Lagardère

REFERENCE DOCUMENT

containing the Annual Financial Report
Fiscal Year 2016

PROFILE

The Lagardère group is a global leader in content publishing, production, broadcasting and distribution, whose powerful brands leverage its virtual and physical networks to attract and enjoy qualified audiences.

The Group's business model relies on creating a lasting and exclusive relationship between the content it offers and its customers.

It is structured around four business divisions:

- **Books and e-Books: Lagardère Publishing**
- **Travel Essentials, Duty Free & Fashion, and Foodservice: Lagardère Travel Retail**
- **Press, Audiovisual (Radio, Television, Audiovisual Production), Digital and Advertising Sales Brokerage: Lagardère Active**
- **Sponsorship, Content, Consulting, Events, Athletes, Stadiums, Shows, Venues and Artists: Lagardère Sports and Entertainment**

1945: at the end of World War II, Marcel Chassagny founds Matra (Mécanique Aviation TRAction), a company focused on the defence industry.

1963: Jean-Luc Lagardère becomes Chief Executive Officer of Matra, which has diversified into aerospace and automobiles.

1974: Sylvain Floirat asks Jean-Luc Lagardère to head the Europe 1 radio network.

1977: Jean-Luc Lagardère is appointed Chairman and Chief Executive Officer of Matra.

1980: Matra acquires the Hachette group, specialised in book publishing (Grasset, Fayard, Stock, etc.), magazines and newspapers (*Elle*, *Le Journal du Dimanche*, etc.) and distribution.

1981: the French State acquires a 51% interest in Matra (excluding Hachette). Europe 1 is sold to the French State via Sofirad. Jean-Luc Lagardère and Daniel Filipacchi are appointed Chairman and Vice-Chairman of the Board of Directors of Hachette.

1986: Hachette regains control of Europe 1.

10 February 1988: Matra is privatised.

30 December 1992: following the failure of French television channel La Cinq, Hachette is merged into Matra to form Matra-Hachette, and Lagardère Groupe, a French partnership limited by shares, is created as the umbrella company for the entire ensemble.

1996: Matra-Hachette is absorbed into Lagardère Groupe, which changes its name to Lagardère SCA.

1999: Aerospatiale Matra is created following the merger of Aerospatiale and Matra Hautes Technologies.

2000: the EADS consortium is formed following the merger of Aerospatiale Matra, CASA and DaimlerChrysler Aerospace.

14 March 2003: death of Jean-Luc Lagardère.

26 March 2003: Arnaud Lagardère is appointed Managing Partner of Lagardère SCA.

2004: the Group acquires a portion of Vivendi Universal Publishing's French and Spanish assets.

2007: the Group reorganises around four major institutional brands: Lagardère Publishing, Lagardère Services (which became Lagardère Travel Retail in 2015), Lagardère Active and Lagardère Sports (which became Lagardère Sports and Entertainment in 2015).

2011: the Group sells its international magazine operations.

2013: the Group divests its remaining interest in EADS.

2015-2016: Lagardère's acquisitions include production company Grupo Boomerang TV, travel retail firm Paradies and publisher Perseus Books.

REFERENCE DOCUMENT

containing the Annual Financial Report

Fiscal Year 2016

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 each.

Registered office: 4 rue de Presbourg - 75016 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: http://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 3 April 2017 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 original French *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 Monetary and Financial 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;
  - Thierry Funck-Brentano, Chief Operating Officer.

1.2 STATEMENT BY THE PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT AFR

STATEMENT BY THE MANAGING PARTNERS

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

We further declare that to the best of our knowledge, the financial statements have been prepared in compliance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all the entities included in the consolidation, and that the accompanying management report (Chapter 3, pages 9 to 17; Chapter 5, pages 25 to 86; Chapter 6, pages 87 to 190; Chapter 7, pages 191 to 253; Chapter 8, pages 255 to 271; and Chapter 9, pages 273 to 275) 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.

Paris, 31 March 2017

Arnaud Lagardère

For Arjil Commanditée-Arco
Arnaud Lagardère Pierre Leroy

1.3 DETAILS OF THE STATUTORY AUDITORS AFR

	First appointed	End of current term of office
Principal Statutory Auditors		
Ernst & Young et Autres represented by Bruno Bizet Tour First - 1, place des Saisons - 92037 Paris-La Défense *Member of the Versailles Regional Institute*	29 June 1987	2017
Mazars represented by Thierry Blanchetier 61, rue Henri Regnault - 92400 Courbevoie *Member of the Versailles Regional Institute*	20 June 1996	2020
Substitute Statutory Auditors		
Auditex - Tour First - 1, place des Saisons - 92037 Paris-La Défense	10 May 2011	2017
Thierry Colin - 61, rue Henri Regnault - 92400 Courbevoie	6 May 2014	2020

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

2

CONSOLIDATED KEY FIGURES FOR 2016

2.1 CONSOLIDATED KEY FIGURES

(In millions of euros)	2016	2015	2014
Revenue	**7,391**	7,193	7,170
Recurring operating profit of fully consolidated companies(1)	**395**	378	342
Non-recurring/non-operating items	**(91)**	(215)	(142)
Income from equity-accounted companies(2)	**10**	11	9
Profit before finance costs and tax	**314**	174	209
Finance costs, net	**(49)**	(66)	(73)
Income tax expense	**(69)**	(37)	(87)
Profit for the year	**196**	71	49
o/w attributable to minority interests	**21**	(3)	8
o/w profit attributable to owners of the Parent	**175**	74	41
Shareholders' equity	**2,035**	2,135	2,084(3)
Cash and cash equivalents (net debt)	**(1,389)**	(1,551)	(954)
Goodwill	**1,856**	1,919	1,740
Investments	**361**	827	531

(1) Recurring operating profit of fully consolidated companies is described in note 3.3 to the consolidated financial statements as profit before finance costs and tax, excluding the following income statement items:
- income (loss) from equity-accounted companies;
- 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 and fair value adjustments due to changes in control,
  - amortisation of acquisition-related intangible assets.

(2) Before impairment losses.
(3) Restated to take account of the retrospective application of IFRIC 21 (see note 1.1 to the consolidated financial statements).

2.2 PER SHARE DATA

(In euros)	2016		2015		2014	
	basic	diluted(1)	basic	diluted(1)	basic	diluted(1)
Profit attributable to owners of the Parent, per share	**1.36**	**1.34**	0.58	0.57	0.32	0.32
Equity attributable to owners of the Parent, per share	**14.75**	**14.54**	15.53	15.37	15.50(3)	15.32(3)
Cash flow from operations before change in working capital, per share	**4.31**	**4.25**	3.48	3.44	3.15	3.11
Share price at 31 December	**26.40**		27.51		21.60	
Dividend	**1.30**(2)		1.30		1.30	
Extra dividend	**-**		-		-	

(1) The method used to calculate diluted earnings per share is described in note 15 to the consolidated financial statements.
(2) Dividend submitted for approval to the General Meeting to be held on 4 May 2017.
(3) 2014 data have been restated to take account of the retrospective application of IFRIC 21 (see note 1.1 to the 2015 consolidated financial statements).

3

RISK FACTORS

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

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

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 revenue derives from businesses that are 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 revenue directly or indirectly associated with advertising. For example, a 1% downturn in advertising revenue across the whole of Lagardère Active would lead to a decrease of €2 million to €3 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 difficulties in recovering receivables and to bankruptcies or mergers between broadcasters, reducing the intensity of competition among non-premium sports rights broadcasters. Certain broadcasters – notably public operators – have also changed 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 revenue and profitability of Lagardère Sports and Entertainment.

As regards Lagardère Travel Retail, the current tight macro-economic environment coupled with austerity measures deployed by numerous governments, especially in Europe, has increased the tax burden and this may in turn distort the operating ratios of the division's businesses. Currency fluctuations may also materially impact the numbers and purchasing power of travellers spending money in duty free outlets.

In addition to the factors which influence demand for Group products and services, competition from other well-established or new market players can have a significant impact on the Group's revenue and profitability on its markets, especially when Lagardère Sports and Entertainment and Lagardère Travel Retail 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 (e.g., a "perpetual growth rate" assumption) must be made about these rates to determine the impairment losses on goodwill and intangible assets described in note 10 to the consolidated financial statements.

The table below (taken from note 10, Chapter 6 of this Reference Document) presents the sensitivity of these impairment losses to an increase or decrease in the growth rates used, for each division and in millions of euros.

Differences compared with the perpetual growth rates used for the impairment tests	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment
-1%	(2)	-	-	-
-0.5%	(1)	-	-	-

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 or liquidity crisis. In the event of a crisis in these countries combined with a recession, the revenue and profitability of the activities concerned would be affected; however, this does not mean that a direct link can be established between the results of the Group's operations and the solvency of these countries and their banking systems.

In 2016, the Group generated around 2% of its revenue in countries rated Ba1 or lower by Moody's, including Portugal, Russia, Morocco, Tunisia, Egypt, Brazil, Argentina, Lebanon and the Dominican Republic.

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 DIGITAL AND MOBILE TECHNOLOGIES

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

It needs to pursue acquisition-based or organic investment in digital businesses to ensure its future development. The business models that underpin such development are subject to considerable volatility and in many cases have yet to prove themselves in the market over the long term. Consequently, the corresponding business plans are exposed to considerable risks.

Lagardère Publishing sees the development of e-books as an opportunity insofar as profitability in this business is at least similar to that of printed books. However, uncertainties in various markets as to whether publishers can determine the sales policy of their publications could have a negative impact on the profitability of this division. Certain competition authorities have carried out investigations into the e-book market, and the related settlements have been accepted by Lagardère Publishing (see note 34 to the consolidated financial statements in this Reference Document).

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. Such a trend could influence the profitability of sales networks for printed books, especially in bookstores, potentially resulting in unpaid receivables for Lagardère Publishing.

Substantial unauthorised digital reproduction and sharing of protected content (books, sports content, etc.) has been observed. These practices can lead to lost revenues for copyright holders, and as such Group subsidiaries concerned by this matter 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.

The emergence of new digital-based business models could adversely impact the profitability of Lagardère Publishing in publishing sectors where the division is extremely active, such as education.

Similarly, by intensifying competition, the emergence of new digital-based offerings could adversely impact the profitability of Lagardère Travel Retail's Travel Essentials, Duty Free & Fashion and Foodservice businesses, on which the division has chosen to focus its development.

Lagardère Active's investments in the digital sector expose it to the aforementioned risks inherent to the digital-based business models of companies operating in this sector. In addition to the competitive pressure being exercised by digital media on print media, the big global social media and search engine operators have a growing influence on web store traffic as well as on online media and advertising.

For Lagardère Sports and Entertainment, 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 position and for new players from the field of new technologies.

3.2.2 EVENTS AND SPORTS MEDIA RIGHTS

Certain sports federations have also 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 the 2018 FIFA World Cup qualifiers in Europe.

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, particularly China and the Middle East. Lagardère Sports and Entertainment already has operations in some of these regions. Others remain to be conquered, although there is no guarantee of success.

Moreover, as has already been observed, the structure and timing of sports events and the nature of the agreements under which Lagardère Sports and Entertainment operates (acquisition of rights or agency fees) can lead to an irregular revenue pattern for the division.

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 Travel Retail, 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.

This risk tends to be greater for Lagardère Travel Retail due to the growth in the division's airport sales business.

As indicated in sections 3.1.1 and 3.2.2, there is no guarantee that these agreements will be renewed once they expire. This factor depends notably on the stance taken by the Group's competitors, be they long-standing or newcomers to the market.

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 revenue or earnings.

3.2.5 RISKS ASSOCIATED WITH THE GROUP'S IMAGE AND BUSINESSES

The Group is engaged in businesses that may face criticism damaging their image or reputation along with those of the Group. This can directly impact the Group's business and revenue, and consequently affect the profitability of its activities.

3.3 LEGAL RISKS AFR

3.3.1 SPECIFIC REGULATIONS APPLYING TO THE GROUP

3.3.1.1 COMPLIANCE AND CHANGES IN REGULATIONS SPECIFIC TO THE GROUP'S BUSINESSES

Since the Group operates in a large number of businesses and countries, it must deal with stringent and complex regulations put in place by various national and international authorities and organisations.

In the book publishing and distribution sector, the Group is subject to specific local regulations in the countries where these businesses are carried out, including in terms of intellectual property rights, legal copyright registration requirements, rules governing the pricing of books, and VAT rules. In France, for example, the Group's businesses are subject to regulations imposing a fixed book price set by the publisher or importer, which restrict any qualitative or quantitative discounts granted to distributors. Further regulations also apply to publications for children and young adults and to broadening access to out-of-print books.

Laws and regulations on copyright, libel and slander, image rights and privacy, apply notably to Lagardère Publishing (book publishing) and Lagardère Active (press and broadcasting). The Audiovisual Production and Distribution activities carried out by Lagardère Studios (a subsidiary of Lagardère Active), which are separate to the broadcasting services described in section 3.3.1.2, are subject to broadcasting regulations set out in the French law of 30 September 1986 and its implementing decrees, and in interprofessional agreements relating to broadcasters' contributions to audiovisual production and the terms and conditions governing their implementation.

Lagardère Travel Retail's wholesale and retail distribution activities must comply with certain specific local regulations in the countries where these activities are carried out, 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 governed by a specific law (*Loi Bichet*).

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 sales of tobacco products to international travellers and banning smoking in public transport and public places. In response to this Framework Convention as well as to other measures, stricter regulations are being put in place regarding the sale and consumption of tobacco and could thus have an impact on Lagardère Travel Retail's businesses. Some countries have also introduced environmental protection measures (e.g., recycling certain products) that may affect points of sale.

The Group's digital businesses are subject to various regulations, both at national level (e.g., French law of 21 June 2004 designed to build trust in the digital economy, and the provisions of the French online retailing consumer code) and at international level (e.g., European Directive of 27 April 2016 on the protection of personal data, which enters into force on 25 May 2018). Certain digital services may also be subject to specific regulations due to

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

the nature of the services provided. For example, websites providing healthcare services may be subject to certain provisions of the French public health code.

The Group's advertising activities (including the management of marketing and audiovisual rights) operate under the aegis of the relevant legislation, in particular restrictions on tobacco and alcohol advertising, online gambling laws, and laws concerning misleading advertising.

In the countries where Lagardère Sports and Entertainment carries on marketing rights and sports events businesses, the Group must comply with international and local legislation and the regulations of sporting organisations governing matters such as sports events (organisation and security) and the marketing of those events (purchase and broadcasting, including events deemed to be of "major importance"), and public rights to sports information. It is also subject to the laws governing sports-related bodies through its business links with them, particularly national federations and supranational organisations, such as football associations.

Lagardère Sports and Entertainment's sports infrastructure management activities are subject to various French and foreign 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.

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.

Depending on the countries concerned, agency and career management activities for professional athletes may be governed by national regulations and sports organisations' rules on agents' activities and the protection of minors.

Lagardère Sports and Entertainment's live entertainment activities are not only subject to intellectual property law, labour law and standards for establishments receiving members of the public, as applicable to this sector, but also to special regulations pertaining to certain professions (entertainment producers, venue operators, etc.).

Lastly, various anti-corruption regulations apply to the Group, such as the UK Bribery Act, the US Foreign Corrupt Practices Act, and more recently, the French law of 9 December 2016 on transparency, anti-corruption and modernisation of the economy.

Any major change in these laws and regulations and/or incidents of non-compliance could impact the Group's businesses and financial position.

3.3.1.2 AUTHORISATIONS REQUIRED AND COMPLIANCE WITH QUOTAS

Some of the Group's businesses must obtain or renew licences issued by regulatory authorities.

This is the case for broadcasting services (namely radio and television) in France, for which authorisations must be sought for specific periods determined by the French broadcasting authority (*Conseil supérieur de l'audiovisuel* – CSA) pursuant to the French law of 30 September 1986. 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. Most other countries in which Lagardère's Audiovisual business operates have adopted similar laws and are overseen by a broadcasting authority. These laws generally define the terms for allocating frequencies for broadcasting services, and the terms of use for programme broadcasting (included in the licence agreements signed with the relevant broadcasting authority), antitrust regulations and the broadcasting authority's powers to verify compliance and apply sanctions. International radio broadcasting generally requires prior authorisation from a local regulatory authority.

Pursuant to the French laws of 30 September 1986 and 1 August 1986, foreigners and particularly those who are not members of the European Union or the European Economic Area 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. By the same logic, French law 2016-1524 of 14 November 2016 promoting media freedom, independence and pluralism, prohibits the CSA from granting authorisation to operate a French language terrestrial radio or television service to companies whose capital ownership by non-French entities exceeds a certain threshold.

Violations of these rules on foreign ownership of the media could lead to criminal penalties.

Lastly, certain Lagardère Travel Retail businesses may also be required to obtain prior authorisations in France or in other countries.

3.3.1.3 COMPLIANCE WITH GROUPWIDE REGULATIONS

The Group is exposed to risks arising from the broad diversity of its businesses – including in lightly regulated sectors – and from its international operations and/or expansion in less politically and legally stable countries. To limit its exposure to such risks, the Group looks to develop Compliance programmes on issues common to its four divisions. These are described in section 7.4.1.6.D of this Reference Document. Under the impetus of the Managing Partners and through their network of Compliance Officers, the Group seeks to constantly improve its programmes and employee awareness initiatives and to put in place procedures for preventing and handling potential risks in this regard.

Despite its best efforts, the Group may have to face proven or unproven allegations that it has failed to comply with national or international regulations, and this could have a negative impact on its reputation, growth outlook and financial performance.

3.3.2 RISKS ASSOCIATED WITH BRANDS AND OTHER INTELLECTUAL PROPERTY RIGHTS

The Group pays particular attention to the protection of its portfolio of commercial trademarks and intellectual property rights, which form an essential component of its assets and rights (see section 7.4.1.6.E).

3.3.3 RISKS THAT HAVE OCCURRED BY BREACH OF CONTRACTUAL COMMITMENTS

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

Counterparty risks are described in section 3.4.3 below.

The Group is not aware of any other 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. The Group has set aside the provisions it deems necessary to cover any risks that may arise from general or specific disputes. The total amount of provisions for litigation is disclosed in note 27.2 to the 2016 consolidated financial statements.

The main litigation and claims involving the Group are presented in note 34 to the 2016 consolidated financial statements (see Chapter 6).

To the best of the Group's knowledge, in the 12 months immediately preceding publication of this Reference Document, there were no other governmental, legal or arbitration proceedings (including pending or threatened proceedings, of which the Group is aware) which may have or have had a significant impact 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

In addition to the disclosures presented in this section and in section 5.2, it should also be noted with regard to the activities of Lagardère Publishing that a single VAT rate of 5.5% has applied to all books, irrespective of their format (print or digital) since 1 January 2013 pursuant to French law 2012-958 of 16 August 2012.

As regards the VAT rate applicable to e-books, the European Commission has initiated an infringement procedure under EU law against France and Luxembourg for applying a reduced VAT rate. On 5 March 2015, the European Court of Justice heard the Commission's arguments and noted that Annex III to the VAT Directive of 28 November 2006 only includes "the supply of books on all physical means of support" among the products and services eligible for the reduced rate; furthermore, the Court noted that the Directive excludes any possibility of a reduced rate of VAT being applied to "electronically supplied services" and that, in the Court's opinion, the supply of digital books or electronic books constitutes such a service. Despite this decision, the French government is maintaining its position and confirmed that it will apply a reduced rate for 2016 and 2017. In May 2015, the Commission announced that it was considering implementing an EU-wide reform aimed at harmonising VAT rates applicable to paper and electronic media within the European Union. As part of this initiative, and based on the draft legislation put forward to the College of Commissioners published on 1 December 2016, the Commission seems to be considering permitting the application of a reduced VAT rate on e-books.

Following the same principle, as regards Lagardère Active's businesses, the French government brought the VAT rate applicable to the online press (previously 20%) into line with the 2.1% reduced VAT rate that already applies to the printed press as of February 2014. The European Commission has initiated an infringement procedure which could also require France to reinstate the 20% rate.

In addition, on 14 September 2016, the European Commission put forward a proposed copyright directive in the context of its single digital market strategy aimed at providing consumers with greater choice and access to online goods and services, establishing a level playing field among businesses, and creating the conditions for a dynamic digital economy and society. Among other measures, the Commission is encouraging Member States to make certain exceptions to copyright obligatory, especially where the content is for teaching, research (text and data searches, as already envisaged in the French *Loi Lemaire*) or cultural purposes. The directive also aims to promote a more equitable and viable market for the creative and press sectors by promoting value sharing between rights holders and the major protected content distribution platforms.

Lastly, European Directive 2016/679 of 27 April 2016 on the protection of personal data will come into force on 25 May 2018.

3.4 FINANCIAL OR MARKET RISKS AFR

3.4.1 LIQUIDITY, INTEREST RATE, EXCHANGE RATE AND EQUITY RISKS

Market risks (liquidity, interest rate, exchange rate and equity risks) are described in note 29.1 to the 2016 consolidated financial statements (see Chapter 6 of this Reference Document).

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 198,000 tonnes in 2016, as described in section 5.3.2.4.A of this Reference Document. Although it is not possible to link the cost of paper purchases to a single index, the Group is subject to the risk of fluctuations in paper prices, particularly in the European, North American and Asian markets.

