sylla-Walbaum and Patrick Valroff, all 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 2013, in February, March, May, August, October and November.

All meetings were attended by all Committee members, except for the meeting in May when the attendance rate was 80%.

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 2012 and a presentation by one of the members of the Audit Committee on the risks of the Lagardère Unlimited division.

The March meeting was held to examine the consolidated financial statements for 2012, 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 the remuneration of the Statutory Auditors. The Group's risk-mapping system was presented by the Risk and Internal Control Department. Lastly, the Committee reviewed the state of relations with Lagardère Capital & Management.

In August, it reviewed the Group's consolidated financial statements for the first half of 2013 and a brief analysis of the 2012 financial security law (*Loi de sécurité financière* – LSF) campaign was presented by the Risk and Internal Control department.

In October, the Committee was given a summary of the results of the Group's IT security policy study, a presentation of the Group anti-fraud system 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 2013 and the audit plan for 2014. It was also given a presentation on the Group's compliance policy.

Having noted that only a small number of firms were likely to submit proposals, the Audit Committee resolved not to launch a call for tenders for the upcoming renewal of its Statutory Auditors. In return, the present Statutory Auditors will be asked to coordinate with the Group in order to increase productivity. The aim is to improve the Group's working methods in order to facilitate the Statutory Auditor's reviews and analyses without compromising the quality of their work.

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.

These meetings took place in the presence of the Chief Financial Officer, the Deputy 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 Secretary General, the Central Accountancy Director, the Director of Risk and Internal Control and the Group's Legal Director.

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

1 2 3 4 5 6 7 8 9 10 11

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 2013, the Appointments and Remuneration Committee comprised François David (Chairman), Georges Chodron de Courcel and Pierre Lescure, two of whom are independent members (see section 1 of this report).

In 2013, the Committee met twice in February and March and all members were present at both meetings.

During its meeting in February, the Committee analysed the composition of the Board and the Committees, and the independence of members and reviewed the report of the Chairman relating to membership of the Supervisory Board, the application of the principle of balanced representation of women and men on the Board and the conditions under which the Board's work is prepared and organised. The Committee also reviewed the Supervisory Board self-assessment questionnaire and the terms and conditions for awarding free shares to Managing Partners.

In March, following the resignations tendered by Amélie Oudéa-Castéra and Didier Pineau Valencienne, the Committee approved a list of candidates to be proposed to the Supervisory Board for their replacement.

These meetings took place in the presence of the Group's Secretary General, with the Chairman of the Supervisory Board present at the second meeting.

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 give an assessment of the preparation and quality of their work.

Following the assessment conducted by an external agency in 2012, the Supervisory Board performed a self-assessment in 2013.

The findings of this self-assessment were presented at the Supervisory Board meeting of 5 June 2013.

They indicate that members are particularly satisfied with the measures taken following the 2012 assessment (procedure for integrating new members, more detailed reporting to the Board on the work of the Committees, opening up of meetings of the Chairman of the Board with the Managing Partners to members of the Board).

However, areas for improvement include document sharing and better presentations of subjects relating to the Group's strategy and that of its divisions.

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*) as revised in June 2013. 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.

N.B.: Further to the recommendation of the Appointments and Remuneration Committee, at its meeting of 12 March 2014, the Supervisory Board decided to change the way in which attendance fees are allocated. As a result, the variable portion of these fees, which is determined based on attendance, now represents the majority of these fees.

The decision was also taken to increase the number of shares that must be held by Supervisory Board members to 600 (versus 150 shares previously), which represents around 90% of the gross basic share of attendance fees. Accordingly, Board members will be required to invest any attendance fees received in shares until the 600 share quota has been reached.

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 twelve years"	It is deemed that the fact of having been a Board member for more than twelve 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 applied 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 2013 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 2013.

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 of the Supervisory Board '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 of the Supervisory Board '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 of the Supervisory Board '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 of the Supervisory Board '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*).