A significant increase in paper prices, notably in Europe, could therefore have a material negative impact on these divisions' operating profit – up to €15 million in the case of a long-term 10% rise in paper prices over a full year, before any adjustments.

3.4.3 CREDIT AND COUNTERPARTY RISKS

Credit and counterparty risks are described in note 29.2 to the 2016 consolidated financial statements (see Chapter 6 of this Reference Document).

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 towards longer average collection periods for receivables (broadcasters, sponsors, etc.) as well as dispute resolution.

Press distributors represent a major counterparty for the Group, with the associated receivables risks discussed in section 3.2.1 – Digital and mobile technologies.

3.5 OPERATIONAL RISKS AFR

3.5.1 PERSONAL INJURY

Lagardère organises events open to the public and as such manages sports and entertainment venues. The Group could be deemed liable in the event of a breach of applicable public safety rules.

Certain Group employees may be required to travel to high-risk countries or locations, namely journalists or employees organising international events. The physical safety of these people is a primary concern for the Group.

In addition, as an employer, service provider and event organiser, recent developments have shown that media organisations and events open to the public are increasingly the target of terrorist violence.

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

3.5.2 INFORMATION SYSTEM AND DATA SECURITY

Information systems are critically important for all of the Group's activities. The operations of the businesses concerned could therefore be compromised in the event of reduced system availability or reliability.

The Group's IT systems also contain confidential information. If this information were to be made public, the Group could be exposed to various risks in terms of image, loss of sales, third party litigation and fines.

The Group's IT systems also contain personal information belonging to third parties (customers, suppliers and internet users) and its employees, the disclosure of which could in certain circumstances represent a breach of privacy for the persons concerned. Were such data to be inadvertently disclosed to the public for reasons attributable to the Group, the latter could be exposed to various risks in terms of image, loss of revenue, third party litigation and fines.

These risks are growing as systems become more complex and computer hacking more prevalent.

3.5.3 RISKS ASSOCIATED WITH STRATEGY IMPLEMENTATION

The Group may carry out acquisitions and enter into partnerships as part of its strategy. The success of these operations depends on its ability to identify attractive opportunities, effectively negotiate and smoothly integrate any new businesses into its portfolio. Failure to do so could have a negative impact on the operation's profitability and possibly on the Group's value and growth outlook.

The Group may also choose to divest certain businesses. The success of any such divestments depends on the market's interest for the divested businesses and the Group's ability to manage the operations of the entities concerned in an optimal manner during the transitional period. Failure to do so could lead the Group to keep businesses in its portfolio which do not meet its profitability targets.

The restructuring of certain businesses in line with the Group's strategy may lead to unforeseen regulatory, human and technical difficulties and any other issues. By delaying or preventing the Group from meeting its strategic objectives, this could ultimately have a negative impact on its value.

3.5.4 RISKS ASSOCIATED WITH SUPPLIER CONCENTRATION

Default by one or more suppliers could cause losses in earnings and revenue for the Group, without prejudging any adjustments and alternative solutions sought. The proportion of purchases procured from the largest, five largest and ten largest suppliers is respectively 8%, 16% and 22%.

3.5.5 INDUSTRIAL AND ENVIRONMENTAL RISKS

The industrial and environmental prevention and risk management policy is described in section 7.4.1.8 – Risk management procedures of this Reference Document.

3.5.5.1 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 businesses 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 a specific authorisation or declaration delivered by the administrative authorities, but none of the Group's sites is classified SEVESO 1 or SEVESO 2.

3.5.5.2 ASSESSMENT OF IMPACTS

The Group has no knowledge of any facts or situations relating to industrial or environmental risks likely to have a significant impact on its assets or results, 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 2016 consolidated financial statements do not incorporate any material provision or guarantee for environmental risk or any material charge resulting from a court ruling in an environmental case or action taken to repair environmental damage.

3.5.6 OTHER OPERATIONAL RISKS

In the course of its business, the Group may have to bear losses related namely to fraud.

In cases of *force majeure* such as health crises, uprisings, armed conflicts, terrorist attacks, and human and natural disasters, sports events in which the Group has interests may be compromised or postponed, and air traffic may be affected, thereby impacting the Group's airport businesses.

3.5.7 INSURANCE POLICIES – RISK COVERAGE

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

3.5.7.1 INSURANCE POLICIES SUBSCRIBED

The major insurance policies cover property damage, business interruptions and liability. Depending on the type of risk, coverage consists of permanent policies and temporary policies.

In 2016 and for the policies covering 2017, Lagardère and its divisions have been able to renew insurance coverage for their activities throughout the world.

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

3.5.7.2 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.

3.5.7.2.1 INSURANCE FOR PROPERTY DAMAGE AND BUSINESS INTERRUPTION

A) Risks covered

Insurance policies notably cover 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 2016, the highest insurance coverage limit subscribed by the Group is €400 million for certain Lagardère Publishing facilities. Lower limits of coverage for certain risks may also apply within these overall limits (e.g., for storms, earthquakes or flooding).

3.5.7.2.2 LIABILITY INSURANCE

A) Risks covered

Liability insurance policies are subscribed at the level of the divisions or certain activities; they include coverage for public, product and professional liability in the event 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, maximum exposure is difficult to assess, and the level of insurance for the divisions and their sites depends on the availability of coverage and an acceptable economic cost.

For 2016, except in the United States, Canada and countries under an international embargo, the highest amount of coverage subscribed stands at €80 million, while in the United States the highest total limit is around €69 million.

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

3.5.7.3 PREMIUMS

In 2016, the overall budget for the main permanent insurance policies subscribed by the Group was estimated at 0.15% of revenue (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 Lagardère SCA'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 Spanish company CASA to form the European company EADS NV (renamed Airbus Group NV on 2 January 2014 and then Airbus Group SE following its change of corporate form to become a societas Europaea on 27 May 2015), 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 March 2009. Following a series of transactions carried out in concert 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 Airbus Group SE.

- **Repositioning in the media and communication industries, by means of**:
  - a takeover of businesses in these two sectors, with the bid for Europe 1 Communication (Audiovisual business) in 1999, and the share exchange offer for Hachette Filipacchi Médias (Magazine Publishing business) in 2000, followed by an offer to purchase all of the remaining minority interests;

- several agreements signed since 2000, essentially in the audiovisual sector (acquisition of a 34% interest in CanalSatellite, replaced in early 2007 by a 20% interest in the pay television operator Canal+ France and the sale of this interest to the Vivendi group on 5 November 2013);
- the development of the Book Publishing business, with the acquisition in 2002/2004 of Vivendi Universal Publishing's European assets in France and Spain, purchase of Hodder Headline in the United Kingdom, and agreements in 2006 for the takeover of Time Warner Book Group and in April 2016 for the acquisition of Perseus Books;
- the growing importance of the Travel Retail business, through internal growth and major external acquisitions, including: the acquisition of ADR Retail Srl (since renamed Lagardère Services Travel Retail Roma), an operator of 13 duty free/duty paid stores in two airports in Rome, in September 2012 by Lagardère Services Travel Retail; the acquisition of an operator of retail stores in Amsterdam's Schiphol airport (Netherlands), in January 2014 by Aelia SAS (since renamed Lagardère Duty Free), a subsidiary of Lagardère Travel Retail; the formation of a partnership between Lagardère Travel Retail and a company operating over 200 sales outlets in 11 countries, including Venice and Treviso airports, in April 2014; and the acquisition of Paradies, a leader in airport Travel Retail in North America with long-term concessions in more than 76 airports, in October 2015.

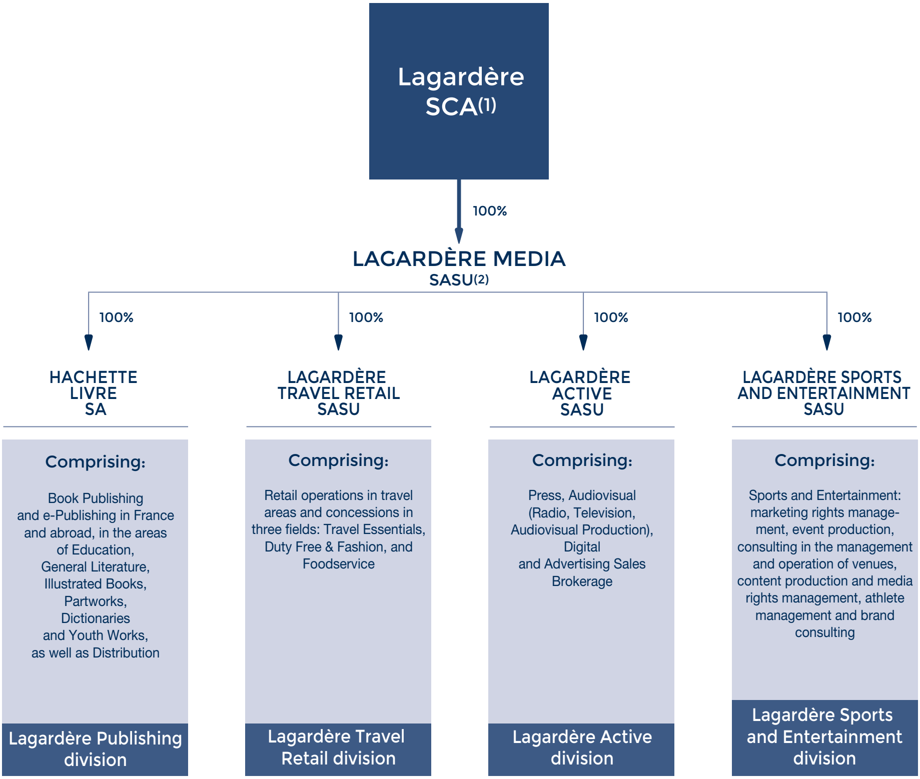
  Travel Retail has also completed the disposal of its Distribution business with the sales of its magazine distribution activities in the United States (Curtis, June 2015), and its Press Distribution businesses in Switzerland (February 2015), Spain (October 2015), Belgium (November 2016), and Hungary (February 2017);
- the combination of the Magazine Publishing, Audiovisual and Digital businesses within a new entity, Lagardère Active, was completed 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 acquired Newsweb and Doctissimo, France's top online content publishers;
- sale by Lagardère Active of its International Magazine Publishing business to Hearst in 2011 (102 publications in 15 countries);
- sale by Lagardère of its Radio business in Russia on 23 December 2011;
- sale by Lagardère Active of ten French Magazine Publishing titles in July 2014.

▸ **Creation of a Sports division, named Lagardère Sports and Entertainment**:
- 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 in 2010 of all of the Sports division entities with the Best group (Blue Entertainment Sports and Television), acquired in 2010, within the Lagardère Sports and Entertainment division. This gives Lagardère Sports and Entertainment strategic positioning along the entire sports rights value chain, comprising:
  - marketing, sponsorship and brand partnerships;
  - content creation, media rights, production and distribution;
  - brand consulting, activation and digital solutions;
  - stadium and arena management solutions;
  - athlete management;
  - event management;
  - live shows and production;
  - venue management.

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 information, by division and by geographic area.



(1) Organisation chart at 1 March 2017.
(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 carried on through subsidiaries.

The four subsidiaries are fully controlled by Lagardère Media, which is itself fully controlled by Lagardère SCA. They are:

- Hachette Livre, a French holding company for the Lagardère Publishing division;
- Lagardère Travel Retail: a French holding company for the Lagardère Travel Retail division;
- Lagardère Active: a French holding company for the Lagardère Active division;
- Lagardère Sports and Entertainment: a French holding company for the Lagardère Sports and Entertainment division.

A detailed list of the Group's subsidiaries (589 consolidated companies) and their locations is provided in note 38 to the consolidated financial statements. Details of the positions held in these subsidiaries by Lagardère SCA corporate officers are presented in Chapter 7, sections 7.2.2 and 7.2.3 of this Reference Document.

The Group's economic organisation (i.e., the breakdown of business activities by segment) 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 cases 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 7.5.

4.4 MAJOR INVESTMENTS

The Group's major contractual commitments in terms of investments are set out in notes 32 and 33 to the 2016 consolidated financial statements.

4.4.1 INVESTMENT AND INNOVATION POLICY

4.4.1.1 PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(in millions of euros)	2016	2015	2014
Lagardère Media	**252**	258	246
Other Activities	**1**	1	3
Total	**253**	259	249

4.4.1.2 PURCHASES OF INVESTMENTS

(in millions of euros)	2016	2015	2014
Lagardère Media	**105**	566	281
Other Activities	**3**	2	1
Total	**108**	568	282

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

4.4.2 MAJOR INVESTMENTS IN 2014

Purchases of property, plant and equipment and intangible assets mainly concerned Lagardère Travel Retail (store refits in line with the growth in Travel Retail) and Lagardère Publishing (one-off real estate investments, chiefly the new headquarters in France).

Purchases of investments related to strategic acquisitions carried out by Lagardère Travel Retail: Gerzon Holding (Schiphol airport) and Airest (mainly Venice airport), and to a lesser extent various acquisitions carried out by Lagardère Publishing (publishing businesses in the United Kingdom), Lagardère Sports and Entertainment (Casino de Paris) and Lagardère Active (acquisition of France Télévisions' 34% stake in Gulli).

4.4.3 MAJOR INVESTMENTS IN 2015

Purchases of property, plant and equipment and intangible assets mainly related to Lagardère Travel Retail in line with its Travel Retail growth strategy, Lagardère Sports and Entertainment (acquisitions of sports rights) and Lagardère Publishing (namely the refurbishment of properties in the United Kingdom and France).

Purchases of investments mainly related to Lagardère Travel Retail (acquisition of Paradies, a Travel Retail group operating in more than 76 airports in the United States and Canada, and of 17 fashion and confectionery outlets at JFK Airport in New York) and Lagardère Active (acquisition of Grupo Boomerang TV, a Spanish audiovisual production group).

4.4.4 MAJOR INVESTMENTS IN 2016

Purchases of property, plant and equipment and intangible assets chiefly concerned Lagardère Travel Retail (in connection with store refits and with its Travel Retail growth strategy), Lagardère Sports and Entertainment (acquisitions of sports rights) and Lagardère Publishing (refurbishment of properties in the United Kingdom, the United States and France).

Purchases of investments mainly related to Lagardère Publishing, namely the acquisition of the publishing business of the Perseus Books group, a trade publisher in the United States with 500 new releases per year and a catalogue of over 6,000 titles, covering a wide variety of non-fiction categories such as history, science, religion, economics, personal development, health, education, biography, travel guides and music.

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

The Lagardère group is a global leader in content publishing, production, broadcasting and distribution, whose powerful brands leverage its virtual and physical networks to attract and enjoy qualified audiences. Operating in 40 countries, Lagardère has four business divisions: Books and e-Books; Travel Retail; Press, Audiovisual, Digital and Advertising Sales Brokerage; Sports and Entertainment.

Lagardère Publishing[(1)] includes the Group's **Book Publishing and e-Publishing businesses**, which cover such areas as Education, General Literature, Illustrated Books, Partworks, Dictionaries, Youth Works and Distribution. The division operates predominantly in the three main language groups: English, French and Spanish.

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, number three in 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), allowing 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.

In the field of digital technology and the Internet, Lagardère Publishing offers products suited to multiple formats, distribution channels and media, in line with emerging market trends. The division is also implementing an innovation strategy by acquiring digital start-ups active in businesses related to publishing, such as mobile applications.

Lagardère Travel Retail consists of retail operations in travel areas and concessions in three fields: Travel Essentials, Duty Free & Fashion, and Foodservice.

Lagardère Travel Retail finalised its withdrawal from the Press Distribution business in February 2017, a process that it initiated in 2014.

The division's strategy is focused on the following priorities:

- continuing the integration of Paradies and the new concessions awarded since 2015 (Auckland, Avancorpo in Rome, Warsaw, Krakow, Gdansk, Nice, Luxembourg, Saudi Arabia, Estonia, etc.);
- continuing the diversification of the product mix in Travel Essentials by rolling out the new Relay concept in all countries where Lagardère Travel Retail operates and by modernising concepts;
- developing the Duty Free & Luxury and Foodservice segments;
- stepping up the pace of expansion in Asia-Pacific, the Middle East and Africa;
- taking initiatives to improve profitability and cash generation.

Lagardère Active encompasses the **Press, Audiovisual (Radio, Television, Audiovisual Production and Distribution), Digital and Advertising Sales Brokerage businesses**.

Lagardère Active occupies a central place in the French media through its iconic and respected brands.

The division will continue to deploy its transformation strategy, using the following levers:

- consolidating its leading positions by growing market share in areas where activities are contracting, including Magazine Publishing;
- rebalancing its portfolio in favour of audiovisual activities;
- making Europe 1 a powerful comprehensive media broadcasting in all formats by revitalising its programming and capitalising on its digital successes;
- expanding e-health activities;
- growing data offering and B2B services;
- developing its audiovisual activities internationally;
- improving its operating performance through cost-containment measures.

Lagardère Sports and Entertainment is a globally integrated Sports and Entertainment marketing agency delivering a full range of services for sports rights holders, brands, athletes and media companies including:

- marketing, sponsorship and brand partnerships;
- content creation, media rights, production and distribution;
- brand consulting, activation and digital solutions;
- stadium and arena management solutions;
- athlete management;
- event management;
- live shows and production;
- venue management.

Lagardère Sports and Entertainment has more than 1,600 employees worldwide and over 50 years of experience in the world of sports and entertainment.

Lagardère Sports and Entertainment aims to continue developing its portfolio in several key areas including football, golf, Olympic sports and major events, media, brand consulting and digital services, with a view to consolidating its leadership position.

***

Over the last ten years, the strategy implemented by the Lagardère group has resulted in significant changes in its business portfolio:

- significant reinforcement of the Group's leadership positions in its markets;
- development of businesses with growth potential (Travel Retail, TV Production, Digital, sports rights management);
- disposal of non-strategic assets and minority stakes;
- pronounced internationalisation of its activities, particularly in emerging countries.

Today, the Group is embarking on a phase of faster expansion:

- priority to organic growth, without ruling out targeted acquisitions;
- growth spread over a more balanced geographical base, with less focus on France;
- growth based on changing business models, in which innovation is an essential component:
  - Travel Retail: development of Duty Free & Fashion and Foodservice;
  - Publishing: support for the digital transition, especially in the field of education;
  - Sports: consulting activities, talent representation, management and operation of stadiums;
  - Audiovisual: international development;
  - Big Data: new uses, new value, new business models.

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

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

5.2 THE GROUP'S PRINCIPAL ACTIVITIES AND MAIN MARKETS – OPERATIONS DURING 2016: LAGARDÈRE MEDIA(1)

AFR

	2016	2015	2014	2013	2012
Contribution to consolidated revenue	**7,391**	7,193	7,170	7,216	7,370
Contribution to consolidated recurring operating profit of fully consolidated companies(1)	**414**	399	379	372	358
Number of employees(2)	**28,079**	29,531	25,933	23,767	23,818

(1) Recurring EBIT of fully consolidated companies (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], number three in Spain[5], number four 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, Hachette Livre has consistently 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, 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 Lagardère Publishing 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 of Lagardère Publishing 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 is the holding company for all media operations.
(2) World publishing rankings prepared internally by Hachette Livre based on:
- the annual financial reports of the groups in question (most cases);
- rankings 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);
- the ranking takes into account private publishing companies in the Textbook market (excluding professional, and scientific, technical and medical publishing) and general interest (Trade).

(3) Source: internal analyses based on statistics from the GfK survey panel and the data from the education group of the French publishers association.
(4) Source: internal data based on Nielsen BookScan in the United Kingdom.
(5) Source: internal estimates.
(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 such prominent competitors as Editis, Gallimard-Flammarion, Albin Michel, La Martinière-Le Seuil and Média-Participations. Hachette Livre ranks second in the fragmented General Adult Literature market, and first in literature for Youth and Illustrated Books, as well as in the traditionally more concentrated Textbook and Dictionaries segments.

Outside France, Hachette Livre conducts its business alongside competitors such as Pearson, McGraw-Hill Education, Penguin Random House, Scholastic, Simon & Schuster, HarperCollins and Holtzbrinck. In just a few years, it has succeeded in moving up from thirteenth to third position among private-capital publishers 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 and Lattès. 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 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 art book market with two prestigious publishers, Editions du Chêne and Hazan, and in youth works (Hachette JD, Hachette Jeunesse Roman and Livre de Poche Jeunesse). Hachette Livre boasts valuable editorial assets in this market, including characters such as Babar, Noddy, Astérix and Fantômette.

In Textbooks, Hachette Livre is the leading publisher in France[(2)] thanks to two separate entities, Hachette Éducation and the Alexandre Hatier group. These entities include such reputed publishers as Hachette, Hatier, Didier and 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 revenue outside France, and is particularly well established as a brand in Spanish books.

The Academic and Professional activity includes Dunod-Armand Colin, leader in France's 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, newsstands and supermarkets in France. Hachette Livre Distribution, the number one distributor in France, also operates in Belgium, Switzerland and French-speaking Canada.

A.2 Outside France[(3)]

In the United Kingdom, Hachette UK was the second-largest publisher in 2016, with 13% of the printed trade book market, the same as in 2015 (see section 5.2.1 – A). It has six divisions: Octopus for illustrated books; Orion; Hodder & Stoughton; Headline; Little, Brown for general literature; and Hachette Children's Books in the youth works segment.

These six divisions 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 third in the market.

Hachette Livre has a distribution activity in the United Kingdom via its two centres, Bookpoint and LBS (Littlehampton Book Services). The two entities are currently being merged.

Hachette Livre Spain has been the third-largest publisher in Spain since Santillana's acquisition by Penguin Random House, and ranks as 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, General Adult Literature and Youth Works segments. It is also very well established in Latin America, through its Larousse, Anaya, Bruño, Alianza, Algaida, Barcanova, Xerais and Salvat brands. In Mexico, Hachette Livre is one of the leading textbook publishers, under the Patria brand.

In the United States, Hachette Book Group is the fourth-largest trade book publisher thanks to such publishing houses as Grand Central Publishing, 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; Perseus in non-fiction; and Mulholland in crime fiction.

Hachette Livre also has distribution operations in the United States.

Partworks are published by the Collections division, and are sold per issue in news-stands and by subscription. The Collections division has expanded internationally: Partworks are now published in 15 languages and 33 countries through subsidiaries based in France, the United Kingdom, Italy, Spain, Poland, Japan and Russia.

This activity's marketing skills and capacity to create new products rigorously tested for compatibility with each market make it the number two player worldwide, and a driving force behind Hachette Livre's overall performance.

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 data provided by the GfK panels to which the division subscribes.
(2) Source: internal estimates.
(3) Source: internal data, based on Nielsen BookScan in the United Kingdom, internal sources in Spain and Nielsen BookScan data in the United States.

B) OPERATIONS DURING 2016

Contribution to consolidated revenue in 2016: €2,264 million (€2,206 million in 2015).

Breakdown of revenue by activity

	2016	2015
Education	**16.7%**	15.9%
Illustrated Books	**13.1%**	16.6%
General Literature	**43.6%**	40.5%
Partworks	**11.4%**	10.9%
Other (including Reference)	**15.2%**	16.1%
Total	**100%**	100%

Breakdown of revenue by geographic area

	2016	2015
France	**28.1%**	29.3%
United Kingdom	**18.5%**	20.3%
United States	**24.7%**	22.8%
Spain	**6.3%**	6.4%
Other	**22.4%**	21.2%
Total	**100%**	100%

In 2016, the global market was characterised by a decline of 1.8% in printed books (excluding textbooks) in France[(1)], contrasting with sharp volume growth in the United States (up 3.3%) and the United Kingdom (up 2.3%)[(2)], and a contraction in digital formats in both those markets.

The decline in the digital segment for the second consecutive year in the English-speaking markets was attributable to several factors. First, the e-reader market appears to have reached saturation point in the United States, with sales of devices down sharply. Second, in the United States and the United Kingdom alike, the new agency agreement between the major publishers and retailers has heralded the end of discounted e-book prices. Hachette Livre reaped its full share of the upturn in its markets, particularly in the United Kingdom, where Hachette UK (HUK) achieved remarkable success in General Literature, notably with *Harry Potter and the Cursed Child*, and in Textbooks. Recent acquisitions, particularly Quercus in General Literature and Rising Stars in Education, made a powerful contribution to HUK's results.

Illustrated Books continued to sell very well, driven by the runaway success of *Simplissime*, which has become an international publishing phenomenon. In the United States, sales of printed books increased in line with the market, and a robust cost-containment plan resulted in firmer margins.

Trends in foreign exchange rates had a negative impact overall on Lagardère Publishing's results given the fall in sterling against the euro.

Lagardère Publishing's eight-pronged strategy is unchanged:

1. constant search for growth opportunities through value-creating acquisitions needed to keep Lagardère Publishing among the top-ranking publishing groups worldwide, which is 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 an emphasis on creativity, rapid response and team motivation;
5. actively seeking out international bestsellers able to attract an extensive readership in all 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 so as to better understand and satisfy authors, booksellers and readers;
8. selective investments in high-growth markets such as Russia, India and China.

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

1. 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;
2. encourage the creation of as many new digital platforms selling e-books as possible;
3. strengthen ties between Lagardère Publishing houses and their creators and authors by offering a comprehensive range of digital services and unrivalled expertise in marketing and advertising on

(1) Source: GfK.
(2) Source: Nielsen BookScan.

the Internet and on social networks to avoid "disintermediation" benefiting operators with no added value;

4. encourage Lagardère Publishing publishers to develop works not easily transferable into digital format (high-quality illustrated books, box sets, partworks, comic strips, etc.);
5. fight piracy aggressively and methodically;
6. offer dynamic, selective logistics services to attract other partners undermined by the digital revolution to Lagardère Publishing, thereby maintaining the workload and profitability of its distribution infrastructure without assuming any commercial risk or taking any financial interest in their activities.

B.1 In France

France once again confirmed its essential contribution to Lagardère Publishing's performance, thanks in large part to Education, which benefited from the first wave of curriculum reform since 2010, bearing on middle school programmes. The reform, spread over two years, allowed Hachette Education, and above all the Alexandre Hatier group, to bring their results back to levels worthy of their best years.

Although not as rich as 2015, when Hachette Livre won an impressive number of prizes, the 2016 autumn literary season in France nevertheless saw several successes, including *Petit pays*, by Gaël Faye (Fnac and Goncourt des lycéens awards, 370,000 copies), *Le dernier des nôtres*, by Adélaïde de Clermont-Tonnerre (Grand prix de l'Académie française, 150,000 copies), both published by Grasset, and *Et tu trouveras le trésor qui dort en toi*, by Laurent Gounelle (190,000 copies), published by Kero, as well as *Un président ne devrait pas dire ça*, a non-fiction work by Gérard Davet and Fabrice Lhomme (220,000 copies).

Illustrated Books also did well thanks to *Simplissime*, the simplest cookbook in the world – and now a global success – by Jean-François Mallet. The first volume, which has sold a total of 450,000 copies since its publication, has been adapted in several themes and formats, increasing the number of copies available for sale to 1.32 million at the end of the year, not to mention its translations into twelve languages and fifteen regions. The Spanish, English, American, Chinese and Russian editions were published by Hachette Livre publishers, which goes to show the potential for synergies when one of the division's entities publishes an international bestseller.

B.2 Outside France

United States

The American book market experienced contrasting trends in 2016: while sales of e-books continued to decline in the first half before stabilising in the second half at approximately 20% of the market, downloadable audio books regained further ground throughout the year (up 32%)[1], and the printed book market recorded a second consecutive year of healthy growth, at a pace of 3.1%[2].

In this favourable context, Hachette Book Group (HBG) increased its market share, notably thanks to the acquisition in January of Perseus Books and its five brands, which together publish 500 essays and documents every year, including *Stamped from the Beginning*, by Ibram X. Kendi, winner of the National Book Award of 2016, published by PublicAffairs.

In addition, HBG handed over control of Yen Press to Kadokawa, the Japanese publisher that supplies it with content, while retaining a minority stake in the capital as well as responsibility for the circulation and distribution of this manga brand.

Once again, HBG dominated the bestseller lists, placing 215 printed or digital titles on *The New York Times* lists (an increase of 18% compared with 2015), of which 43 reached the number one spot (27% more than in 2015).

To accommodate the production of Perseus and its new partners, HBG has built a third warehouse at its Lebanon site in Indiana, bringing the floor space of its distribution centre to 200,000 square metres.

United Kingdom and the Commonwealth

2016 was a particularly good year for Hachette UK (HUK), in both General Literature and Textbooks, in a market characterised, like in the United States, by stagnating sales of e-books and significantly stronger sales of printed books (up 8.8%).

Harry Potter and the Cursed Child, published by Little, Brown in July, became the biggest selling large-format book in the United Kingdom for ten years in the space of just a few weeks, with four million copies sold. It also broke sales records in all Commonwealth countries, while *Fantastic Beasts* and *Famous Five for Grown-ups* sold 1 million and 1.5 million copies respectively.

Several titles reaped prizes and enjoyed excellent sales: *The Loney*, by Andrew Michael Hurley (John Murray), won the Book of the Year prize at the Book Industry Awards and the Costa First Novel Award, while *The Invention of Nature*: *The Adventures of Alexander von Humboldt*, by Andrea Wulf (also published by John Murray), was awarded the Costa Book of the Year Award and the Royal Society Science Book Prize.

In total, HUK placed 102 titles on The Sunday Times bestseller lists in 2016, 18 of which made it to first place.

Hodder Education, which was named Textbook Publisher of the Year for the second consecutive year, has doubled its market share to 22.6% over the last five years (22% in 2015). The acquisition of Rising Stars at the end of 2014, like the Pearson catalogues in the West Indies (end of 2014) and Singapore (end of 2015), paid off in 2016, accelerating HUK's breakthrough in international English-speaking markets and creating the conditions for sustained growth.

HUK also announced the merger of its LBS and Bookpoint distribution centres, which handle 37 million and 26 million books a year respectively, on a single site near Oxford. Construction of the new warehouse started in September 2016.

HUK believes, in the absence of official statistics, that it is the leading publisher of e-books in the UK, with estimated market share of 22%. It has acquired mobile games company Neon Play as part of a corporate strategy of promoting innovation through acquisitions in related universes (see paragraph 5.2.1 – B.3).

Spain and Latin America

In 2016, the second year of curriculum reform, Hachette España's Education brands continued to concentrate their efforts on introducing new materials for the textbook market in Spain, in accordance with the timetable for the implementation of the new education law, *Ley Orgánica de Mejora de la Calidad Educativa* (LOMCE), with new products for the following classes: 2º and 4º ESO (middle school), 1º Bachillerato (senior school), as well as new books specific to Andalusia for levels 1º and 3º ESO and 1º and 2º Bachillerato, this region having benefited from extra time to implement the new law.

An alliance was formed with Pearson Educación, offering a unique and rich variety of English textbooks fully adapted to classroom learning, for both ESO (middle school) with "Next Move" and Bachillerato (senior school) with "Performance".

Anaya Infantil y Juvenil put a special focus in 2016 on the four hundredth anniversaries of the deaths of Cervantes and Shakespeare

(1) Source: APA (American Audiobook Publishers).
(2) Source: AAP (Association of American Publishers).

with the release of titles targeting readers of all ages. In the field of prescriptive works, the "Plan Lector Anaya Educación" reading program was completed for the four levels of middle school. The materials included in this program are fully adapted to the new education laws.

For Alianza Editorial, 2016 was a year of intense editorial activity motivated above all by the celebration of the 50th anniversary of the series El Libro de Bolsillo, which marked Alianza's debut in publishing.

In General Literature, the year's bestsellers, based on Spain's leading rankings, were:

- *Del otro lado*, by Michael Connelly, published by Alianza de Novelas/AdN;
- *Cuentos de Navidad*, by Charles Dickens, published by Alianza Editorial;
- *Cocina sana para disfrutar*, by Isabel Llano, published by Oberon.

Hachette España published a total of 3,029 new titles in 2016, as well as 4,536 reprints. These figures, along with the 326 new titles and 621 reprints in Latin America, illustrate the highly fragmented nature of the Hispanic market, while the ratio of reprints to new releases highlights Hachette España's ability to use its catalogues profitably.

Partworks

2016 was an excellent year for the Collections division, thanks notably to strong growth in Japan.

Fifty-five new titles were published over the year. The countless successful collections include:

- Japan: *Disney Tsum Tsum, Cars in Japan, F14* and *Nissan* models;
- France: *Cars, Tout L'Univers, Marvel, Fire engines*;
- United Kingdom: colouring with *Art Therapy*, creative hobbies with *Knitting and Crochet*, and books with *Marvel*;
- Italy: *Fiat tractor* and *Fiat 500* models, and a collection of books on philosophers;
- Germany: *tractor and globe* models to build, *Marvel*;
- Poland: *Disney Golden Books*;
- Spain: *DC Comics*;
- Argentina: *Marvel and Cars*;
- Russia: *the Tsars*.

B.3 Objectives and achievements in 2016

Lagardère Publishing had set itself four priorities for 2016:

1. successfully integrate Perseus into Hachette Book Group (HBG);
2. contain HBG's variable costs in order to restore profitability, subject to the combined pressure of falling sales of e-books and the inflationary nature of rights under the auction system;
3. take advantage of school reform in France to bring the contributory capacity of Education back to its customary levels;
4. implement an innovation strategy by acquiring digital start-ups operating in businesses related to publishing.

These objectives were largely achieved:

1. the integration of the 200 employees of Perseus Books, which became HBG's eighth editorial division, was achieved in optimal conditions. Part of the staff moved into HBG's offices in New York; the rest were split between the sites in Philadelphia, Berkeley and Boulder. Perseus's distribution, currently performed by Ingram, will pass to HBG on 1 March 2017. The site in Lebanon, Indiana, has been expanded to receive and process Perseus's schedule of 500 new releases every year and its catalogue of 6,000 titles;
2. control of variable costs and the rigorous risk management implemented by HBG, combined with a greater number of bestsellers, boosted its profitability by 44% over the year at 2015 exchange rates;
3. Hachette Livre's Education divisions, Hachette Education and the Alexandre Hatier group, rose to the challenge of curriculum reform in France despite the very short time between the release of programmes and the deadline for delivery of new textbooks. However, the shortage of time left academic staff with a considerable additional workload, which in turn resulted in marginal costs. Everything is expected to return to normal in 2017, the second year of the reform;
4. the development strategy laid out by Hachette Livre in 2015 took shape with the acquisition by Hachette UK of Neon Play, a British studio specialising in video game design for mobiles and tablets. Neon Play has created more than 30 games that together have notched up over 60 million downloads. In June of the same year, Hachette Livre took a majority stake in UK-based Brainbow, which in 2014 launched the mobile application Peak, the fun subscription-based brain training application.

   Downloaded 15 million times since its creation, it was named Apple Best App in 2014 and Google Play Best Self Improvement App in 2015 and 2016. These acquisitions gave Hachette Livre a foothold in the mobile market, allowing it to combine its editorial expertise with the digital skills of pure players with a view to emphasising their complementary nature, and offering it the chance to benefit from growth in digital platforms.

C) OUTLOOK

2017 is set to continue the trends seen in 2016, barring a major macroeconomic event.

The second year of curriculum reform in France should continue to bolster the Education divisions, while a new Astérix album is scheduled for release in the autumn. A new Dan Brown book and the fifth instalment of the Fifty Shades of Grey saga are also due for release by Lattès, again in France.

These releases will be particularly welcome in that election years are notoriously difficult for literature.

One or two new acquisitions of digital start-ups are being considered to round out the organisation initiated in 2016.

5.2.2 LAGARDÈRE TRAVEL RETAIL

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

After the United States and Switzerland in 2015, Lagardère Travel Retail divested its Press Distribution activities in Spain, Canada and Belgium in 2016. The division also sold its LS Distribution SAS holding company, including operating activities in Hungary, on 7 February 2017. This concluded the process of withdrawing from the Press Distribution business, a process dating back to 2014.

With operations in 32 countries and four continents, Lagardère Travel Retail is a pure player and global leader in Travel Retail.

At the end of 2016, Lagardère Travel Retail operated a total of 4,291 sales outlets[(1)]. The geographic breakdown is as follows: 3,167 in Europe, Middle East and Africa, 310 in Asia-Pacific and 814 in North America.

Lagardère Travel Retail, whose strategy is to become the leading travel retailer and the preferred partner for licensors on all market segments, operates in travel areas and concessions in three business segments:

- Travel Essentials;
- Duty Free & Fashion;
- Foodservice.

And three geographic areas:

- EMEA, which covers Europe and expansion in the Middle East and Africa;
- ASPAC, which covers the Asia-Pacific region;
- North America, which covers the retail businesses in Canada and the United States. Following the acquisition of Paradies in 2015, the weighting of the North America region has increased significantly, representing 24% of Travel Retail operations in 2016.

Travel Retail: retail sales dedicated to travellers

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

Lagardère Travel Retail is stepping up its expansion in this segment by:

- leveraging its current positions to increase effectiveness and brand awareness;
- expanding its commercial offering in all markets;
- building on a unique competitive positioning through its expertise in three business segments;
- intensifying its organic growth, particularly in the most dynamic markets with the gain at the end of December 2016 of three tenders in Saudi Arabia (Riyadh, Dammam and Jeddah) in partnership with local operators, on top of the December 2015 gain of the tender for the new Midfield terminal at Abu Dhabi airport (tobacco, alcohol, confectionery, gourmet food and perfume/cosmetics concession on some sales outlets and a number of Foodservice outlets);
- stepping up its external growth with the significant acquisition in October 2015 and successful integration in 2016 of Paradies, which operates sales outlets in 75 airports in the United States and Canada, making Lagardère Travel Retail number three[(2)] in the North American Travel Essentials and Foodservice markets.

In the wake of recent market consolidation, Lagardère Travel Retail is now the third-largest[(2)] global operator in Travel Retail, and the biggest full-spectrum operator across the three business lines (Travel Essentials, Duty Free & Fashion and Foodservice). Since 2014, its geographic organisation has been complemented by a matrix-based organisation to optimise the management of its various businesses. As such, Lagardère Travel Retail:

- runs the largest international network of stores dedicated to Travel Essentials;
- is the world leader[(2)] in the Travel Retail Fashion segment;
- ranks among the top 10[(2)] operators in Core Duty Free;
- is the fourth-largest[(2)] operator in Foodservice in travel areas worldwide.

Change in market share over the last two years has been mainly impacted by:

- recent acquisitions by Lagardère Travel Retail, including Paradies in the United States in 2015, and Airest, mainly in Italy, and Gerzon in the Netherlands in 2014;
- the gain of a number of tenders in Asia-Pacific and Europe; and
- sector consolidation with the acquisition by Dufry of Nuance and World Duty Free.

The Moodie Report website (www.moodiereport.com) regularly publishes changes in the market share of Travel Retail operators. It is recognised as a benchmark in the industry.

The network includes the following sales outlets, operated:

- under its own store names, either international (Relay, Hubiz, 1Minute, Hub Convenience, Discover, Tech2go, Aelia Duty Free, The Fashion Gallery, The Fashion Place, Eye Love, So Chocolate, Bread&Co., Hello!, So! Coffee, deCanto, Trib's, etc.) or with a strong local identity (Sydney Opera House, Buy Paris Duty Free, Frankfurter Markthalle);
- under franchise or licence with retail partners such as Fnac, iStore, Marks & Spencer, Hermès, Victoria's Secret, Nespresso, Costa Coffee, Burger King and Paul.

a. World leader[(2)] in Travel Essentials

With the Relay, Hubiz, 1Minute and Hub Convenience stores, as well as local store names, Lagardère Travel Retail currently runs the world's largest international network of travel essentials stores located in travel areas, including more than 220 international airports.

The new Relay concept brings together all travel essentials. Relay targets all travellers, offering each of them a suitable selection of essentials to facilitate and enhance their journey. The offer is now built around six major product categories: food, press, gifts and souvenirs, books, travel and children.

In train stations and airports, Lagardère Travel Retail also operates a large number of stores selling electronic devices under the Fnac, iStore, Tech2go and eSavvy names (notably in France, Italy, Germany, Poland, Hungary, Australia, New Zealand, Canada and the United States).

Lastly, Lagardère Travel Retail is a souvenir store operator with the international Discover concept (France, United Kingdom, Italy, Spain, Romania, Canada, Germany, Poland, Australia, China, Hong Kong, Singapore), as well as Air de Paris and other local brands related to concessions (Eiffel Tower, Sydney Opera House, etc.).

(1) Excluding Hungary (Distribution).
(2) Source: Moodie Report; Lagardère Travel Retail Strategy Department; company annual reports.

Competition in convenience stores and news-stands in travel areas, which was previously local, is becoming global: Hudson News operates in 16 countries and WH Smith in 22; HMSHost operates in North America; Valora and Eckert in Germany, Austria, Switzerland and Luxembourg; and Areas in 13 countries, principally Spain.

b. A top player worldwide in Duty Free & Fashion

Lagardère Travel Retail designs and operates duty-free shops (alcohol, tobacco, perfume, cosmetics, food) and specialist concept stores, under its own names (Aelia Duty Free, Buy Paris Duty Free, So Chocolate, The Fashion Gallery, etc.) and under international brand licences (Hermès, Longchamp, Hugo Boss, Ferragamo, Victoria's Secret, etc.).

In recent years, Lagardère Travel Retail has become the world leader(1) in Fashion sales in travel areas, particularly following the 2014 acquisition of Gerzon (fashion outlets at Schiphol Airport), the gain of fashion tenders in Spain in 2014, the 2015 acquisition of Paradies and fashion outlets in Terminal 4 of John F. Kennedy Airport in New York and recent tender wins in Asia (mainly China and Singapore). The segment counted 351 stores at the end of 2016.

Lagardère 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 (acquired by Chinese company HNA in 2016).