Courbevoie and Paris La Défense, on 31 March 2014

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 €7.2 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 executives 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 executives' 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 Statutory Auditors' Special Report issued under article L. 226-10 of the French Commercial Code and published in the annual reports.

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 2013, LC&M invoiced €25.3 million to the Group, versus €22.7 million in 2012. In addition to gross salaries this amount included the related social contributions, the pension provision and the new taxes on high earnings and payroll taxes. After deducting other expenses (support costs reimbursed to the Group and miscellaneous expenses) total costs amounted to €24.3 million and operating profit after tax from the above agreement amounted to €0.7 million.

7.5.2 AGREEMENTS ENTERED INTO WITH MEMBERS OF THE SUPERVISORY BOARD

None – See section 7.2.4.2.

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

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 2013, 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
2008	Reduction of share capital	3,000,000	18,300,000	(121,807,204)	799,913,044.60	131,133,286
2009	-	-	-		799,913,044.60	131,133,286
2010	-	-	-		799,913,044.60	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		799,913,044.60	131,133,286
2012	Award of free shares to employees	21,155	129,045.50	-	800,042,090.10	131,154,441
	Reduction of share capital by cancelling shares	21,155	129,045.50		799,913,044.60	131,133,286
	Award of free shares to employees	1,500	9,150	-	799,922,194.60	131,134,786
	Reduction of share capital by cancelling shares	1,500	9,150		799,913,044.60	131,133,286
	Award of free shares to employees	384,550	2,345,755	-	802,258,799.60	131,517,836
	Reduction of share capital by cancelling shares	384,550	2,345,755		799,913,044.60	131,133,286
2013	Award of free shares to employees	59,547	363,236.70	-	800,276,281.30	131,192,833
	Reduction of share capital by cancelling shares	59,547	363,236.70		799,913,044.60	131,133,286
	Award of free shares to employees	20,000	122,000	-	800,035,044.60	131,153,286
	Reduction of share capital by cancelling shares	20,000	122,000		799,913,044.60	131,133,286
	Award of free shares to employees	109,925	670,542.50	-	800,583,587.10	131,243,211
	Reduction of share capital by cancelling shares	109,925	670,542.50		799,913,044.60	131,133,286
	Award of free shares to employees	398,950	2,433,595	-	802,346,639.60	131,532,236
	Reduction of share capital by cancelling shares	398,950	2,433,595		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.

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

8.1.2 TREASURY SHARES

8.1.2.1 AMOUNTS

At 31 December 2013, the Company directly held 3,186,571 of its own shares (par value: €6.10), representing 2.43% of the total share capital at that date. The total cost of these shares was €115,435,990.82.

Based on the average weighted market price of Lagardère SCA's shares in December 2013 (€25.33 per share) a provision of €34,723,333.96 was recorded, reducing the total carrying amount of treasury shares directly held by the Company to €80,712,656.86.

8.1.2.2 SHARE BUYBACK PROGRAMMES: SHARES ACQUIRED, SOLD, TRANSFERRED OR CANCELLED

A) TRANSACTIONS CARRIED OUT IN 2013

Due to the economic and financial environment, buyback transactions carried out by the Company in 2013 under the authorisations granted by the Annual General Meetings of 28 April 2009, 3 May 2012 and 3 May 2013 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 2013, the Company:

- acquired 749,407 shares for a total price of €18,762,595.47 or an average per-share price of €25.04;
- sold 637,407 shares for a total price of €15,894,768.44 or an average per-share price of €29.94.

2. Partial reallocation for other uses

The following reallocations were made: 151,815 shares kept for subsequent exchange or payment as consideration for potential external growth transactions and 436,607 shares held for future awards to employees were reallocated to reducing the share capital.

3. Reduction of share capital

The Company cancelled 588,422 shares in 2013.