Aside from Lagardère Travel Retail, the leading global players in duty-free sales and specialist concept stores in travel areas are Dufry, DFS (LVMH), Lotte and Heinemann.

c. Fast-growing operator in Foodservice

Lagardère Travel Retail operates nearly 800 Foodservice outlets in 17 countries (France, Poland, Czech Republic, Germany, Italy, Australia, Bulgaria, Romania, Iceland, Spain, Austria, Slovenia, United Arab Emirates, China and Singapore, but also the United States and Canada, two markets strengthened by the acquisition of Paradies in late 2015):

- under its own store names, (So! Coffee, Bread & Co, Trib's, Decanto, Bricco, etc.);
- through concepts tailored to meet the specific needs of licensors and locations (La Plage and Pan Garni at Nice airport and L'Étoile du Nord at Gare du Nord railway station in Paris in partnership with Thierry Marx, Loksins Bar at Keflavik airport in Iceland, Bar Symon at Pittsburgh airport in the United States, etc.);
- under franchise agreements with major international brands (Starbucks, Costa Coffee, Prêt à Manger, Burger King, Eric Kayser, Paul, etc.) or local brands (SumoSalad, Java U, etc.).

As such, this broad brand portfolio, balanced between brands designed specifically for Travel Retail and brands operated through partnerships with leading brands offering unique and differentiating customised concepts, allows Lagardère Travel Retail to cover all the specific needs of its B2B and B2C customers with diversified and innovative product offerings.

The operational excellence demonstrated by Lagardère Travel Retail in Foodservice, together with a customised approach for each platform and skilful responses to tenders are major assets when bidding for new concessions in an environment where licensors worldwide are constantly raising the bar on sector standards.

B) OPERATIONS DURING 2016

Contribution to consolidated revenue in 2016: €3,695 million (€3,510 million in 2015).

Breakdown of revenue by activity

	2016	2015
- Travel Retail	**84.8%**	72.5%
- Distribution	**15.2%**	27.5%
Total	**100%**	100%

Breakdown of revenue by geographic area (Travel Retail)

	2016	2015
France	**25.8%**	31.7%
Europe (excl. France)	**38.2%**	42.7%
North America	**24.0%**	11.2%
Asia-Pacific	**12.0%**	14.4%
Total	**100%**	100%

Travel Retail revenue increased by 23% on a reported basis and 7.1% on a like-for-like basis in 2016.

Travel Retail accounted for 84.8% of consolidated revenue in 2016, compared with 72.5% in 2015, thanks to the disposal of Distribution operations in 2016, acquisitions made in 2015 (Paradies and Terminal 4 of John F. Kennedy Airport in New York), and the ramp-up of new concessions (Auckland Duty Free, Foodservice in France and Europe, Fashion in China and Spain, Warsaw and Krakow in Poland).

The 2016 market environment was marked by continued growth in air traffic, but in a climate of extreme geopolitical tension showing the scars of the succession of terrorist attacks in Europe.

Moreover, the volatility of certain currencies (especially the yuan and the rouble), Brexit, Chinese regulatory measures limiting group travel and constraining lavish spending, and the continued decline in the press market put further pressure on activity.

(1) Source: Moodie Report; Lagardère Travel Retail Strategy Department; company annual reports.

- Continued growth in air traffic

After growth of 5.0% in 2011, 4.2% in 2012, 3.9% in 2013, 4.9% in 2014 and 6.1% in 2015, 2016 saw a slight slowdown in the pace of air traffic growth to 5.5% worldwide, mainly as a result of terrorist attacks in Europe. By region, air traffic growth broke down as follows: 4.5% in Europe (5.2% in 2015), 4.1% in North America (5.3% in 2015) but 9.3% in Asia-Pacific (8.0% in 2015[(1)]).

- Further decline in print media revenue

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

Lower volumes have been partially offset by higher prices.

Against this backdrop, growth in Travel Retail results 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 (Duty Free, Foodservice and convenience stores, for example);
- improved purchasing conditions.

B.1 Travel Retail

Europe, Middle East and Africa (EMEA)

In **France**, managed revenue[(2)] at directly operated stores across the three segments was down 1.4% compared with 2015, with contrasting situations in the different segments.

The Travel Essentials network reported growth of 0.9%, while the Foodservice segment grew strongly by 10.2%. 2016 was held back throughout the year by the effects of the 13 November 2015 attacks in Paris and the 14 July 2016 attack in Nice. Despite this, strong growth in revenue from food and beverage products (up 12.7%) helped offset the decline in press revenue (down 10.1%). Hospital networks and regional airports reported growth of 4.8% and 5.4% respectively year on year, with the gain of tenders and the modernisation of store concepts. Lastly, souvenir activity at the Eiffel Tower was strongly impacted by the attacks, the UEFA European Championship fan zone and strikes at year-end.

The Duty Free & Fashion business recorded a 4.4% decline in managed revenue[(2)] year on year, the significant impact of terrorist attacks and tighter security checks not having been offset by air traffic growth: increases of 1.8% in the Paris airports (0.3% at Paris-Charles de Gaulle and 5.3% at Paris-Orly), 9.8% in Lyon, 3.3% in Nice and 2.7% in Marseille.

Paris-Charles de Gaulle Airport was hurt above all by a deterioration in traffic quality (Duty Free-Duty Paid mix) and unfavourable exchange rates (yuan, rouble and pound sterling) driving down the average spend, as well as stop-ratios, especially on Asian legs.

In **Italy**, with the acquisition of Aeroporti di Roma Retail in 2012 and that of Airest in 2014, Lagardère Travel Retail now ranks as the leading player in Duty Free & Fashion, second in Travel Essentials and fifth in Foodservice.

Total revenue grew by 6.7% in 2016. On 21 December 2016, the new non-Schengen terminal at Avancorpo Airport in Rome opened with an Aelia Duty Free flagship (1,900 sq.m.), five Fashion stores and three Foodservice outlets. As of end-2016, Lagardère Travel Retail had 131 points of sale in Italy.

In **Poland**, consolidated revenue increased by 25%, driven primarily by growth in Duty Free, where business was up 33%. This increase is attributable first to the full-year effect of the opening of Terminal 1 at Warsaw airport in May 2015 and second to a significant increase in revenue (at constant scope) at Krakow airport, driven by traffic growth of 20%. The performance of the Foodservice activities (up 19.2%) was attributable chiefly to a scope effect (opening of 19 outlets). Travel Essentials activities grew by 16.2%, part of which can be ascribed to the development of the network with the opening of 40 outlets (mainly Relay and 1Minute).

The Polish network had a total of 874 outlets at the end of 2016 (an increase of 67 compared with 2015), including 472 Inmedio outlets (consolidated by the equity method).

In the **Czech Republic**, the 5.3% increase in revenue in 2016 was driven by the expansion of the Foodservice network (opening of 15 new outlets). Revenue in the legacy Relay and Inmedio outlets increased by 4.4%. Duty Free business (22 sales outlets in airports), which is very sensitive to Russian passengers (impacted by the rouble's sharp decline and events in Ukraine), was stable (down 0.5%).

In **Spain**, revenue fell by a slight 1.8% year on year, mainly due to the closure of La Cure Gourmande and Jeff de Bruges outlets in 2015 and 2016 respectively. The revenue of the legacy Travel Essentials activity grew by 1.2% thanks to the increasing weight of food products, which offset the decline in press revenue (down 5.2% compared with 2015).

The **United Kingdom** recorded revenue growth of 16.8% compared with 2015 driven by the opening of the new Duty Free outlet at Luton Airport (London) in April. There was also a very significant increase in air traffic across all platforms following the devaluation of the pound triggered by the vote in favour of Brexit.

Revenue in **Germany, Austria and Slovenia** increased by 1.2% despite the impact of various terrorist attacks in 2016, particularly in Germany. Growth was driven chiefly by the development of Foodservice operations in Germany (up 4.6%).

The scope now covers a total of 155 outlets, including 68 in Foodservice (33 in Germany, 28 in Austria and 7 in Slovenia).

Revenue in the **Netherlands** grew by 10.0% following the reopening of our modernised outlets at Terminal 2 of Schiphol Airport in Amsterdam.

In **Romania**, the 19.6% increase in revenue in 2016 was driven by the existing network, with a strong improvement in revenue in the Food & Beverage and Tobacco categories.

In **Bulgaria**, revenue increased by 11.6% in 2016 thanks to very good results on a constant-network basis (up 8.6% in 2016) and the strong performance of the Onda outlets in Sofia opened in 2016.

In **Iceland**, revenue increased by 62% in 2016 thanks to a full year of operations (compared with nine months in 2015), the very positive effect of Euro 2016 and very sustained traffic (up 40%).

Asia-Pacific

In the **Pacific**, revenue rose sharply (up 9.5%) thanks to the full-year impact of the acquisition at the end of June 2015 of part of the Duty Free outlets of Auckland Airport in New Zealand, as well as the opening of new concepts in Australia and New Zealand (Amuse Beauty Studio, Victoria's Secret, Desigual, Bath and Body Works). Travel Essentials revenue was down 9.1% due to the loss in 2015 of concessions in Terminal 1 of Sydney Airport and the closure for works of most of the outlets located in Terminal 2 of Melbourne Airport. Press revenue also continued to decline (down 15.0% at constant scope).

In **Asia**, revenue continued to grow (up 5.3%) despite a relatively difficult environment under the effects of (i) the reallocation of many Singapore Airlines flights, strongly impacting operations at Terminal 2

(1) Source: ACI, at end-October 2016 and end-December 2015.
(2) Managed revenue corresponds to 100% of revenue from the relevant activities regardless of Lagardère Travel Retail's level of control or ownership of them.

in Singapore, (ii) the drop in spending per passenger prompted by unfavourable exchange rates and restrictive policies on international spending by Chinese nationals, and (iii) network effects, namely the loss of part of the Relay network and the So Chocolate concession in Hong Kong, partly offset by the opening of five fashion outlets.

Growth was driven mainly by the full-year effect of 2015 developments in the Fashion activity in China (opening of nine new outlets in Kunming in September 2015, and three new outlets in Hong Kong in November and December 2015) and by the continued growth of souvenir sales and the extension of the network of confectionery outlets in Singapore (opening of four stores in Terminal 2).

North America

In 2016, the North America scope was boosted by the October 2015 acquisition of Paradies, representing a network of over 550 outlets in 75 airports in that zone.

2016 revenue over the region as a whole breaks down as follows between the various segments: Travel Essentials 78%, Duty Free & Fashion 13% and Foodservice 9%. The Foodservice business grew significantly, lifted by the opening of five restaurants during the year (mainly at Denver and Washington airports).

Revenue growth was slightly higher than anticipated in the acquisition plan, and integration operations are going to plan.

The total network in the North America region increased by 44 units in 2016 and now stands at a total of 814 outlets.

B.2 Objectives and achievements in 2016

Travel Retail

The first objective for 2016 was the successful integration of Paradies. The merger of the two organisations took place over the year and will be completed in 2017. The level of synergies in the years to 2019 is in line with expectations.

The second objective was to further optimise the product mix in Travel Essentials. To meet this objective, Lagardère Travel Retail focused its efforts on:

- the establishment in several countries of the new Relay concept bringing the six main categories of travel essentials (food, press, gifts and souvenirs, books, travel and child) together under one roof;
- the implementation of innovative business initiatives to boost revenue.

The third objective involved stepping up the pace of expansion in emerging regions. In Asia, revenue continued to grow, rising by 5% year on year, reflecting the strong performance of recent concessions won in Hong Kong, Singapore and China (Shenzhen and Xi'an).

The fourth objective was to accelerate organic and external growth. The most significant achievements of 2016 in this regard were:

- the gain of the Foodservice tender for the new Midfield terminal of Abu Dhabi International Airport (United Arab Emirates) on top of the gain of the Duty Free concession in late 2015. Operations are scheduled to start in 2018, as part of a joint venture with Abu Dhabi Capital Group;
- the gain of Duty Free tenders in Riyadh, Dammam and Jeddah (Saudi Arabia). Operations are scheduled to start in spring 2017, as part of a joint venture with local partners SACC (Saudi Airlines Catering Company) and AGHL (Arabian Ground Handling Logistic Company);
- the gain of various tenders in Europe, the most significant of which are three Foodservice concessions in the new terminal of Avancorpo Airport in Rome (Italy), the master concession in Gdansk (Poland), nine Duty Free sales outlets in Prague (Czech Republic) and four Souvenir & Gourmet concessions at Schiphol Airport (Netherlands);
- the gain of various tenders in Asia and the Pacific including two Fashion concessions in Singapore, Foodservice concessions in Kunming and Shanghai (China), a master concession in Wuhan (China) and the Duty Free & Specialty concession in Cairns (Australia);
- the gain in the United States of eight concessions at Phoenix-Sky Harbor International and a Foodservice concession in San Francisco;
- the acquisition of Duty Free activities from Gategroup in Estonia in November 2015.

Press Distribution

The division is committed to refocusing on its core Travel Retail business and had set itself the objective of selling its Press Distribution business. An update on the disposal process is provided in section A above.

C) OUTLOOK

Lagardère Travel Retail's 2017 trading outlook hinges primarily on changes in airport traffic and currencies, as well as broader economic and geopolitical trends.

Objectives are focused on:

- continuing the integration of Paradies and the new concessions awarded since 2015 (Auckland, Avancorpo in Rome, Warsaw, Krakow, Gdansk, Nice, Luxembourg, Saudi Arabia, Estonia, etc.);
- continuing the enrichment of the product mix in Travel Essentials by rolling out the new Relay concept in all countries where Lagardère Travel Retail operates and by modernising concepts;
- developing the Duty Free & Luxury and Foodservice segments;
- stepping up the pace of expansion in Asia-Pacific, the Middle East and Africa;
- taking initiatives to improve profitability and cash generation.

Lagardère Travel Retail, which is acknowledged 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 2016 scope and business developments. They therefore reflect the disposal of the magazine Parents and the parental portal to Uni-Editions in January 2016 and the disposal of the LeGuide.com website to Kelkoo in September 2016.

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 a leader in Magazine Publishing for the general public in France, boasting 13 press titles plus other licensed titles published internationally (80 publications and more than 50 websites).

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, Version Femina* and *Télé 7 Jours*, which are available in both print and online editions.

Revenue is derived primarily from print and digital advertising sales, magazine distribution and diversification.

Other market players in the Magazine Publishing segment 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

Roughly a third of Radio sales are generated outside France. Radio station revenues are largely made up of radio and digital advertising revenue, which depend greatly 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 4.4 million listeners every day[1], remains faithful to its traditional fare of general interest, high-quality output for the general public.

Virgin Radio

Virgin Radio is a music station for 25- to 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. It has nearly 2.8 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. It attracts 2.3 million listeners every day[2].

International radio

Lagardère Active Radio International (LARI) is successfully developing the division's radio broadcasting skills in nine countries in Central Europe, Germany, South Africa, French-speaking sub-Saharan Africa, and starting this year, Cambodia

In all the countries where its operations are well established (23 stations), 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 and Frekvence 1, the country's second and third most popular stations respectively[3];
- number two in Poland, where it has five radio stations, including Radio Zet, one of the country's leading stations, with more than 5.5 million listeners daily[4];
- number two in Romania, where it has three radio stations, including Europa FM, the country's leading private radio station[5];
- leading radio station in Saarland, Germany, with Radio Salü[6];
- leading privately-owned regional radio station in South Africa, 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, radio broadcasters must be approved by the French broadcasting authority (*Conseil supérieur de l'audiovisuel* – CSA) (see section 3.3.1.2).

A.3 Television channels

Television channel broadcasters have two main revenue streams. The first is made up of fees paid by the operators broadcasting the programmes, which constitute the lion's share of revenue for cable, satellite and ADSL channels, plus incidental advertising revenues. The second, for freeview DTT channels available to all viewers, is derived from advertising.

Lagardère Active's theme channels are focused on two main segments:

- channels targeting a youth and family audience, including TiJi (for children aged 3-6) and Canal J (children aged 6-12), which are available on Canal, Bouygues Telecom, Orange and SFR, as well as Free via the Canal Panorama offer, in France. Two channels, TiJi Russia and Gulli Girl, are available in Russia, on a subscription-based business model, where they benefit from satellite broadcasting with dedicated programmes.

  The youth offer also features Gulli, a freeview DTT channel, wholly owned by Lagardère Active since November 2014.

  Lagardère Active's package for the youth and family market is the leader in its segment, and is also the best-known offer in France (98% of households with children know at least one of these channels[9]);
- the entertainment offering for young adults of both sexes consists of music channels MCM, RFM TV (formerly MCM Pop) and MCM Top, as well as Elle Girl. This new "chic and cool" theme channel,

(1) Source: Médiamétrie 126,000; Monday-Friday; 13+; cumulative audience 5am-midnight; September-December 2016 wave.
(2) Source: Médiamétrie 126,000; average Monday-Friday; 5am-midnight; November-December 2016 wave.
(3) Source: Radio Project; Q2+Q3 2016; LV12+.
(4) Source: SMG KRC Radio Track; July-September 2016; LV15+.
(5) Source: IMAS; May-August 2016; LV11+ Urban.
(6) Source: AS&S MA II 2016 and EMA II 2016; LV10+.
(7) Source: BRC RAM Radio Listening; January-September 2016.
(8) Source: MML SK; Q2+Q3 2016; LV14+.
(9) Source: CSA; 2016 CSA Research Observatory on awareness of additional channels, May 2016.

launched on 15 September 2016, targets women aged 18-49. Elle Girl is broadcast exclusively in the Canal deals, as well as on Free and Orange. MCM is accessible via Canal and is also distributed by ISPs. In the same music universe, two offshoots of the division's music radio stations were launched in 2014: Virgin Radio TV and RFM TV. Virgin Radio TV is distributed by ISPs, as is RFM TV, which is also available on Canal.

Lagardère Active's offer also extends outside France, through Mezzo and Mezzo Live HD, which are now available to more than 54 million homes in nearly 60 countries. They have carved themselves a reputation as the international benchmark for classical music, jazz and dance on television. Mezzo is 40%-owned by France Télévisions. Mezzo Live HD has also been available in the Asia-Pacific region since 2014, and in North America (mainly Canada) since April 2015.

Gulli Africa, launched in 2015 in partnership with the Canal+ Group, celebrated its first anniversary in March 2016. It already has 2 million subscribers.

Thanks to this diverse offering, Lagardère Active is a major player in the television market. In 2016, Gulli logged the tenth-largest audience share(1) of all DTT channels, with 1.6% of viewers aged 4 years and over across the whole of France. It was once again the leading offer for children aged 4-10 during the day (6am-8pm), with 16.6% audience share(1) (well ahead of TF1, with 12.9%). Note that France 4 repositioned itself as a youth channel on 31 March 2014, and has therefore naturally progressed in the 4-10 age group. During the day (6am-8pm), its audience share increased to 10.8% in 2016(1) from 7.1% in 2015, although it remains well behind Gulli. Four years ago, in late 2012, six new channels were added to the DTT line-up. They have been available throughout France since mid-2015.

A.4 Audiovisual Production and Distribution

In the field of Audiovisual Production and Distribution, Lagardère Active, through its Lagardère Studios subsidiary, provides archive programmes (drama, documentaries) and programmes for immediate broadcast (features, light entertainment, etc.) to a large majority of broadcasters in France and Spain. Lagardère Studios also produces corporate and web videos.

In 2016, Lagardère Studios maintained its position as France's leading producer of drama, with more than 46 hours of original programming broadcast in prime time between 1 September 2015 and 31 August 2016(2).

Lagardère Studios is also the second-largest producer of programmes for immediate broadcast(3), with over 1,000 hours broadcast on French channels over the same period.

In Spain, Lagardère Studios is the leading independent audiovisual production group, with more than 1,100 hours of programming delivered(3).

Revenue generated by the audiovisual production activity consists of broadcaster financing. Other sources of financing such as co-producers, local and regional authorities, and the French national cinema board (CNC) help fund production.

The audiovisual distribution activity is based on a portfolio of broadcasting rights for audiovisual works supplied among others by the Lagardère Studios production activity.

Audiovisual distribution revenue is derived from the sale of these broadcasting rights for audiovisual works for specific markets and a specific length of time.

A.5 Advertising Sales Brokerage

The advertising sales brokerage markets a rich and varied media offering and smart media solutions closely matched to the needs of advertisers, media agencies and consultancies.

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

- the leading French press advertising sales agency, with leadership positions in women's, current affairs, decorating and TV magazines (other than special issues)(4): 20.5 million readers, or 39% of individuals aged 15 and over, read at least one title with connections to Lagardère Publicité;
- in television, a major brokerage catering to all audiences, through its Youth branch (Gulli, Canal J and TiJi) and its Adult branch (RTL9, MCM and Elle Girl);
- in radio, it has a strong position on influential targets: it is the leader in private advertising sales targeting upper occupational groups(5), with a commercial audience share of 28%(6);
- a digital offering consisting of 50 websites (including 20 premium sites) providing a gateway to nearly half of the connected population, or nearly 20 million unique visitors(7). Lagardère Publicité is positioned as the sixth-largest advertising sales brokerage in the market. With its offering of 11 smartphone applications and eight tablet applications, Lagardère Publicité is the benchmark advertising sales brokerage, and a pioneer in digital applications.

A.6 Digital Pure Player

Besides being one of the leading media groups in both the desktop Internet, with over 15 million unique visitors (UV)(8) in France, and the mobile Internet, with over 12 million UVs(9), Lagardère Active has pure digital assets in diverse markets.

- Doctissimo.fr publishes the leading health information and wellness website;
- MonDocteur.fr offers a unique service for booking medical appointments in France;
- Doctipharma.fr provides French pharmacies with the tools needed to sell their drugstore products online;
- Newsweb, France's leading financial information service and publisher of Boursier.com, markets monetisation expertise for third-party websites;
- BilletReduc.com offers discounted theatre and concert tickets.

(1) Source: Médiamétrie - Médiamat 2016; cumulative 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.
(2) Source: *Écran Total* – 2016 ranking of drama producers.
(3) Source: *Écran Total* – 2016 ranking of producers of programmes for immediate broadcast.
(4) Source: ACPM One 2015-2016; coverage for insertion into the Lagardère Publicité titles; ACPM One Global 2016V3 audience 30 days (One 2015-2016/Médiamétrie MNR fixed-mobile-tablet; June 2016).
(5) Upper occupational groups = company heads, executives and managers, intellectual professions; cumulative audience share of Lagardère Publicité, IP Radio, NRJ Global, TF1 Publicité Radios, RMC, Radio Classique, Skyrock, Nova & Friends brokerages.
(6) Source: Médiamétrie 126,000 Radio; September-October 2016; Monday-Friday; 5am-midnight.
(7) Source: Médiamétrie NetRatings; Fixed Internet; October 2016.
(8) Source: Médiamétrie; November 2016.
(9) Source: Médiamétrie; September 2016.

B) OPERATIONS DURING 2016

Contribution to consolidated revenue in 2016: €915 million (€962 million in 2015).

Breakdown of revenue by activity

	Reported 2016	Reported 2015
Press	**46.4%**	46.5%
of which: Magazine Publishing	**38.1%**	40.0%
Other activities including pure play and B2B Digital activities	**8.3%**	6.5%
Audiovisual	**53.6%**	53.5%
of which: Radio	**21.9%**	21.2%
Television production and channels	**31.7%**	32.3%
Total	**100%**	**100%**

Breakdown of revenue by geographic area

	2016	2015
France	**75.9%**	80.8%
International	**24.1%**	19.2%
Total	**100%**	100%

B.1 France Magazine Publishing

In 2016, Lagardère Active maintained its position among the leaders in circulation and advertising in Magazine Publishing, both overall and in virtually all of its markets.

There was a great deal of pressure on per-issue sales, and circulation revenue was down 5.2% on a like-for-like basis. Lower volumes of per-issue sales were offset by the impact of price increases on key titles.

- In the highly competitive environment of high-end women's magazines, *Elle* turned in a very good performance in 2016, with per-issue sales(1) up 0.5% compared with 2015. Per-issue sales were down 5.9%, a much better performance than the market for high-end weeklies (down 10.7%) and monthlies (down 9.1%). Among weeklies, *Elle*'s market share increased by 1.3 percentage points to 24.7%(1) (versus 23.4% in 2015).
- In 2016, in the decoration segment, two Lagardère Active titles (*Elle Décoration* and *Art & Décoration*) led the high-end market. *Elle Décoration* reported a 2% increase in circulation(1) year on year, driven chiefly by per-issue sales (up 3.8%). *Art & Décoration* maintained its leadership in circulation(1) and per-issue sales(2).
- In a highly competitive news-stand market down slightly (down 0.8%), *Elle à Table* managed to maintain its market share at 16% and increase its per-issue sales (up 1%)(3) in 2016.
- The 4.3% decline posted by *Version Femina*(4) was less severe than that of its direct competitor *Femme Actuelle* (down 6.3 %)(4).
- Like the majority of the national dailies, *Le Journal du Dimanche* recorded a decline in paid circulation in 2016, but its year-on-year performance (down 9.3%) was among the best in its segment: *Le Figaro* (down 13.7%), *Le Monde* (down 13%) and *Les Échos* (down 17%)(4).
- *Paris Match* maintained its leading position in per-issue sales. It was one of only a handful of titles to see subscriptions remain virtually stable (down 0.8%)(4).
- *France Dimanche*, down 5.2%(4), remained the leader in terms of circulation(1) and per-issue sales. *Ici Paris* was down 3.9%(4). The title ranked second in its segment in terms of per-issue sales behind *France Dimanche*. Both titles outperformed the broader market (down 7.2%). *Public* posted a more pronounced decline, since young readers are more prone to switch to digital formats. The integration of digital versions of *Public* in SFR's press deal has given the title good momentum.
- With a decline of 4.3%(4), *Télé 7 Jours* performed well, doing better than the average of its segment (down 4.9%). It continues to boast France's biggest subscriber portfolio (excluding special issues/brand magazines).

(1) Paid circulation in France, 2015-2016. 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. Weeklies segment with three titles (*Grazia, Gala* and *Madame Figaro*); monthly segment with seven titles (*Version Femina, Marie Claire, Cosmopolitan, Psychologies Magazine, Biba, Glamour* and *Vogue*).
(2) Decorating segment with 10 titles (*Art & Décoration, Côté Sud, Côté Ouest, Côté Paris, Marie Claire Maison, Ideat, AD, Elle Décoration, Résidence Déco* and *Maison Créative*).
(3) High-end segment with seven titles (*EAT, Cuisine et Vins de France, Marmiton, Saveurs, Régal, Vital Food* and *Zeste*).
(4) ACPM OJD DFP 2015-2016 versus 2014-2015.

In Advertising, Magazine Publishing revenue fell in a challenging economic environment.

- In a depressed market, *Elle* remained the undisputed leader in its segment, with market share of 27.4% (versus 27.8% in 2015), 8.7 percentage points above its main competitor, *Madame Figaro*(1).
- *Version Femina* recorded an increase in advertising page volume and market share in 2016. Advertising page volume increased slightly in the segment, with *Femme Actuelle* losing 2 percentage points of market share, primarily to *Maxi* and *Prima*(1).
- *Elle Décoration* delivered a good performance in a flat decorating market, growing by 3.8%. The title retained its leadership, with market share of 26.6% (versus 20.1% in 2015). *Art & Décoration* turned in the best growth in this segment, with market share of 14% (versus 12.2% in 2015), a gain of 1.7 percentage points(1).
- *Elle à Table* demonstrated resilience in a declining market, with market share of 31%, 4.2 percentage points above its nearest rival, *Cuisine et Vins de France* (Marie Claire group)(1).
- With advertising page volume up 1.7%, *Paris Match* outperformed the market, gaining 0.6 percentage points of market share (versus market share of 10.7% in 2015) in the news segment(1).
- *Le Journal du Dimanche* consolidated its market share (gain of 0.5 percentage points in 2016 on market share of 6.3% in 2015), with a 2.3% increase in advertising page volume(1).
- *Télé 7 Jours*, in a television news segment in structural decline, recorded negative trends in advertising page volume (down 13%) and market share (down 2.2 percentage points(1) in 2016 on market share of 18.7% in 2015).
- *France Dimanche* and *Ici Paris* recorded increases in their advertising page volume.
- In a significantly contracted market, *Public* recorded a drop in advertising page volume(1).

Elle's international licensing was marked by numerous print and digital developments in 2016 (launch of *Elle Décoration* in Vietnam, launch of numerous special issues and spin-offs on the themes of marriage and children, launch of the Ellekazakhstan.com website), as well as the development of diversified operations: events promoted by Elle (Elle International Beauty Awards, Elle Active Japan, China and Italy) and Elle Décoration (Elle Deco International Design Awards). Also noteworthy was the launch of the Elle Shop activity in China.

The Elle.fr website consolidated its audience, attracting more than 2.7 million unique visitors(2) each month.

Addressing a target of millennials (people aged 15-34), Public continues its conquest of the mobile audience (70% of site visits) and climbed into the Top 3(3) of celebrity brands among mobile applications. With over 250 million page views per month(4), the Public app ranks among the Top 10 applications across all media, and is the leading application among celebrity and women's magazines.

The Télé 7 Jours website continued to grow, with a 21%(5) increase year on year to more than 42 million visits per month and 105 million page views(6).

The ParisMatch.com website continues to grow in digital formats, with audience up in terms of visits (up 25.9%) and page views (up 13.9%) compared with 2015.

The brand's strike force is further strengthened by significant presence on social media, from Facebook to Twitter and Instagram, as well as Snapchat Discover(6) since September 2016.

B.2 Radio

Europe 1

With audience share of 6.6% over the beginning of the season (versus 7.4% over the same period in 2015), Europe 1 was the second most popular private radio station in France, and the leading station among upper occupational groups, a particularly demanding and popular target for advertisers (market share of 9.7% in 2016, versus 9.5% over the same period in 2015)(7).

Resolutely modern, Europe 1 aims to keep its finger on the pulse, rolling out its strategy in each of its three preferred formats.

Well placed in the major information hubs (especially with Thomas Sotto's morning slot, Maxime Switek's noon slot and Nicolas Poincaré's evening slot), Europe 1 offers a unique reading of current events in its hallmark lively and approachable ambiance.

Thomas Sotto's morning slot remains the main driver of the station's audience, with:

- cumulative audience share of 5.4%, or 2.9 million daily listeners;
- 9.6% market share(8).

Since September 2016, Europe 1 has further strengthened its position in humour and entertainment with the arrival on air of Anne Roumanoff, one of France's most popular comedians, with Alessandra Sublet providing entertainment in the afternoon.

With over 1.4 million listeners tuning in daily, Nicolas Canteloup is the highlight of the morning slot(9).

Culture and knowledge are to be found in radio programmes offering an insight into history presented by historian Franck Ferrand and, since September 2016, by Christophe Hondelatte.

Cultural news is present through interviews by Nikos Aliagas, the special guests of Frédéric Taddeï, and with Europe 1 reporters covering the best of French and international cultural life every day.

---

(1) Source: Kantar Media; January-December 2016 (aggregate week 1 to 51). January to December 2015 for 2015 data.
Version Femina, Paris Match, France Dimanche, Ici Paris and *Public*: pages excluding inserts, miscellaneous advertising, humanitarian and infomedia excluding TV.
Le Journal du Dimanche: pages excluding inserts, miscellaneous advertising, humanitarian and infomedia excluding TV, legal notices and financial advertising.
Télé 7 Jours: pages excluding inserts, miscellaneous advertising, real estate and infomedia excluding TV.
Elle: pages excluding inserts, miscellaneous advertising excluding TV and humanitarian.
Art & Décoration and *Elle Décoration*: pages excluding inserts, miscellaneous advertising, infomedia, real estate, publishing, humanitarian associations, education and training, and culture and leisure including special issues.
Elle à Table: pages excluding inserts, miscellaneous advertising, education and training, publishing, culture and leisure, and infomedia.
(2) Source: Médiamétrie NetRatings; desktop; Average January-November 2016.
(3) Source: Médiamétrie; Mobile audience; September 2016.
(4) Source: ACPM OJD; November 2016.
(5) Source: AT; January-December 2016.
(6) Source: ACPM OJD JD2016 versus JD2015.
(7) Médiamétrie 126,000; Monday-Friday; market share 5am-midnight; September-December 2016 wave.
(8) Médiamétrie 126,000; Monday-Friday; 13+; 6.30-9.00am; September-December 2016 wave.
(9) Médiamétrie 126,000; Monday-Friday; 13+; 8.45am; September-December 2016 wave.

Music radio

With over 1.7 million listeners each morning between 6am and 9:30am and audience share of 3.2%(1) for the *Virgin Tonic* morning slot hosted by Camille Combal, Virgin Radio logged its best performance in cumulative audience and audience share in nine years. *Virgin Tonic* is France's second-highest-rating morning slot on the 25-49 age bracket(2).

In the space of a year, the radio has gained 121,000 listeners. With 3% audience share(3) (versus 2.8% in 2015), the station gained 0.2 percentage points over the year. Between 10.00am and 9.00pm, all musical slots recorded increases in cumulative audience and audience share over the year.

A total of 2,781,000 listeners tune into Virgin Radio for an average of 1 hour and 20 minutes every day(3).

Virgin Radio has intensified its presence in the field with the *Electroshock* evenings and regional showcases.

With its mix of pop, rock and electro music, its programmes, music events, and TV and digital offshoots, Virgin Radio is becoming the preferred radio station of an active, laid-back and connected generation. Virgin Tonic is France's third most popular radio station on the 25-49 age bracket(2).

RFM ranks as France's second most popular adult music station, with 2,334,000 listeners and market share(3) of 3.1% (as in 2015). The loyalty of its listeners allows the station to record the best listening time among music stations: 1 hour and 42 minutes(3).

Le Meilleur des Réveils, presented by Elodie Gossuin and Albert Spano since September, gained 114,000 listeners in a single survey wave, or an extra 0.2 percentage points of cumulative audience(4).

Each day, 1,242,000 listeners tune in to the broadcast between 6.00am and 9.30am(4).

In the station's target 35-59 age bracket, *Le Meilleur des Réveils* is ahead of all its competitors (Nostalgie, RTL2 and Chérie FM), with 3.9% audience share(5). With a new formula enriched with a fresh helping of good humour and more music, the RFM morning slot attracts and keeps more listeners every day.

Changes in Lagardère Active's cumulative radio audience in France are as follows (5am-midnight; 13+; Monday-Friday):

	Nov.-Dec. 2016	Sept.-Oct. 2016	Nov.-Dec. 2015	Nov.-Dec. 2014	Nov.-Dec. 2013	Nov.-Dec. 2012
Virgin Radio	**5.2%**	**4.8%**	4.9%	4.3%	4.1%	4.1%
RFM	**4.3%**	**4.4%**	4.4%	4.8%	4.7%	4.2%
Europe 1	**8.1%**	**8.1%**	9.1%	8.7%	9.4%	9.1%

Source: Médiamétrie 126,000; average Monday-Friday; 5am-midnight; November-December 2016 wave.

The Europe 1 website was the leading digital radio website for the fifth consecutive month(6), with 8.4 million unique visitors per month across all devices.

Europe1.fr's strategy has three main thrusts: mobile, social networks and video.

The mobile radio website has been completely redesigned for optimal user experience from a smartphone. Today, 60% of visits are from mobile devices.

Europe 1 has a community of more than 3 million subscribers(7) on Facebook, Twitter and Instagram.

Four hundred videos are produced each week, not counting the 16 hours of live broadcasts daily, in optimised image quality. This represents 12 million video views per month across all media.

Since September, the station has notched up 11 million podcasts per month(8).

iTunes has classified the Christophe Hondelatte program and the Jérôme Commandeur cameo among the "top 10 favourite podcasts" of 2016.

International radio

Internationally, 2016 was a year of strong growth in advertising activity, driven to a large extent by excellent performances in Poland, the Czech Republic and Romania.

After the recent launch of two radio stations in Senegal and Côte d'Ivoire in September 2014 and September 2015 respectively, Lagardère Active Radio International (LARI) finalised the acquisition in June 2016 of a 49% stake in LVMG, a media group that holds two radio networks in Cambodia, one of which was given a new lease on life under the Vibe Radio brand from September 2016.

LARI's move into a new continent, Asia, marked a new stage in its development. Cambodia and the Phnom Penh offices will serve as a bridgehead for future expansion in South East Asia.

Other projects for the creation or acquisition of stations are accordingly being explored in Africa and Asia, with the objective of continuing to roll out the Vibe Radio brand in media greenfields with high growth potential.

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

- 6.6 million listeners in Poland(9) (down 0.4 million year on year);
- 2.0 million listeners in Romania(10) (down 0.1 million year on year);
- 1.7 million listeners in the Czech Republic(11) (stable year on year);

(1) Médiamétrie 126,000; Monday-Friday; 13+; 6-9.30am; September-December 2016 wave.
(2) Médiamétrie 126,000; Monday-Friday; 25-49; 5am-midnight; November-December 2016 wave.
(3) Médiamétrie 126,000; Monday-Friday; 13+; 5am-midnight; November-December 2016 wave.
(4) Médiamétrie 126,000; Monday-Friday; 13+; 6-9.30am; November-December 2016 wave.
(5) Médiamétrie 126,000; Monday-Friday; 35-59; 6-9.30am; November-December 2016 wave.
(6) Source: Médiamétrie NetRatings; aggregate Internet audience; France; October 2016.
(7) Source: aggregate Facebook fans, Twitter followers and Instagram subscribers across all pages.
(8) Source: Médiamétrie eStat.
(9) Source: SMG/KRC Radio Track October-December 2016; LV15+.
(10) Source: IMAS May-August 2016; LV11+ National and IMAS; May-August 2016; LV11+ Bucharest.
(11) Source: Radio Project; Q2+Q3 2016; LV12+.

- 1.1 million listeners in South Africa[1];
- 0.6 million listeners in Germany[2] (stable year on year);
- over 300,000 listeners in Slovakia[3] (stable year on year);
- over 100,000 listeners in Senegal and Côte d'Ivoire[4].

LARI also continued its digital expansion in 2016:

- by consolidating the editorial strategy of its digital products (content, videos, etc.), but also their marketing (social networks, SEO, etc.) and technical (mobile first, user experience, etc.) strategies;
- by developing new products related to the world of radio, such as the Omaga.ro "infotainment" offers launched in Romania in March 2016, which attracted 200,000 visitors per month after only eight months of existence;
- by optimising the marketing of its digital offering: optimisation of revenue processes, development of marketable content (real-time bidding with display, mobile and video) and diversification of methods (special operations, partnerships, native advertising and brand content).

In 2016, LARI's digital offer totalled 10 million unique visitors per month (up 86% year on year) and 43 million page views (up 30% year on year) in its nine host countries[5].

B.3 Television channels

First-generation DTT channels (launched in 2005) recorded audience share of 21.5% in 2016, unchanged versus 2015[6].

The six new HD DTT channels, launched in late 2012, had audience share of 7.9% in 2016, up from 5.5% in 2015 (up 44% year on year)[7].

This means that the new HD channels are progressing essentially at the expense of incumbent terrestrial channels, which lost 2.3 percentage points in audience share (60.6% versus 62.9% in 2015)[7]. Theme channels were stable, with audience share of 10%[7].

In 2016, Gulli reached an average 29,679,917 viewers[7] aged 4 and over every month (versus 31,586,000 viewers in 2015). It logged a record audience with the film *Chicken Run*: 954,000 viewers aged 4 and over on average.

Canal J and TiJi are respectively in the sixth and tenth positions on cable and satellite television (for pay channels) in the 4-10 age group, with audience share of 2.1% and 1.6% respectively[8].

Lagardère Active's youth channels hold 33% of the audience for children's channels[9] (versus 34% in 2015). Lagardère Active's offer makes it the leader on this theme.

The localised versions of TiJi and Gulli in Russia, broadcast in Russian and launched in May 2009 on the NTV+ satellite platform, have reached their optimal viewing figures in Russian-speaking regions. At the end of November 2016, a total of 14.7 million households were subscribed to TiJi in nine countries (up from 14.4 million in 2015) and 6.7 million to Gulli (up from 6.5 million in 2015).

The channels in the Lagardère Group's musical offer, MCM, MCM TOP and RFM TV (formerly MCM POP), attract nearly 6 million viewers on average each month[8].

Moreover, the TV division has stepped into the digital age in order to optimise brand positioning, raise profiles and anticipate new television consumption patterns by imagining new ways of supplying content, developing apps for mobiles, tablets and connected TV, Xbox, catch-up TV, video on demand and websites.

Examples include:

- nearly 22.9 million monthly views on average for Gulli Replay in 2016, up from 20.5 million in 2015. This represents an increase of 11% compared with the previous year;
- the number of views on YouTube in 2016 also increased by over 140% to 60 million.

Diversification also continued, notably around the Gulli brand. A sixth Gulli Park was opened in Thiais (France), the marketing of Gulli touch pads continued, and numerous special operations were held in winter sports resorts. Gulli connected watches were also launched.

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

B.4 Audiovisual Production and Distribution

Three of Lagardère Studios' main customers in France saw their organisation and leadership change profoundly between mid-2015 and mid-2016 (TF1, France Télévisions and Canal+ Group). The numerous consequences for Lagardère Studios in 2016 included the cancellation of two long-running prime-time series (*Famille d'accueil* and *Boulevard du Palais* produced by GMT), as well as the daily show *Toute une histoire* (Reservoir Prod) and *C Politique* (Maximal Prod). However, two new prime-time series made successful débuts (*Agathe Koltès* produced by GMT and *Tandem* produced by DEMD), and two new afternoon programmes on France 2 are co-produced by companies belonging to Lagardère Studios (*Mille et une vies* co-produced by Réservoir Prod and *Amanda* co-produced by Carson).

In France, Lagardère Studios' other recurring prime-time series continued to attract good viewing figures, particularly *Joséphine, ange gardien*, *Clem* and *Caïn*, as did its short programme *Nos chers voisins*. Programmes for immediate broadcast, such as *Maison à vendre*, *Recherche appartement ou maison* and *C'est mon choix*, continued to enjoy good ratings, while *C dans l'air* recorded the best start to the season in its history. New programmes for immediate broadcast were also produced in 2016. They include *La revanche des ex* (909 Productions) and *L'amour food* (Réservoir Prod).

Jour polaire, an international co-production by Atlantic Productions, was a great success in both Sweden and France, and won the audience prize at the Séries Mania festival.

In Spain, the recurring programmes of Grupo Boomerang TV, ranging from daily drama series *El Secreto de Puente Viejo* and *Acacias 38* to prime-time immediate broadcast programmes (*La Voz* and *Pekin Express*) and the second season of the prime-time series *Mar de plástico* continued to enjoy success.