B) POSITION AT 31 DECEMBER 2013

At the end of 2013, the 3,186,571 shares directly held by the Company representing 2.43% of the share capital were allocated as follows:

- 3,065,071 shares to be awarded to employees in the future, representing 2.34% of the share capital;
- 121,500 shares for promoting liquidity of the market for Lagardère SCA's shares, representing 0.09% of the share capital.

Lagardère also held rights to purchase 1,971,623 shares from Barclays Bank Plc, after its repricing, in the form of call options at the price stated below, for subsequent resale at the same price to Group employees benefiting from the share purchase option plan awarded in 2004:

Date of plan	Number of shares to be acquired	Exercise price (in euros)	Expiry date for call options
2004	1,971,623	35,82	20 Nov. 2014

C) TRANSACTIONS CARRIED OUT UNDER THE AUTHORISATION GRANTED BY THE ANNUAL GENERAL MEETING OF 3 MAY 2013

The General Meeting of shareholders of 3 May 2013 renewed the authorisation granted to the Managing Partners by the Annual General Meeting of 3 May 2012 to purchase Lagardère SCA shares representing up to 10% of the share capital, for a maximum amount of €500 million, and at a maximum per-share purchase price of €40, mainly for the following purposes:

- to award free shares to employees;
- to keep the shares for subsequent exchange or payment in consideration for potential 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 12 June 2013.

This authorisation was granted for an 18-month period starting on 3 May 2013.

Under this authorisation, between 3 May 2013 and 28 February 2014, the Company purchased 981,242 shares for a total price of €24,147,041.32 and sold 570,742 shares for a total price of €16,189,982.88 on the market, under the liquidity contract referred to above. The Company cancelled 528,875 shares in 2013.

***

The Annual General Meeting of 6 May 2014 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 2013, 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 2014 and 2017 as a result of free share awards made in 2009, 2010, 2011, 2012 and 2013 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 1,683,005 shares of a par value of €6.10 each, representing a maximum share capital dilution of 1.28% which could be offset by cancelling an equivalent number of treasury shares as was the case in 2011, 2012 and 2013.

8.1.4 AUTHORISED, UNISSUED SHARE CAPITAL

The Ordinary and Extraordinary General Meeting of 3 May 2013 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 without preferential subscription rights: €120 million
  - maximum nominal amount of capital increases which may result from authorised issues with preferential subscription rights: €300 million
  - maximum authorised amount for debt issuances: €1,500 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: €300 million;
- to issue ordinary shares of the Company without preferential subscription rights to be awarded to Group employees within the scope of the Group Savings Scheme and within the annual limit of 0.5% of the number of shares making up the current share capital.

The Ordinary and Extraordinary General Meeting of 3 May 2013 also 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 annual limit of (i) 1% of the total number of shares making up the current share capital for Group employees and senior managers other than members of the managing bodies of Lagardère SCA, and (ii) 0.1% of the total number of shares making up the current share capital for members of the managing bodies of Lagardère SCA;

  It being understood that:
  - the number of free shares awarded each year to Group employees and senior managers (other than members of the managing bodies of Lagardère SCA) cannot be greater than 0.6% of the total number of shares making up the current share capital, and the number awarded each year to an individual member of the managing bodies of Lagardère SCA cannot be greater than 0.025% of the total number of shares making up the current share capital;
  - the number of share options awarded each year to Group senior managers cannot give the right to purchase and/or subscribe for more than 0.5% of the total number of shares making up the current share capital, and the number awarded each year to an individual member of the managing bodies of Lagardère SCA cannot be greater than 0.075% of the total number of shares making up the current share capital.

In 2013, only the authorisation relating to awards of free shares was used.

Concerning securities that do not give access to the Company's capital, it should be noted that the Annual General Meeting of 3 May 2013 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 €1.5 billion.

8.1.5 PLEDGES OF COMPANY SHARES

8.1.5.1 PLEDGES OF REGISTERED SHARES OF THE COMPANY AT 31 DECEMBER 2013

- Number of shareholders: 79
- Number of shares: 12,229,883 or 9.33% 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 2013

These pledges concern 12,184,357 shares held by Lagardère Capital & Management (LC&M), or 9.29% of the share capital.

8.1.6 STOCK MARKET INFORMATION

8.1.6.1 GENERAL

- Number of shares making up the share capital at 31 December 2013: 131,133,286
- Number of shares listed on 31 December 2013: 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)
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
2013	127,882,640	1.30	None	1.30	166.25

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
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
March	29.59	27 March	26.96	1 March	28.72	28.59	28.54	9,858,605	281.25	20
April	29.41	3 April	27.17	18 April	28.22	28.23	28.10	10,343,616	291.01	21
May	20.58	27 May	18.42	8 May	19.82	19.32	19.29	21,019,626	531.94	22
June	21.50	28 June	19.54	3 June	21.40	20.62	20.65	12,111,143	249.22	20
July	23.97	31 July	21.39	1 July	23.78	22.60	22.66	8,439,462	191.71	23
August	24.39	6 Aug.	22.96	30 Aug.	23.03	23.97	23.94	4,694,937	112.30	22
September	24.10	27 Sept.	22.79	3 Sept.	24.00	23.47	23.50	6,767,501	159.30	21
October	27.72	28 Oct.	23.80	7 Oct.	26.79	25.31	25.39	8,556,477	219.95	23
November	26.98	7 Nov.	24.40	29 Nov.	24.94	25.82	25.77	7,481,670	192.88	21
December	27.02	31 Dec.	24.22	10 Dec.	27.02	25.26	25.38	5,757,418	145.96	20
2014										
January	27.41	7 Jan.	25.01	27 Jan.	26.20	26.72	26.67	5,849,044	155.92	22
February	29.37	24 Feb.	25.37	4 Feb.	29.09	28.00	28.19	6,182,990	174.78	20

8.1.7 OPTIONS GRANTED TO THIRD PARTIES ON SHARES MAKING UP THE SHARE CAPITAL OF CERTAIN GROUP COMPANIES

Some investments included in Lagardère SCA's consolidated financial statements are subject to put options for which exercise is conditional on certain events. These commitments are described in the notes to the consolidated financial statements presented in Chapter 6 of this Reference Document. At the date of filing, there were no other put options concerning all or part of any significant investment[1] held directly or indirectly by Lagardère SCA.

8.1.8 SHARE OWNERSHIP STRUCTURE – PRINCIPAL SHAREHOLDERS

8.1.8.1 CHANGES IN SHARE OWNERSHIP STRUCTURE AND VOTING RIGHTS OVER THE LAST THREE YEARS

	At 31 December 2013			At 31 December 2012			At 31 December 2011		
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	14.17	12,190,179	9.30	14.94	12,610,893	9.62	15.12
French institutional investors	19,249,323	14.68	15.52	22,017,157	16.79	17.25	24,406,973	18.61	19.63
Non-French investors	86,196,390	65.73	60.52	83,866,083	63.95	57.44	77,207,268	58.88	52.59
Private investors	7,518,029	5.73	7.38	7,890,270	6.02	8.29	11,184,361	8.53	10.52
Employees and Group Savings Plan investment funds	2,791,942	2.13	2.41	1,903,308	1.45	2.08	1,958,593	1.49	2.14
Treasury shares	3,187,423	2.43	-	3,266,289	2.49	-	3,765,198	2.87	-
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 2.13% of capital held by Group employees, 1.45% is held via the Group Savings Plan investment funds or directly under employee profit-sharing and savings schemes required by law.

At 31 December 2013, the share capital was held by 62,312 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 investors listed in the table above, holding 65.73% of the shares making up the share capital.

8.1.8.2 REGULATORY SHAREHOLDING THRESHOLDS CROSSED IN 2013

In accordance with stock market regulations, which, under the regime governing major holding disclosures and declarations, deem derivative financial instruments, whether settled by delivery of shares or cash, similar to shares effectively held by the investor, Crédit Agricole SA reported that, through the derivative financial instruments held by its subsidiary Crédit Agricole Corporate and Investment Bank, its shareholding had fallen under the 5% threshold of the Company's share capital on 4 December 2013.