(1) Source: BRC RAM; Q3 2016; LV15+.
(2) Source: AS&S MAII 2016 and EMA II 2016; LV10+.
(3) Source: MML SK; Q1+Q2 2016; LV14+.
(4) Source: TNS Sofres; H1 2016; LV15+.
(5) Source: Google Analytics; December 2016.
(6) Source: Médiamétrie - Médiamat; cumulative audience.
Historical terrestrial TV channels: TF1, France 2, France 3, Canal+, France 5 24/24, Arte 24/24 and M6.
DTT channels: BFM TV, C8, France 4, Gulli, i>Télé, LCP, NRJ12, NT1, TMC, CStar, W9, LCI and France Ô.
New HD DTT channels: HD1, L'Équipe, 6ter, Numéro 23, RMC Découverte HD and Chérie 25.
Special interest channels: Total TV (historical terrestrial TV channels + DTT channels).
(7) Source: Médiamétrie - Médiamat; cumulative audience.
(8) Source: Médiamétrie - Médiamat' Thématik; January-June 2016; cumulative audience; pay channels.
(9) Source: Médiamétrie - Médiamat' Thématik; January-June 2016; cumulative audience; audience share 4-10-year-olds; extended channels; average Monday-Sunday; 3pm-5pm.

Finally Grupo Boomerang's daily drama series, and particularly *El Secreto de Puente Viejo*, enjoyed great success in Italy, which had a very positive impact on the distribution activity.

Lastly, 2016 saw Lagardère Studios continue its development in the production of corporate and Internet videos through its labels Tempora Prod and LED. Lagardère Studios also operates in Africa, both in production with the launch of the second season of *C'est la vie* (Keewu), and in distribution through its subsidiary Diffa. Its growth continues in this market.

B.5 Digital

In 2016:

- Doctissimo.fr, leader in health and wellness information with nearly 5.5 million unique visitors (UV)[1] (up from 6 million in 2015[2]) consolidated its position in the e-health sector;
- MonDocteur.fr, the first portal offering a service for booking medical appointments in France and developer of appointment management software for healthcare professionals, continued to gain momentum. It manages more than 1.5 million appointments on its platforms each month, and its subscriber portfolio (professionals and health institutions ranging from private practitioners to health centres and private hospitals) grew fourfold in 2016;
- BilletReduc.com consolidated its leading position in discount ticket bookings in France, with over 3 million tickets sold;
- Newsweb, which publishes Boursier.com and is France's leading financial information service, developed a monetisation activity for third-party websites.

B.6 Objectives and achievements in 2016

In 2015, Lagardère Active prepared a strategic plan to rally the division around a major goal: strengthen its positioning as a premium multi-media group, bringing together leading brands in their segment, with considerable digital and diversification potential, and prospects for international development.

2016 was accordingly marked by the continued development of Lagardère Active's core brands.

The division continued its international development in the audiovisual sector:

- in radio, with the acquisition of a radio network in Cambodia and the development of radio stations under the Vibe Radio brand in Côte d'Ivoire and Senegal;
- in audiovisual production, with the very good performance of Grupo Boomerang TV, acquired in May 2015.

The audiovisual division was also buoyed by the good results of its music radio stations in France. Thus, the Audiovisual activities represented the majority of the division's revenue for the second consecutive year.

The digital transformation continued, with strong growth of investment in e-health (MonDocteur.fr), the noteworthy success of BilletReduc.com and the implementation of video, data and customer relationship management (CRM) tools. Moreover, LeGuide com was sold to Kelkoo in September 2016.

Lastly, Lagardère Active remains highly focused on measures designed to contain expenses in order to improve its overall operating performance. A voluntary redundancy scheme was implemented in the first quarter of 2016 to reorganise the press, advertising brokerages and functional departments.

C) OUTLOOK

In 2017, Lagardère Active will continue to deploy the transformation strategy launched in 2015.

The strategy uses the following levers:

- consolidate Lagardère Active's leading positions by expanding market share in the areas where activities are contracting, including magazines;
- rebalance the portfolio in favour of audiovisual activities;
- make Europe 1 a powerful comprehensive media broadcasting in all formats by revitalising its programming and capitalising on its digital successes;
- continue and expand the development of e-health activities;
- propose, outside the media, B2B services and enhance data offers;
- consolidate Lagardère Studios' leading position in France and Spain;
- seize international opportunities around Lagardère Studios, Lagardère Active Radio International and the TV division;
- improve operating performance further through cost-containment measures.

Lagardère Active will remain focused on the implementation and proper execution of action plans based on these levers.

(1) Source: Médiamétrie: average January-December 2016.
(2) Source: Médiamétrie: average January-December 2015

5.2.4 LAGARDÈRE SPORTS AND ENTERTAINMENT

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

Lagardère Sports and Entertainment is a globally integrated sports and entertainment marketing agency, delivering a full range of services for sports rights holders, brands, athletes and media companies including:

- Marketing, sponsorship and brand partnerships;
- Content creation, media rights, production and distribution;
- Brand consulting, activation and digital services;
- Stadium and arena management solutions;
- Athlete management;
- Event management;
- Live shows and production;
- Venue management.

With more than 1,600 employees worldwide and over 50 years of experience in the industry, Lagardère Sports and Entertainment has a global network of experts dedicated to delivering innovative solutions.

A.1 Lagardère Sports

A.1.1 Football

Europe

Lagardère Sports works with more than 100 football clubs across Europe.

In Germany, Lagardère Sports has exclusive marketing agreements with 16 football clubs in the top three divisions and is also a non-exclusive partner of many other clubs.

In France, Lagardère Sports has comprehensive marketing agreements with seven Ligue 1 and Ligue 2 clubs and is also a non-exclusive partner of many other Ligue 1 clubs.

In the United Kingdom, Lagardère Sports manages sales and advertising helping football clubs in the Premier League and the Football League maximise value from their commercial rights.

Lagardère Sports also works with clubs and governing bodies in Sweden, the Netherlands, Poland and Hungary.

Africa

In Africa, Lagardère Sports manages the media and marketing rights of the Confédération Africaine de Football (CAF), which includes events such as the AFCON (African Cup of Nations) and the CAF Champions League.

Asia

In Asia, the Lagardère Sports' portfolio includes all the commercial media and marketing rights for the Asian Football Confederation (AFC), which includes events such as the AFC Asian Cup and the AFC Champions League.

Lagardère Sports works closely with the South Asia Football Federation (SAFF) and ASEAN Football Federation (AFF), and is involved in Asian football at regional and club level. The AFF Suzuki Cup is a hugely successful event managed by the agency and is followed avidly throughout South East Asia.

A.1.2 Golf

The golf business of Lagardère Sports includes athlete and event management.

Lagardère Sports' golf talent portfolio includes over 100 players, with more than 45 on the PGA Tour. Lagardère Sports is also involved in golf events globally:

- United States: three PGA events (Safeway Open, The Greenbrier Classics, CareerBuilder Challenge) and five Web.com Tour tournaments as well as charity events;
- Europe: Nordea Masters (European Tour);
- Asia-Pacific: Emirates Australian Open, SMBC Singapore Open.

A.1.3 Tennis

Lagardère Sports' tennis business includes athlete management, events ownership and management, content production and marketing of media rights.

Lagardère Sports represents players from the WTA and ATP. Lagardère Sports is also involved in the management of tennis tournaments across three continents. In Europe, Lagardère Sports is the owner and organiser of the Ericsson Open and the SkiStar Swedish Open in Båstad (Sweden), and also organises the ATP 250 IF Stockholm Open. In Asia, Lagardère Sports organised the third edition of the BNP Paribas WTA Finals Singapore presented by SC Global. Finally, in the United States, Lagardère Sports organises the Citi Open in Washington DC (ATP 500 event and WTA International event).

Furthermore, Lagardère Sports markets a diverse portfolio of prestigious media rights for tennis including Grand Slam events (Roland Garros), and a large selection of ATP 250 Series events.

A.1.4 Olympic sports and major events

Lagardère Sports' Olympic sports and major events business includes sponsorship rights management, consulting services, marketing of media rights and managing bid processes.

Lagardère Sports advises and represents a diverse portfolio of sports bodies at all levels of the Olympic movement: National Olympic Committees (NOCs), major international multi-sport events (including the Commonwealth Games) and Olympic sports federations (including British Swimming).

Its media rights portfolio includes the Olympic Games and Olympic sports on behalf of international federations such as the International Swimming Federation (FINA), International Gymnastics Federation (FIG) and the International Table Tennis Federation (ITTF).

Through its specialist agency Event Knowledge Services (EKS), Lagardère Sports manages bid processes for Olympic Games and major events, including creating bid strategies and supporting the development of detailed technical aspects of a Games plan. Involvement may begin at the earliest stages of bid preparation and continue well beyond the closing ceremony.

A.1.5 Media

Lagardère Sports represents over 200 sports rights holders. Its portfolio covers broadcast rights for major events such as the Olympic Games. Lagardère Sports has also established itself as a leading player in sports media rights, with a portfolio of more than 10,000 hours of programming. Lagardère Sports also provides rights-holders with production and post-production services globally.

A.1.6 Brand consulting and rights activation

Lagardère Sports builds brands and businesses. It provides advisory and activation services for some of the largest and most recognised brands in the world, helping them to maximise their investments in sport, entertainment, and lifestyle properties. Lagardère Sports also offers innovative digital solutions and provides consulting to rights holders and brands to help them rethink their digital strategies and increase revenue in this area.

The agency's global consulting and activation offering to clients includes two consulting hubs in the United States and across Europe. The consulting division in Europe includes the expertise of leading consulting, activation and digital agencies akzio!, Zaechel, Sponsorship 360 and VIP Sportstravel.

1 2 3 4 5 6 7 8 9 10 11

Globally the division has a huge range of experience in creating, managing and activating sponsorship and talent campaigns, a deep understanding of fans across web, mobile and social media and a track record of innovative activation campaigns with premium properties and brands.

A.1.7 *Stadiums and arenas*

Lagardère Sports advises its clients on the development, management and operation of stadiums and multipurpose venues as well as guiding them through the process of implementing once-in-a-lifetime projects. It also advises several rights-holders of European football stadiums and sports leagues.

Lagardère Sports' approach to stadium and arena solutions spans the entire range of services needed to successfully design, finance, build, operate and market a modern and attractive venue.

Lagardère Sports is also a member of the consortium formed to build the Singapore Sports Hub, a complex opened in 2014 and comprising a 55,000-seater stadium, an indoor aquatic complex and a 41,000 sq.m. shopping centre.

A.2 Lagardère Entertainment Live

A.2.1 *Live shows and production*

Lagardère Live Entertainment produces music shows and live entertainment throughout France. It produces and co-produces several musicals including the illusionist Enzo's *l'Insaisissable* show, Florent Pagny's tour, *Les Schtroumpfs* and *Les Choristes*.

A.2.2 *Venue management*

Lagardère Live Entertainment holds a 20% share in the company that operates the Zenith de Paris, 100% and 99.99% shares in the companies that operate the Folies Bergère and the Casino de Paris respectively, and 100% in the company that operates the Floirac venue, currently under construction in Bordeaux. Lagardère Live Entertainment also owns and operates the Bataclan theatre.

B) OPERATIONS DURING 2016

Contribution to consolidated revenue in 2016: €517 million (€515 million in 2015).

Breakdown of revenue by activity

	2016	2015
TV rights and production	**21.2%**	26.2%
Marketing rights	**43.8%**	41.6%
Other	**35.0%**	32.2%
Total	**100%**	100%

Breakdown of revenue by geographic area

	2016	2015
Europe	**61.3%**	57.6%
Asia-Pacific	**18.1%**	17.3%
United States and South America	**11.2%**	8.8%
Africa	**8.8%**	12.9%
Middle East	**0.6%**	3.4%
Total	**100%**	100%

The share of **"Media"** activities declined (21% in 2016, down from 26% in 2015). This mainly reflects the absence of major sporting events in 2016 that were held in 2015, specifically the AFC Asian Cup 2015 and the Orange Africa Cup of Nations 2015, which generated significant media revenue.

Revenue from **"Marketing"** activities grew in 2016, mainly driven by strong performances in Europe – especially from football clubs in France and Germany, and activities in the United Kingdom. This growth explains the increase in the relative weighting of Marketing in total revenue (44% in 2016, up from 42% in 2015).

Lastly, the share of **"Other"** activities increased from 32% in 2015 to 35% in 2016. Other activities mainly cover:

- athlete management;
- brand consulting;
- venue consulting and events organisation;
- live entertainment in France.

The growth in brand consulting in 2016 and the management by Lagardère Sports of the Tour Eiffel Fan Zone during the UEFA Euro 2016 explains why the relative weighting of the other activities increased despite overall revenue remaining stable.

Geographically speaking, the relative weighting of the **Africa** region decreased (9% in 2016, down from 13% in 2015), due primarily to the absence during the year of the Orange Africa Cup of Nations, which is held every other year.

The relative weighting of **Asia** increased from 17% in 2015 to 18% in 2016. In absolute terms, revenue recorded in this geographic area rose slightly, and its share of divisional revenue also increased, reflecting stable or weaker growth in other regions, particularly Africa and the Middle East.

The share of revenue represented by the **United States** and **South America** area advanced to 11% in 2016 from 9% in 2015, resulting chiefly from the growth in brand consulting and, to a lesser extent, the organisation of the 2016 Summer Olympics in Rio de Janeiro.

The relative weighting of **Europe** increased from 58% in 2015 to 61% in 2016. This increase is mainly attributable to the management by Lagardère Sports of the main Fan Zone of the competition during the UEFA Euro 2016, the growth in brand consulting and the solid performance by the Marketing activities.

The share of **"Football"** in overall revenue retreated from 53% in 2015 to 49% in 2016. This is due to the absence in 2016 of two major events held in 2015: the AFC Asian Cup 2015 and the Orange Africa Cup of Nations 2015. The growth in other sports also explains the decline in football's share in overall revenue.

The share of revenue represented by **"Tennis"** increased from 9.0% in 2015 to 9.5% in 2016. This modest growth in percentage and absolute terms was driven chiefly by activities in Asia.

The share of **"Golf"** rose from 5% in 2015 to 6% in 2016, mainly due to the organisation in 2016 of the new SMBC Singapore Open tournament.

The share of revenue represented by **"Other"** activities climbed to 35% in 2016 from 33% in 2015. This increase reflects growth in consulting – including brand consulting and consulting in the management and operation of venues – and events organisation activities, such as the management by Lagardère Sports of the Tour Eiffel Fan Zone during the UEFA Euro 2016.

Cyclical nature of Lagardère Sports and Entertainment's activities and competitive environment

The world's major sporting events follow two- to four-year cycles. This has an impact on all elements of the business of sport, depending on the calendar of sports events.

In view of the business cycles of Lagardère Sports and Entertainment's current portfolio, as in 2012, 2016 was a strong year and was relatively in line with 2015.

Lagardère Sports and Entertainment's competitive environment mainly comprises a limited number of international agencies that operate in several businesses, sports and geographic areas, as well as more local players in each of its markets.

B.1 Lagardère Sports

B.1.1 Football

Europe

In 2016, Lagardère Sports further strengthened its position in European Football with partnerships with more than 100 rights holders.

In Germany, the first territorial sponsorship for Borussia Dortmund was sold in Asia and the exclusive marketing partnership with Karlsruher SC was renewed. Lagardère Sports' portfolio of exclusive commercial relationships was strengthened with the signing of new clubs including Germany (SC Preußen Münster) and Sweden (IK Sirius), as well as a new partnership with the Polish Football Association.

In the United Kingdom, Lagardère Sports expanded its portfolio of clubs it partners with for perimeter advertising, and activated major sponsorship on behalf of clients across premium assets including the UEFA Champions League, the UEFA Euro 2016, the Premier League and clubs in La Liga, Bundesliga and French Ligue 1.

Lagardère Sports also delivered a unique fan experience in Paris during the UEFA Euro 2016 tournament – reinforcing its wide range of capabilities within football. This included the design, build and operation of the Tour Eiffel Fan Zone which saw 1.2 million visitors over 26 days, hospitality sales in selected territories, and advertising sales for qualification games. The project also allowed Lagardère Sports to work with other divisions within the Group, including Lagardère Studios (a subsidiary of Lagardère Active), on the organisation of concerts at the fan zone.

Africa

In 2016, Lagardère Sports managed the sale of marketing and media rights, and provided television production services for the Confédération Africaine de Football's biggest tournaments including the African Nations Championship, the CAF Super Cup, the CAF Champions League and the CAF Confederation Cup, as well as managing the distribution of media rights and providing television production services for the 2018 FIFA World Cup Russia™ African Qualifiers.

Asia

In 2016, Lagardère Sports managed the marketing and media rights of the Asian Football Confederation (AFC), including the AFC Champions League and the AFC Cup, as well as the 2018 FIFA World Cup™ Asian Qualifiers, and AFC Champions League – the region's number one club competition.

Providing further value for clients in Asia, Lagardère Sports utilised the commercial rights of the AFF Suzuki Cup, an event followed throughout South East Asia.

B.1.2 Golf

In 2016, Lagardère Sports continued its work as a golf talent agency, representing more than 45 players on the PGA Tour. The roster includes Jordan Spieth, Phil Mickelson, Keegan Bradley and Brandt Snedeker.

Lagardère Sports organised tournaments in the United States, including PGA Tour event The Safeway Open, and in Asia, including the SMBC Singapore Open and Emirates Australian Open. Similarly, in Europe, Lagardère Sports organised the Nordea Masters.

B.1.3 Tennis

In 2016, Lagardère Sports continued organising the BNP Paribas WTA Finals Singapore presented by SC Global. The last tournament of the women's tennis season was the third in a series of five planned to be held in Singapore until 2018.

In Europe, Lagardère Sports also continued to organise the ATP 250 SkiStar Swedish Open, the Ericsson Open as well as the ATP 250 IF Stockholm Open.

In the United States, Lagardère Sports organised the Citi Open in Washington (ATP 500 event and WTA International).

Lagardère Sports continued to operate its diverse portfolio of prestigious tennis media rights, including ATP 250 and WTA International events and Grand Slam tournaments and continued to market to broadcasters around the globe.

Lagardère Sports also represents a portfolio of players including Caroline Wozniacki and Richard Gasquet.

B.1.4 Olympic sports and major events

In 2016, Lagardère Sports contributed to the success of the Rio Olympic Games on behalf of clients including the Australian Olympic Committee, French Olympic Committee, broadcasters across 40 European territories and over 1,500 hospitality clients.

Moreover, through its specialist agency, EKS, Lagardère Sports was commissioned by the Budapest Bid Committee to lead an international consortium to advise Budapest on its bid to host the 2024 Olympic and Paralympic Games(1). Lagardère Sports created a bid strategy and led the development of the candidature's technical plan, including the Games concept, master plan, legacy and delivery plan, leveraging its long-standing expertise in the Olympic sector and major multi-sport event space.

(1) The international consortium of advisors included Lagardère Sports, through Event Knowledge Services (EKS), PwC Hungary and M-is, who will together support the Budapest bid to host the 2024 Olympic and Paralympic Games.

B.1.5 Brand consulting and rights activation

In 2016, Lagardère Sports invested in developing its consulting business through the acquisition of a key agency in the United States – Rooftop2 Productions. Rooftop2 Productions, founded in 2012 and based in New York, has built a strong reputation for creating and producing live marketing experiences that connect brands with consumers. The agency's services include live event development and production, sporting event design and management, experiential marketing and activation, media and content production and hospitality solutions. It works with a premier roster of clients across diverse industries including automotive, broadcasting, entertainment, non-profits, sports, and wireless providers.

In France, Sponsorship 360 also came on board. Sponsorship 360 is dedicated to delivering solutions to brands in order to create communication platforms through sports. The agency works from the leverage of strategic partnerships through to the deployment of 360 degree activation programs.

B.1.6 More sports

In 2016, Lagardère Sports continued to make its mark in rugby by providing consultancy services and representing the marketing rights for the European Rugby Champions Cup and Challenge Cup.

It was also selected by the NFL to promote its brand by amplifying the league's social media and digital platforms in Germany.

In basketball it signed an exclusive deal with the VTB United League to sell the media broadcasting rights for the annual European basketball league worldwide (excluding participating countries).

Lagardère Sports developed a mobile app for the International Federation of Gymnastics and sold sponsorship for the 2016 World Cup of Hockey.

Moreover, Lagardère Sports' athlete management continued to grow too – it now represents more than 70 NFL players, including 25 Pro Bowlers, and 60 professional and retired baseball players. Additionally, Lagardère Sports worked towards strategically building additional team sports, talent marketing, and broadcasting practices within its talent representation portfolio.

B.2 Lagardère Live Entertainment

B.2.1 Live shows and production

In 2016, Lagardère Live Entertainment was very successful with the Florent Pagny tour, which sold out in every city (99% fill rate). Lagardère Live Entertainment also relaunched the illusionist Enzo's *l'Insaisissable* show at the Casino de Paris as well as *Les Schtroumpfs* and *Les Choristes* at the Folies Bergère.

B.2.2 Venue management

Lagardère Live Entertainment continued to manage its portfolio of venues, which includes the Bataclan, the Folies Bergère, the Casino de Paris and a minority share in Zenith de Paris. In 2016, the Bataclan re-opened and artists and the public took possession of the emblematic hall of French popular culture. Both looked forward to coming back and, since the opening, every concert that took place has been a success. Lagardère Live Entertainment also has a great programme scheduled for 2017.