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 2013 was 172,016,507.

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 2013 amounted to 175,203,930.

The total number of voting rights (gross and net) is published every month at the same time as the amount of the share capital.

(1) "Significant investments" are shareholdings above €150 million.

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., 172,016,507 at 31 December 2013.

The percentage of voting rights held by Supervisory Board members was 0.0018% (0.0016% 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 14.17% 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 2013, Qatar Investment Authority (via its subsidiary Qatar Holding LLC) held 12.827% of the share capital and 9.778% 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 2014 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 legal representative of 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.

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

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 letter 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 four 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 2013 are as follows (in thousands of euros):

Balance sheet

Assets	
Accounts receivable	20,643[(1)]
Total	**20,643**
Liabilities and shareholders' equity	
Total equity	20,478
Accounts payable	165
Total	**20,643**

(1) o/w €443 in cash and cash equivalents.

Income statement

Operating revenues	0
Operating expenses	28
Operating loss	*(28)*
Financial income	484
Financial expenses	0
Net financial income	*484*
Net exceptional income	*0*
Income tax expense	152
Profit for the year	**304**

RIGHTS OF THE GENERAL PARTNERS (ARTICLE 18 B)

A General Partner who is not also a Managing Partner (*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, on the basis of specifications provided by the establishment in charge of organising the meeting, 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 company's financial statements for the previous year and the proposed allocation of 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.

(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.

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 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.

8.2.8 DISCLOSURE OF SHAREHOLDINGS EXCEEDING SPECIFIC THRESHOLDS

Without prejudice to the provisions of article L. 233-7 of the French Commercial Code (*Code de commerce*), 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 addressed to the head office. For registered shareholders and intermediaries not living in France, this disclosure may be made by means of a procedure similar to that of sending a registered letter with acknowledgement of receipt in use in his country of residence. Such procedure must enable Lagardère SCA to have proof of the date on which the disclosure was sent and received.

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.

(1) Powers of the Supervisory Board, paragraph 2 in section 8.2.3 on the appointment or re-appointment of any Managing Partner.

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):

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 purpose of the acquisition of this leading aggregation platform was to enable Lagardère to expand the digital activities portfolio of its Lagardère Active division.

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.

As a result of this acquisition, Lagardère Services now ranks second in the sector in Europe.

SALE OF THE STAKE IN EADS NV (UNDER THE COMMERCIAL NAME AIRBUS GROUP SINCE 2 JANUARY 2014)

With an indirect stake of 7.39% in the share capital at 31 December 2012, the Lagardère group had joint control of EADS NV.

Following a series of transactions carried out in coordination with the other joint shareholders to prevent the simultaneous sales of large blocks of shares from impacting the market, Lagardère sold its entire interest for €2,283 million (€37.35 per share) through Sogeade SCA on 12 April 2013 by means of private placements through accelerated bookbuilding with qualified investors. EADS NV contributed €500 million to this placement at the order book price.

The Lagardère group no longer owns any interest in EADS NV.

The Lagardère group completed the sale process with a series of internal restructuring operations. As a result, Sogeade SCA was absorbed by Lagardère SCA on 16 May 2013 and Sogeade Gérance was dissolved without liquidation on 5 October 2013.

That process marked the Lagardère group's full exit from the capital of EADS NV, which was the original intention when EADS NV was set up. However, in the meantime, the Lagardère group wanted to use its controlling interest to develop the asset's long-term value. This goal was expressed in the €1,823 million net gain generated by the sale (after tax and disposal costs).

Over the period from the inception of EADS NV in July 2000 to its sale, Lagardère played an active role as controlling shareholder, guiding EADS NV through the critical initial phase as its activities were consolidated. The new standards-compliant governance of EADS NV will give it a fresh edge in its development while maintaining the overarching objective held by its founders, which was to turn EADS NV into a company that is financially sound and innovative in cutting-edge civil and military aviation technologies and that would symbolise successful European integration.

SALE BY THE LAGARDÈRE GROUP OF ITS 25% STAKE IN THE AMAURY GROUP, FOR AN AMOUNT OF €91.4 MILLION

On 23 May 2013, the Lagardère group sold 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 took place via a capital reduction carried out by Les Éditions P. Amaury through the buyback of its own shares from the Lagardère group.

SALE OF THE 20% STAKE IN CANAL+ FRANCE

Since 4 January 2007, the Lagardère group has held a 20% interest in the share capital of Canal+ France.

A shareholder agreement was established between Vivendi, Groupe Canal+, Lagardère and Lagardère Holding TV (formerly Lagardère Active) concerning Canal+ France under which Lagardère had a liquidity right entitling it to request an initial public offering (IPO) for Canal+ France, in which case Vivendi/Groupe Canal+ would be entitled to acquire all of Lagardère's investment in the company.

In April 2010, Lagardère notified Vivendi that it wished to initiate this procedure. As Lagardère and Vivendi were unable to agree on the terms of the sale, in July 2010 Lagardère decided to sell its stake through an IPO of Canal+ France.

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

The IPO process was re-initiated in the second half of 2012 but was very rapidly blocked. Lagardère believed that Vivendi's terms for the deal did not help the completion of the IPO.

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

On 12 February 2013 Lagardère summoned Vivendi and Groupe Canal+ (hereinafter “the Vivendi group”) to appear in the Paris Commercial Court 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 30 November 2012 (this dispute is described in further detail in note 35 to the consolidated financial statements for 2013).

By way of a judgement handed down on 10 June 2013, the Paris Commercial Court designated René Ricol as mediator in order to assist the parties in finding an amicable solution to the dispute.

Following the mediation process, on 28 October 2013, Lagardère and Vivendi agreed on terms for Lagardère’s sale of its 20% stake in Canal+ France to Vivendi for €1.020 billion in cash, and the sale was completed on 5 November 2013. The agreement between the two parties brought to an end the dispute between Vivendi and Lagardère concerning Canal+ France.

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 2013, 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, 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%.

8.4 REAL ESTATE PROPERTY

The total gross value of property, plant and equipment belonging to the Lagardère group is €1,795 million.

This includes the gross value of land (€236 million) and buildings (€512 million). The net book value of land and buildings is €412 million, i.e., approximately 4.9% of the balance sheet total, and includes three properties with net book value of €111.3 million at 31 December 2013, rented to third parties (in France, Switzerland and Spain).

In view of the nature of the Group’s business activities, the value represented by real estate property is not significant.

This page is left intentionally blank.

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 2014) AFR

9.1.1 SIGNIFICANT EVENTS

9.1.1.1 AELIA SAS, A SUBSIDIARY OF LAGARDÈRE SERVICES, ACQUIRED AN OPERATOR OF RETAIL STORES IN AMSTERDAM'S SCHIPHOL AIRPORT IN THE NETHERLANDS

On 3 January 2014, Aelia SAS, a subsidiary of Lagardère Services, acquired all of the shares of Charles F. Gerzon Holding BV and now operates twelve fashion and accessory stores in Amsterdam's Schiphol airport, Europe's fourth largest hub. In 2012, Charles F. Gerzon Holding BV reported net sales of €54 million.

This acquisition consolidates LS Travel Retail's position in the fast growing Duty Free & Luxury as well as its leading position in fashion travel retail in Europe.

9.1.2 MAJOR CHANGES IN THE GROUP'S FINANCIAL AND COMMERCIAL POSITION

None.

9.1.3 TREND INFORMATION

A) LAGARDÈRE PUBLISHING

Business levels at the beginning of 2014 contracted due to an unfavourable comparison effect with the first quarter of 2013 which experienced strong growth as a result of the publication of the last two volumes of *Cinquante nuances de Grey* (*Fifty Shades of Grey*). Business during the first half of the year is traditionally lower than in the second half.