B.3 Objectives and achievements in 2016

In 2016, Lagardère Sports and Entertainment successfully pursued the development of its portfolio in key areas, and delivered extensive services and events.

In 2016, Arnaud Lagardère, General and Managing Partner of Lagardère SCA, appointed Andrew Georgiou as Chief Executive Officer of Lagardère Sports and Entertainment. Andrew Georgiou had served as Chief Operating Officer of Lagardère Sports and Entertainment since 2014, overseeing the operations of the Group's global sports and entertainment businesses.

2016 proved to be another big year for the company's football business globally. Lagardère Sports was chosen to manage the design, development and operation of the official UEFA Euro 2016 fan zone in Paris. The Tour Eiffel Fan Zone provided entertainment and excitement for spectators and sponsors alike. With special opening and closing concerts and all the matches shown on a giant 420 sq.m. screen, the area saw over one million fans celebrate and soak in the electric atmosphere of the tournament.

In Africa, Total become the title sponsor for CAF's ten principal competitions, whilst Orange renewed its relationship with CAF and signed a new eight-year partnership as an official sponsor. Both deals were brokered by Lagardère Sports.

In Asia, Lagardère Sports managed the marketing and media rights for AFF's biennial tournament the AFF Suzuki Cup and achieved its commercial objectives by securing 17 Official Sponsors and Supporters for the tournament. Lagardère Sports also secured Tsingtao Beer's continued partnership with the Asian Football Confederation, further extending its expertise in China.

In the Olympic space, Lagardère Sports began leading Budapest's 2024 Olympic and Paralympic Games bid. In 2016, Lagardère Sports managed the broadcast of the Rio 2016 Games across 40 European territories, working closely with more than 60 media partners.

Another highlight for the business was the successful management of media rights sales as well key contract renewals and acquisitions. It renewed contracts for the media distribution rights to various ATP 250 events as well as extending its portfolio.

Event management in golf continued to go from strength to strength with Lagardère Sports successfully organising the PGA Tour-sanctioned Safeway Open in the Napa Valley.

Finally, Lagardère Sports continued to hold a profitable position in 2016.

C) OUTLOOK

In 2017, Lagardère Sports and Entertainment will continue the development of its portfolio in key areas including football, golf, Olympic sports and major events, media, brand consulting and digital services.

As the industry develops, the agency will look to use its unique insights and expertise to bridge the gap between consumer trends, sponsorship opportunities and brands while continuing to provide clients with integrated solutions to the challenges they face.

Overall, Lagardère Sports and Entertainment continues to cement its leadership position and expects 2017 to be another good year for the company.

5.3 CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE CITIZENSHIP – ETHICS

AFR

5.3.1 CSR – KEY PRIORITIES, STAKEHOLDERS AND RESPONSIBLE GOVERNANCE

Create purpose. Foster personal fulfilment at work. Offer guidance to its employees in diversity and innovation. Combine excellence with corporate responsibility in a changing society. Align respect for objectives with respect for the planet. These challenges are directly related to the businesses of the Lagardère group and reflected in its social and environmental commitments. Lagardère has implemented a Corporate Social Responsibility (CSR) policy to reach three objectives: meet increasingly stringent regulatory requirements, align its CSR approach with its development strategy, and strengthen stakeholder relations.

Guided by the principles of responsible governance, the 2015-2020 CSR roadmap focuses on strategic priorities relating to developing talent, responsible digital management, the impact of media content and the environmental sustainability of the Group's activities. A materiality matrix compiled at the end of 2016 in collaboration with a wide range of internal and external stakeholders will enable the Group to further clarify the relevance of its key priorities in 2017 and gauge the impact of the actions implemented.

In implementing its CSR programme, Lagardère was able in 2016 to remain in the following four ESG indices: Euronext Vigeo Europe 120, Eurozone 120, MSCI (Global Sustainability Indices) and STOXX® Global ESG Leaders. For the second year running, the Lagardère group was also ranked in the Sustainability Leader 2016 list for the media industry by asset management firm RobecoSAM.

5.3.1.1. CSR POLICY OBJECTIVES

A) MEETING INCREASINGLY STRINGENT REGULATORY REQUIREMENTS

The CSR reference framework applies both nationally and internationally.

In France, non-financial disclosure requirements have become stricter over the years. For the fifth consecutive year, in application of the implementing order of article 225(1) of France's Grenelle 2 law of 12 July 2010, the Lagardère group(2) has the disclosure and fairness of the social and environmental information in this report verified by an independent third party (refer to section 5.3.5 for independent third-party report). For the 2016 report, this chapter on CSR information has been divided into two sections to improve readability and to differentiate between information provided on the strategic priorities of the CSR roadmap (with some information stipulated in the above-mentioned implementing order) and other social and environmental information included in line with the French Commercial Code.

An initial cross-reference index is provided at the end of the chapter (see section 5.3.4.3 A) to compare the information disclosed in this report with the requirements listed in article R. 225-105-1 of the French Commercial Code, in line with article 225 of the Grenelle 2 law. A second cross-reference index (see section 5.3.4.3 B) is also included to find the information corresponding to the indicators set out in the GRI G4 Guidelines(3).

Internationally, Lagardère applies a number of founding documents on CSR, such as the ILO(4) and the OECD(5) guidelines aimed at multinational corporations.

As in previous years, the Group's General and Managing Partner Arnaud Lagardère maintains his commitment to the principles of the United Nations Global Compact in the statement below.

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 2016, Hachette Livre is also subject to the verification requirement concerning the disclosure of information listed in the French Commercial Code.
(3) G4 Guidelines are the fourth version of the sustainability reporting guidelines published by the Global Reporting Initiative, which Lagardère has used as a reference since 2009.
(4) International Labour Organization. Its principles are included in the commitments of the United Nations Global Compact.
(5) Organisation for Economic Co-operation and Development.

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

Numerous standards offer the Lagardère group guidance in conducting its operations. For example, ISO 26000 was used as a basis in drafting the Lagardère group Code of Conduct, which was updated in 2012.

Lagardère's CSR practices also apply Unesco's Convention on the Protection and Promotion of the Diversity of Cultural Expressions and Unicef's Implementation Handbook for the Convention on the Rights of the Child.

The Lagardère group also ensures that its CSR policy ties in with the 17 sustainable development goals adopted by the United Nations in 2015.

B) ADAPTING CSR TO GROUP STRATEGY AND DEVELOPMENT

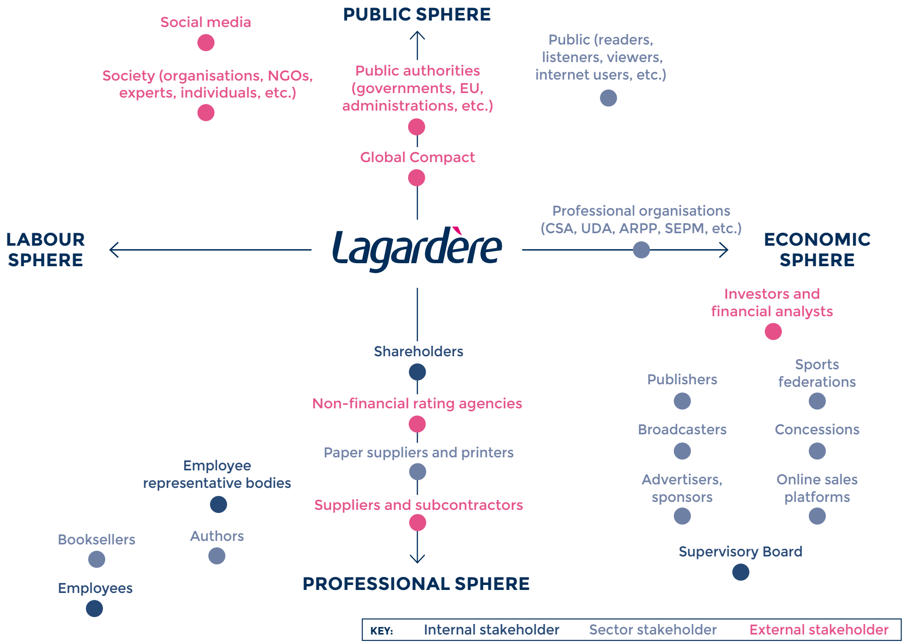
The Lagardère group aligns its CSR policy with its development strategy for its various businesses. Its roadmap has therefore been linked for several years to:

- *the development of digital businesses:* although the responsible management of the entire paper life cycle remains a priority, especially for Lagardère Publishing and Lagardère Active, CSR issues related to digital activities (training in new digital fields, personal data protection, piracy, waste electrical and electronic equipment recycling, etc.) are becoming increasingly relevant for Lagardère;
- *the development of new businesses,* such as the Lagardère Travel Retail division's Foodservice business. While the expansion of Travel Retail means that greater attention needs to be paid to the eco-efficiency of its stores (which can be an advantage when responding to tenders), the steady development of the Foodservice businesses since 2014 by definition makes food hygiene and safety a key issue;
- *the development of businesses in new markets.* The development of Lagardère Entertainment's Audiovisual Production businesses in Africa and of the LARI radio stations (particularly in Cambodia in 2016)[1] has a social impact on local populations, through the promotion of talent and cultural diversity and by providing access to content.

C) STRENGTHENING STAKEHOLDER RELATIONS

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, customers, investors, consumers and shareholders. Lagardère's numerous stakeholders – internal, external, public or sector – are mapped out in the diagram below.

(1) Lagardère Active Radio International.



To strengthen relations with its stakeholders, in 2015 Lagardère set up **a stakeholder panel**, an advisory body that seeks to improve the Group's CSR practices. Lagardère's stakeholder panel is chaired by Thierry Funck-Brentano, one of the Co-Managing Partners of Lagardère SCA, and coordinated by the Sustainable Development Department. Its 13 members are appointed for two years and represent the main CSR issues, businesses, expertise and the Group and both its internal and external stakeholders.

The panel met twice in 2016 with the aim of:

- establishing regular dialogue at Group level between Lagardère and its stakeholders;
- better understanding stakeholders' perception and expectations of the Group;
- supporting Lagardère's forward-looking strategy for its main social and environmental priorities.

In 2016 the stakeholder panel tackled issues relating to the Group's development in Africa, based on the theme of "how to combine business and sense". Then, in December, it focused on the materiality matrix project that drew on the consultation of a huge number of internal and external stakeholders. This matrix will enable Lagardère to meet the requirements of the European directive (still being enacted) on extra-financial reporting and to deal with its most relevant CSR issues more effectively.

5.3.1.2 CSR PLAYERS AND GOVERNANCE

Each of the Group's divisions has its own CSR policy led by a Sustainable Development/CSR manager, who coordinates the networks of internal correspondents or forms local steering committees.

Each division coordinates its own employee training and awareness programmes on environmental protection issues. For example, Lagardère Publishing and Lagardère Active ran environmental awareness campaigns about the paper cycle and organised training on carbon audits,

The divisions are also responsible for implementing the measures needed to obtain certification as, for example, Lagardère Sports and Entertainment did in June 2016 when it obtained ISO 20121 certification in connection with the design, creation and operation of the Eiffel Tower fan zone during UEFA Euro 2016 Championship in Paris.

At Group level, a Sustainable Development Department, which reports to the Managing Partners, 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 fine tunes the Group's CSR strategy and proposes initiatives to be undertaken at Group level while promoting the exchange of best practice between the divisions.

The Sustainable Development Department also helps steer various focus groups dealing with key issues, such as responsible purchasing, in collaboration with the Group's Purchasing Department, and the promotion of diversity, with the Human Resources Department. It also coordinates dialogue with the stakeholder panel.

Since 2015, the Supervisory Board has incorporated CSR within the duties of the Appointments, Remuneration and Governance Committee. Consequently, in September 2016, the head of the Sustainable Development Department came to give an update on the Group's CSR strategy.

5.3.2 IMPLEMENTATION OF THE CSR POLICY, THE STRATEGIC PRIORITIES

Responsible governance forms the basis of the Lagardère group's CSR roadmap, which is guided by four strategic priorities, namely developing talent, digital, responsibility for media content and the environmental sustainability of the Group's activities.

The Group's approach to responsible governance is reflected in its ethical principles, in compliance programmes (see section 7.4.1.6.D) applicable to its employees and in its adherence to strict rules governing child protection and advertising.

The Lagardère group Code of Conduct 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 Code of Conduct is one of the founding documents used to define the Group's CSR policy. Its guidelines apply to all Lagardère group companies and to all subcontractors, consultants, freelance workers and volunteers it works with.

The Code was amended in 2016 to add clarity to the sections devoted to diversity (particularly religious diversity) and living side by side. In a new chapter under the heading "Mutual respect and discrimination", the Group states that "*Objectivity, fairness, common sense, open-mindedness and dialogue must form the basis of all actions and decisions taken by management*" and reiterates its neutrality with respect to all religions.

The Code also includes provisions on prohibiting corruption in France and abroad in the chapter entitled "Relations with external partners and competitors"(1).

Lagardère also extends the provisions of its Code of Conduct concerning employees with several charters, which employees undertake to apply.

The Confidentiality and Market Ethics Charter Applicable to Lagardère group Associates, in addition to the provisions of the Lagardère group Code of Conduct on confidentiality and securities transactions, defines the rules under which Group employees may trade in the Lagardère share, and implements preventative measures to limit situations that could give rise to insider misconduct.

An IT Charter setting out the rules for using IT systems also applies to all Group employees.

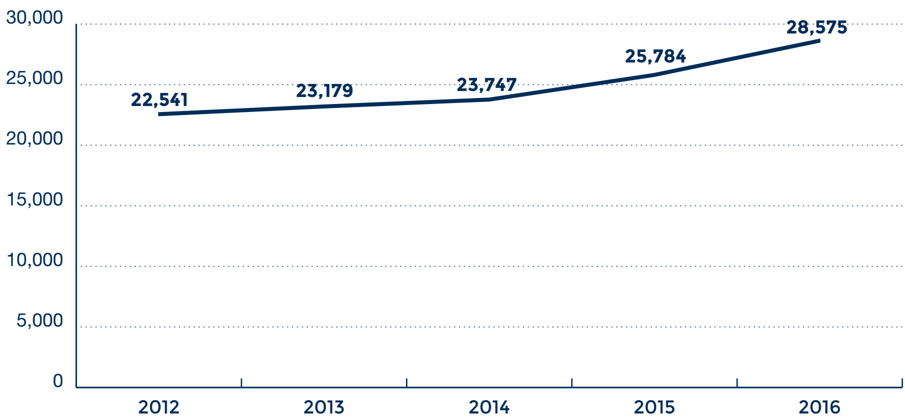
At Lagardère Active, the journalists' Code of Conduct lays down the fundamental values of journalism and aims to guarantee freedom of the press and independence of content.

5.3.2.1 PROMOTING EMPLOYEE DIVERSITY, TRAINING AND INVOLVEMENT

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.

Promoting talent diversity and gender balance, and then supporting employees in terms of training, innovation and involvement are two key CSR priorities. The other labour information required by regulations is covered in the section on compliance information (see section 5.3.3.1).

Changes in permanent workforce at 31 December 2016(2)



(1) See also section 5.3.3.3.C.
(2) 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.

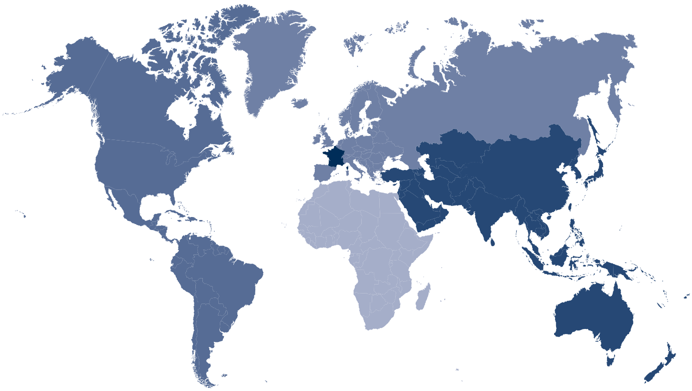
Workforce by division at 31 December 2016

Division	Women	Men	Total	2015/2016 change
Lagardère Publishing	3,969	2,684	**6,653**	4.66%
Lagardère Travel Retail	11,577	5,473	**17,050**	15.31%
Lagardère Active	1,817	1,468	**3,285**	5.73%
Lagardère Sports and Entertainment	526	914	**1,440**	4.05%
Other Activities	82	65	**147**	-2.00%
Group total 2016	**17,971**	**10,604**	**28,575**	**10.82%**

The main changes include:

- **Lagardère Publishing**: the increase in the workforce reflects the acquisition of a new company, Perseus, and organic growth in the United States.
- **Lagardère Travel Retail**: the sharp rise in headcount stems primarily from the inclusion of Lagardère Paradies (United States and Canada) in the reporting scope. It is also due to organic growth and business development (particularly in Foodservice).
- **Lagardère Active**: the rise in the number of employees is largely attributable to the integration of Spanish production company Boomerang in the reporting scope.
- **Lagardère Sports and Entertainment**: this division also saw an increase in headcount due to:
  - the inclusion of new companies entering the reporting scope (notably in Germany with Akzio, and in the United States with Rooftop2 Productions);
  - organic growth (France and Singapore) from the development of consulting businesses, Olympic-related activities and the division's increasing involvement in football.

Workforce by geographic area at 31 December 2016



FRANCE

Lagardère Publishing	2,319
Lagardère Travel Retail	3,987
Lagardère Active	2,538
Lagardère Sports and Entertainment	456
Other Activities	147
Total	**9,447**

EUROPE (EXCL. FRANCE)

Lagardère Publishing	2,490
Lagardère Travel Retail	5,081
Lagardère Active	728
Lagardère Sports and Entertainment	604
Total	**8,903**

NORTH AND SOUTH AMERICA

Lagardère Publishing	1,638
Lagardère Travel Retail	5,794
Lagardère Sports and Entertainment	147
Total	**7,579**

ASIA-PACIFIC

Lagardère Publishing	126
Lagardère Travel Retail	2,188
Lagardère Sports and Entertainment	233
Total	**2,547**

AFRICA

Lagardère Publishing	80
Lagardère Active	19
Total	**99**

A) PROMOTING DIVERSITY, GENDER BALANCE AND EQUAL OPPORTUNITY

A.1 Strategy

Adapting to local cultures, the diversity of consumers and the increasing number of markets are strategic to the development of all Group businesses. Given its wide range of business activities and the broad array of expertise provided by its workforce, the Lagardère group is keen to promote diversity in its divisions.

Lagardère is opposed to all forms of discrimination based on a person's origin, lifestyle, age, sex, political or religious opinions, trade union affiliation, disability or sexual orientation.

It works to apply and promote the ILO's fundamental principles on eliminating discrimination in respect of employment and occupation and eliminating forced and compulsory labour.

As a result, Lagardère's equal opportunity policy has translated these principles into three main focuses:

- the place of women in the Group;
- integrating employees with disabilities;
- breaking stereotypes based on race or social class.

A.2 Application

The place of women in the Group

While already representing the majority, the proportion of women in the Group's workforce increased further in 2016. Women represented 63% of the Group's total permanent workforce, 42% of executives and 55% of managers, and the majority of training participants (women took 61% of the training hours given, and 66% of the total number of trained employees were women).

Promotions also broke down evenly between men and women. In terms of pay increases, 61% were awarded to women.

Although the Group has achieved an overall balance, there are still disparities in some divisions due to the nature of their businesses. At Group level, 42% of executives were women in 2016 (compared with 39% in 2015), although this percentage can vary by division, from 7% at Lagardère Sports and Entertainment to 54% at Lagardère Publishing.

In terms of training hours allocated to women, Lagardère Active launched – through the Elle Active Forum (see below) – the Elle Active Academy for its employees in the second half of 2016, allowing around fifty female employees to benefit from training.

In the area of equality and the representation of women in the media, the Radio-Television unit of Lagardère Active has, since 2015, applied the requirement of the French regulator CSA to track and promote the presence of women on the air. For example, Europe 1 meticulously quantified the multitude of people brought in for its broadcasts – journalists, hosts, reporters, experts, politicians and other guests – in 2016.

Europe 1 has continued to bring women more into the limelight, either as news presenters and guests, or through the subjects it selects.

As a result, the portion of women on air rose from 31% to 38% between May and October 2016.

Integrating employees with a disability

In its partnership with Michaël Jérémiasz, the wheelchair tennis champion, the Lagardère group led initiatives aimed at raising employee awareness about disability, including a disability awareness week organised by Lagardère Active in November 2016.

Lagardère Active's Mission Handicap project also continued its efforts, particularly its HFA (Hachette Filipacchi Associés) branch which signed a fourth company-wide agreement (2016-2018). This new agreement sets out measures aimed at assisting disabled job applicants, students and employees.

At Lagardère Active, the Charter for promoting the training and professional integration of people with disabilities in the audiovisual communications sector, signed in 2014, enables initiatives to be set up in the audiovisual domain, such as providing traineeships and highlighting the various possible career paths.

In partnership with Lagardère Active's Mission Handicap project and the Arpejeh association (which supports disabled school children and college students with educational projects), the Radio/Television unit spent a morning showcasing audiovisual careers to a group of six disabled school children.