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”.

Advertising revenue at the beginning of 2014 is in line with the previous year whereas magazine sales have improved slightly.

C) LAGARDÈRE SERVICES

At the beginning of the year, Lagardère Services benefited from the continued growth of Travel Retail thanks to the ramp up of Duty Free activities at airports in Rome with significant increases in net sales, as expected, after stores were modernised and expanded.

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

As expected, business levels at the beginning of 2014 were down from those observed in 2013. This is mainly the result of an unfavourable calendar (without the Africa Cup of Nations).

9.2 OUTLOOK AFR

In 2014, the Media recurring operating profit before associates is expected to increase by 0% to 5% at constant exchange rates, compared to 2013, excluding the potential disposal of LS distribution, Lagardère Services' press distribution and retail business.

9.3 EARNINGS FORECAST AFR

None.

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

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 on the Company's website (www.lagardere.com) in the "Investor Relations – Regulated Information" section:

- 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

Information		Section No.(*)
1	**PERSONS RESPONSIBLE**	**1**
1.1	Persons responsible for the Reference Document	1.1
1.2	Declaration by the persons responsible for the Reference Document (Managing Partners, Chairman of the Supervisory Board)	1.2
2	**STATUTORY AUDITORS**	**1**
	Statutory Auditors for the period covered by the historical financial information	1.3
3	**SELECTED FINANCIAL INFORMATION**	**2/6.1**
3.1	Summarised historical financial information (consolidated financial statements)	2.1/2.2/6.1
3.2	Summarised financial information for interim periods, if any (half-yearly or quarterly financial statements)	–
4	**RISK FACTORS**	**3/6.3 (notes 29 and 34)/7.4.1.8**
4.1	Market risks (liquidity, interest rate, exchange rate and equity risk)	3.4/7.4.1.8
4.2	Legal risks (specific regulations, concessions, patents, licences, significant litigation, exceptional events, etc.)	3.3/7.4.1.8
4.3	Industrial and environmental risks	3.5.1/7.4.1.8
5	**INFORMATION ABOUT THE ISSUER**	**4.1**
5.1	History and development of the Company	4.2
	5.1.1 Company name and commercial name	4.1.1
	5.1.2 Place of registration and registration number	4.1.4
	5.1.3 Date of incorporation and term of the Company	4.1.5
	5.1.4 Head office and legal form	4.1.2/4.1.3
	5.1.5 Significant events in the development of the Company	4.2
5.2	Investments	4.4 and 6.3 (note 5.2)
	5.2.1 Major investments in the last three years	4.4
	5.2.2 Major investments in progress	4.4 and 6.3 (note 5.2)
	5.2.3 Major investments planned	–
6	**BUSINESS OVERVIEW**	**5**
6.1	Principal activities	5.2
	6.1.1 Description of the Company's operations and principal activities	5.1/5.2
	6.1.2 Significant new products and/or services	5.2
6.2	Principal markets (by category of activity and geographic market)	5.2 and 6.3 (note 6)
6.3	Exceptional factors having affected these markets	5.2
6.4	Dependency on patents, licences, or industrial, commercial or financial contracts	3.2
6.5	Basis for any statements made by the Company regarding its competitive position	5.2 (footnotes)

(*) 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 2013	9.1.3
12.2	Trends and events reasonably likely to affect prospects for 2014	–
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 interest	7.2.4.3

(*) Refers to chapter and section numbers of the Reference Document.

(*) Refers to chapter and section numbers of the Reference Document.

Information			Section No.(*)
20.6	Interim and other financial information (half-yearly and quarterly information)		–
20.7	Dividend policy		6.1.2
20.8	Legal and arbitration proceedings (last twelve months)		3
20.9	Significant change in the Company's financial or trading position (since last year-end)		9.1.2
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

papiers Avec Ecofolio tous les papiers se recyclent.