Breaking down stereotypes based on race or social class

This theme is relevant day to day, across all businesses. The broad diversity of employees at Lagardère Travel Retail for instance reflects both the large number of regions in which it operates and the diversity of the customer base.

At Lagardère Active, a number of companies – Lagardère Studios, Gulli, Europe 1 and HFA – have signed the Diversity Charter. This Charter expresses a company's willingness to improve the degree to which their workforce reflects the diversity of French society.

At the Group level, a new analysis of recruitment procedures was launched in 2016 to test the selection criteria for candidates applying for full employment and work placements at all of its entities.

In the wake of awareness-raising workshops given to the human resources departments and executive committees of each division, a new programme was set up in 2016 to train managers on decisional bias linked to stereotypes. Several dozen managers received training.

Following on from previous years, numerous initiatives, conducted in partnership with charitable associations promoting cultural or social diversity, were continued:

- The Group, its divisions and its Foundations (Elle and Jean-Luc Lagardère) thus maintained their partnerships with various organisations, including *École Miroir*, *Nos Quartiers ont des Talents*, *Sport dans la ville*, the Divertimento Symphony Orchestra, etc. which help young people from problem neighbourhoods to gain access to the training or employment opportunities that they sometimes miss out on due to their ethnic or social backgrounds.
- Lagardère Active continued its partnership with the organisation *Un Stage et Après* (which sets up short-term work placements for students from secondary schools to teach them about the media industry) and set up a new partnership with the association *La Chance aux Concours* which provides advice and assistance each year to 70 scholarship students seeking to take competitive examinations to gain a place at one of the journalism schools. The aim of this partnership is to help these students gain access to the business world and discover the world of journalism ahead of their examinations.

Finally, with regard to **religious diversity**, the modification of the Code of Conduct (see above) in 2016 helped re-emphasise the importance of neutrality towards all religions. This neutrality helps to ensure equal opportunities for all employees and to reiterate that no religious practice can undermine the smooth-running of the Group's operations or the professional activities of an employee. This complex issue has also been the subject of an awareness campaign targeting the Group's entire human resources network and led by Patrick Banon, writer, associate researcher for the Management & Diversity Chair at Paris-Dauphine University and a specialist in the management of religious diversity in the workplace.

A.3 Performance

Gender balance

Permanent workforce at 31 December 2016, by occupational group and by gender[1]

Occupational group & gender / Division	Executives		Managers		Journalists and photographers		Other employees		Total		
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Total
Lagardère Publishing	184	155	1,749	1,081	0	0	2,036	1,448	**3,969**	**2,684**	**6,653**
Lagardère Travel Retail	50	92	1,040	1,022	0	0	10,487	4,359	**11,577**	**5,473**	**17,050**
Lagardère Active	26	44	796	660	498	398	497	366	**1,817**	**1,468**	**3,285**
Lagardère Sports and Entertainment	5	62	119	290	1	3	401	559	**526**	**914**	**1,440**
Other Activities	5	21	39	38	0	0	38	6	**82**	**65**	**147**
Group total 2016	**270**	**374**	**3,743**	**3,091**	**499**	**401**	**13,459**	**6,738**	**17,971**	**10,604**	**28,575**
Group total 2015	255	391	3,604	3,052	490	406	11,298	6,288	15,647	10,137	25,784

Occupational group & gender / Division	Executives		Managers		Journalists and photographers		Other employees		Total	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Lagardère Publishing	54%	46%	62%	38%	0%	0%	58%	42%	60%	40%
Lagardère Travel Retail	35%	65%	50%	50%	0%	0%	71%	29%	68%	32%
Lagardère Active	37%	63%	55%	45%	56%	44%	58%	42%	55%	45%
Lagardère Sports and Entertainment	7%	93%	29%	71%	25%	75%	42%	58%	37%	63%
Other Activities	19%	81%	51%	49%	0%	0%	86%	14%	56%	44%
Group total 2016	**42%**	**58%**	**55%**	**45%**	**55%**	**45%**	**67%**	**33%**	**63%**	**37%**
Group total 2015	39%	61%	54%	46%	55%	45%	64%	36%	61%	39%

(1) Actual workforce in service at 31 December 2016.

Breakdown of staff recruitments in 2016, by occupational group and gender

Division	Recruitments		Merger/Absorption		Contract conversions		Internal mobility	
	Women	Men	Women	Men	Women	Men	Women	Men
Lagardère Publishing	499	281	121	68	118	33	41	16
Lagardère Travel Retail	4,500	2,138	0	2	142	101	11	16
Lagardère Active	217	200	81	24	81	90	18	14
Lagardère Sports and Entertainment	98	148	5	8	26	60	2	17
Other Activities	6	5	0	0	3	1	1	1
Group total 2016	**5,320**	**2,772**	**207**	**102**	**370**	**285**	**73**	**64**
Breakdown 2016	**66 %**	**34%**	**67%**	**33%**	**56%**	**44%**	**53%**	**47%**
Breakdown 2015	60%	40%	-	-	56%	44%	60%	40%

Permanent workforce given a pay rise in 2016, by gender

Division	Women	Men	Total	Women	Men
Lagardère Publishing	3,245	2,307	**5,552**	58%	42%
Lagardère Travel Retail	5,781	3,019	**8,800**	66%	34%
Lagardère Active	380	367	**747**	51%	49%
Lagardère Sports and Entertainment	306	516	**822**	37%	63%
Other Activities	70	54	**124**	56%	44%
Group total 2016	**9,782**	**6,263**	**16,045**	**61%**	**39%**
Group total 2015	9,770	6,685	16,455	59%	41%

Training expenditure by gender[1]

Division	Training expenditure (in €)			Breakdown in expenditure	
	Women	Men	Total	Women	Men
Lagardère Publishing	902,718	518,598	**1,421,316**	64%	36%
Lagardère Travel Retail	2,589,208	1,491,566	**4,080,773**	63%	37%
Lagardère Active	889,060	492,560	**1,381,620**	64%	36%
Lagardère Sports and Entertainment	113,613	173,921	**287,533**	40%	60%
Other Activities	73,180	42,678	**115,858**	63%	37%
Group total 2016	**4,567,779**	**2,719,322**	**7,287,102**	**63%**	**37%**
Group total 2015	4,550,325	3,245,170	7,795,495	58%	42%

(1) The average budget per employee who participated in at least one training course came to more than €305 in 2016.

Hours of training by gender

Division	Training hours			Breakdown in hours	
	Women	Men	Total	Women	Men
Lagardère Publishing	28,440	24,544	**52,983**	54%	46%
Lagardère Travel Retail	142,202	81,700	**223,902**	64%	36%
Lagardère Active	20,857	14,436	**35,293**	59%	41%
Lagardère Sports and Entertainment	3,189	4,546	**7,735**	41%	59%
Other Activities	1,164	721	**1,885**	62%	38%
Group total 2016	**195,851**	**125,946**	**321,797**	**61%**	**39%**
Group total 2015	167,608	110,886	278,494	60%	40%

Employees who participated in at least one training course by gender

Division	Women	Men	Total	Women	Men
Lagardère Publishing	2,644	1,656	**4,300**	61%	39%
Lagardère Travel Retail	11,530	5,458	**16,988**	68%	32%
Lagardère Active	961	700	**1,661**	58%	42%
Lagardère Sports and Entertainment	169	240	**409**	41%	59%
Other Activities	49	34	**83**	59%	41%
Group total 2016	**15,353**	**8,088**	**23,441**	**65%**	**35%**
Group total 2015	10,191	6,254	16,445	62%	38%

Disability

Number of employees with a disability(1)

Division	France	Europe	Americas	Asia-Pacific	Africa	Total
Lagardère Publishing	55	16	1	0	0	**72**
Lagardère Travel Retail	37	76	4	0	NA	**117**
Lagardère Active	33	4	NA	NA	0	**37**
Lagardère Sports and Entertainment	7	3	0	0	NA	**10**
Other Activities	2	NA	NA	NA	NA	**2**
Group total 2016	**134**	**99**	**5**	**0**	**0**	**238**
Group total 2015	140	111	6	1	0	258

Breaking stereotypes

Number of formal litigation cases involving discrimination(2)

Six formal litigation cases involving discrimination were recorded in the United States in 2016. Two are still under investigation, while the other cases were all resolved with the good faith of the company having been proven on each occasion.

(1) Actual workforce in service at 31 December 2016.
(2) Formal litigation means any legal action or claim officially filed with any competent authority. Discrimination refers to unequal treatment of an individual (unusual working conditions and/or workloads, refusal of benefits typically due, etc.) due to his or her race, skin colour, gender, political or religious beliefs or social or ethnic background.

B) BOOSTING EMPLOYEE TRAINING, INNOVATION AND INVOLVEMENT

B.1 Strategy

Developing the professional expertise and individual responsibilities of employees is crucial to the success of the Lagardère group, whose strength is based on the quality and diversity of its employees. It focuses on the growth of its employees, through promotion, internal mobility and training to enhance their employability.

In addition to the Group-wide career management policy and in keeping with the policy of independence, each division takes initiatives adapted to its business line and activities.

Lagardère also invests in guidance and training for young people by promoting the use and development of work-study placements and programmes.

Offering support for employees, by boosting their innovation capacity throughout their time with the company and by encouraging them to get involved in their community, also forms part of any social responsibility policy.

B.2 Application

Since employee guidance starts early, by establishing regular dialogue with students when they are still potential candidates, the Group makes a point of being present at forums organised by France's top schools (HEC, ESCP Europe, ESSEC, EDHEC and EM Lyon) by sending recruiters from its different divisions.

These events provide an opportunity to present the Lagardère group and its brands to students and graduates and to offer work placements, work-study contracts or jobs, while also giving advice on first career choices.

The Group has also partnered, since it was created seven years ago, the World Academic Sport Challenge with France's top schools and universities. This one-day sports competition brings together students and companies and includes actions to promote the integration of employees with a disability, along with the chance to discuss the businesses of partner companies.

To offer employees guidance throughout their career, the Lagardère group offers a vast selection of training options available to all its employees in a broad range of areas, including digital, management, communication, health and safety, foreign languages, businesses, etc.

Lagardère has also implemented an in-house career development training programme at Group level.

The programme begins with the annual orientation day, an event that brought together 150 recently hired managers in June 2016, with a view to presenting Lagardère's different businesses through creative activities and meetings with executives, thereby contributing to the emergence of a common culture.

The Lagardère group also offers a three-day leadership programme for high-potential Group managers, which helps them to boost innovation, lead a cross-divisional project and become an agent for change.

The divisions also organise their own in-house training sessions. For example, Hachette Livre introduced its Hachette Livre forum, three one-day events that take place over the course of the year to provide all Group employees with the opportunity to learn more about the publishing business.

At Lagardère Travel Retail, training is very important. The division allocates 5% of its total payroll costs to training and has spent several years developing a highly innovative internal training programme for its commercial teams.

Guidance in new technology

As part of its strategy for over ten years, the Lagardère group has been offering its employees a guidance programme to help them deal with the digital transformation of their profession.

This programme draws extensively on Lagardère's partnership with Netexplo. This observatory examines the use of digital technology and publishes a trend report every year on digital innovations, based on an international spotter network of experts and university professors.

Through this partnership, Group employees are able to take part in Netexplo's annual forum and its various management and marketing workshops.

Internal mobility

With regard to developing the skills and expertise of its employees, internal mobility is also seen as a key priority for the Lagardère group, which has developed a special process to evaluate the different opportunities and the profiles of the candidates who have submitted a request for mobility.

The inter-divisional committee (made up of HR representatives in charge of mobility) handled around 10 mobility transfers in 2016 and reviewed more than 80 jobs and 37 candidates.

Supporting employees in their community involvement initiatives

The Lagardère group is also keen to encourage its employees to get involved in their community.

Eight years ago, the Elle Foundation was a pioneer in supporting Lagardère Active employees in their community involvement. In 2016, a total of 280 employees, i.e., 20 more than in the previous year, took part in workshops and initiatives organised by the Elle Foundation to support its partner associations.

Meanwhile, the Jean-Luc Lagardère Foundation has since 2014 presented solidarity awards to community projects sponsored by Group employees.

Since 2016, each award that is presented is worth €10,000. For the first time ever in 2016, Lagardère group employees were able to vote online to select the three winning projects via Enter, the Group's intranet.

Additionally, as a result of the partnership between the Jean-Luc Lagardère Foundation and Sciences Po which aims to support high-level athletes (see below), two Lagardère Sports and Entertainment employees will sponsor two athletes (a judoka and a swimmer) with a view to helping them prepare for their professional futures after retirement from sport.

The Group has also continued to work in partnership with Alter'Actions, an organisation which offers innovative ways of contributing to the social economy by bringing together students from top schools who do consulting work and the executives who mentor them. Nine Group managers have taken part in 14 projects with organisations acting to promote women's education and integration, the integration of people with a disability, environmental protection or prison reading programmes.

Hachette Livre's Charitable Action Committee aims to offer funding to organisations supported by employees and focused on the following themes: assisting disadvantaged people and people in distress, integration, insertion, education, helping lonely or disabled people, combating illiteracy, environmental protection and rehabilitation, or more generally, any charitable or environmental cause. Consequently, ten organisations received €42,000 worth of funding in 2016.

Within Largardère Travel Retail, Lagardère Duty Free renewed its partnership with Action Against Hunger (*Action Contre la Faim*) in 2016, and gave 60 employees a day out to help the Aurore Association repaint an emergency accommodation centre for migrants.

B.3 Performance

Offering guidance for young people

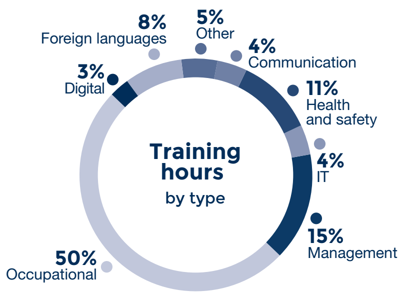
Number of work placements and work-study programmes

Division	Number of work-study programmes	Number of interns
Lagardère Publishing	229	420
Lagardère Travel Retail	87	132
Lagardère Active	166	446
Lagardère Sports and Entertainment	36	321
Other Activities	8	35
Group total 2016	**526**	**1,354**
Group total 2015	609	1,513

Training

Training hours by occupational group

Division	Executives	Managers	Journalists and photographers	Other employees	Total
Lagardère Publishing	2,555	25,404	0	25,025	**52,983**
Lagardère Travel Retail	3,323	44,991	0	175,588	**223,902**
Lagardère Active	1,141	15,623	7,290	11,239	**35,293**
Lagardère Sports and Entertainment	201	1,487	3	6,044	**7,735**
Other Activities	235	1,318	0	332	**1,885**
Group total 2016	**7,455**	**88,822**	**7,293**	**218,228**	**321,797**
Group total 2015	6,845	84,692	6,407	180,550	278,494



The data on training hours broken down by occupational group are provided to show that the Lagardère group believes in training all employees and ensuring that these training hours break down proportionately among the different groups.

The breakdown in training hours by type highlights how well adapted the Group's training policy is. Out of total training, 65% of training hours focus on "business" and "management". These training courses closely tie in with employee performance in their current position and their professional development potential.

5.3.2.2 SUPPORTING RESPONSIBLE DIGITAL MANAGEMENT

The reinforcement of its digital activities brings with it new challenges for the Lagardère group, which will have to create new financial models, rethink jobs and understand new forms of public relations.

A) STRATEGY

Driving growth for the Lagardère group, the development of digital technology also means greater responsibility in personal data protection and the fight against piracy. Personal data protection concerns both employee and customer data. Protecting intellectual property is a central priority at Lagardère Publishing, as its publishers are the custodians of their authors' rights.

Even though Lagardère produces content and not the devices on which its content is broadcast, the Group cannot ignore the environmental impact of these digital devices. As the Group itself uses many of these devices (computers, mobile phones, servers, etc.), it must be mindful of their environmental footprint.

B) APPLICATION

The increasing importance of the Group's digital activities was reflected by the creation of the Lagardère Innovation Network, as well as its investment in two innovation funds and the acquisitions and digital development partnerships that were set up with technology companies by the divisions, especially Lagardère Publishing and Lagardère Active, in 2016.

Protecting personal data

The Group IT Department and Risk Department, in collaboration with the Compliance Department which reports to the Legal Department, oversee 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 at the IT Department and in the Group's digital solutions. The measurement campaign carried out in 2015 was followed up in 2016 by a list of recommendations being sent to each entity concerned. An updated version of this methodology was drawn up in 2016, using the latest versions of the applicable standards and the recommendations of cyber-security and internet fraud experts. This is the version that will be used for the next campaign in 2017.

The system focuses on three main areas:

1. Regulatory compliance;
2. The creation of IT policies and guidelines;
3. The implementation of technical protection solutions (encryption, electronic signatures, the right to know, firewalls, etc.).

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. When a data processing system is centralised, agreements between the parties define the rules and use based on the regulations in the respective countries.

An employee awareness campaign was conducted again in 2016, featuring an online educational game and the publication of awareness-raising articles on various media.

In order to prepare for compliance with new European regulations that will come into force for the divisions concerned in May 2018, the Group put in place a new programme in 2016 with a view to informing the entities, drawing their attention to the targeted action plan and setting up a structure to oversee both the transition and normal operations thereafter. A Group-level Head of Data Protection was subsequently appointed. In 2017 he will finish setting up the network, relying on local teams to ensure the introduction of an online guide which will be available via a common platform.

The Group's Compliance Department currently plans to roll out a programme on compliance with personal data protection standards, which includes information on topics such as policy, systems and procedures (charters, data compilation, statements, archiving, etc.), training and incident management.

Divisions are responsible for data protection and digital security, and each division took measures to raise awareness in 2016 in both France and abroad.

As part of a plan set up in 2015 to strengthen the Group's IT security, new tools were rolled out in 2016 to:

1. monitor the Group's assets online;
2. provide a certificate management platform (encryption, digital signatures);
3. strengthen the vulnerability detection system for websites;
4. strengthen the notification management system (subscription available for local managers);
5. initiate a review of a centralised intrusion detection solution that will be completed in 2017;
6. analyse the presence of Group content on the dark web and associated networks.

Combating piracy

At **Lagardère Publishing**, the legal departments are in charge of intellectual property protection, 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.

Lagardère Active protects its Press content from pirating by using a specialised company whose services were commissioned by the SEPM for use by the union's members.

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

Environmental impact of digital tools

Lagardère is aware of the environmental footprint generated by its digital businesses (indirectly with the impact of manufacturing devices and their consumption). In 2013, the Lagardère group decided to monitor its own digital tools at the end of their useful life more closely by creating an indicator to monitor the weight of waste electrical and electronic equipment (WEEE) collected within the Group in France and transferred to state-approved organisations for processing and recycling.

Along with the extended useful life of devices, the Group has set high standards for the certification of the computer hardware it rents and buys. Lagardère continues to implement virtualisation technologies for both its hosting service contracts and its own infrastructure to optimise its assets (servers, networks, data storage), thereby reducing the carbon footprint of data centres.

C) PERFORMANCE

Indicator	Unit	2016	2015	2014
Weight of WEEE collected for recycling	Tonne	**39.5**	36.9	25.7
Total weight of WEEE collected for recycling (since 2013)	Tonne	**135.1**	95.6	58.7

Each Group entity collects its own WEEE, then stores it before calling an approved organisation, which picks up the waste when it exceeds a certain amount.

From one year to the next, changes in weights collected are due to different interpretations of inventory management and minimum amounts.

5.3.2.3 PROMOTING ACCESS TO CULTURE AND ENTERTAINMENT

Culture – sometimes referred to as the fourth pillar of sustainable development – plays a central role in Lagardère's businesses.

With its involvement in the worlds of culture, information, entertainment, sport and travel, Lagardère carries a particular responsibility as a media industry leader.

Aware of the impact of the content it puts out across all types of media, Lagardère co-founded the Media CSR Forum together with CSR departments from other media groups(1) and ORSE(2). This forum leads discussion and exchange of best practices specific to the responsibility of the media sector.

Finally, the Lagardère group carries a responsibility to the community and to society at large through its range of brands. Lagardère works to foster social cohesion by promoting culture, sport, the education and emancipation of women in France and worldwide, accessibility of content, and child protection through its many partnership and sponsorship operations.

Community involvement lies at the heart of the Group's cultural priorities – The Foundations

Lagardère Active's audiovisual activities provide a key vehicle for the Group's community involvement efforts, through four distinct channels:

- direct collaboration with organisations, foundations or public bodies on editorialised programmes included in the programming schedule;
- offering free advertising space;
- specific programming broadcast in association with a particular event;
- giving awards, such as the Version Femina & Europe 1 Community Involvement award.

A total of 15 organisations or foundations were supported in 2016 by all Lagardère Active media, in a wide range of fields, ranging from health and social vulnerability to supporting refugees, the fight against obesity, child welfare and water preservation.

These causes also received support from all Group divisions, in the form of partnerships, events, awards and competitions or donations for the numerous community involvement initiatives they carried out in 2016.

At Group level, community involvement in the culture and sport domains is mainly encompassed by the **Jean-Luc Lagardère Foundation**, which was created in 1989 under the auspices of Fondation de France. It was set up to implement Lagardère's commitment to culture, community, youth and sport, and develops a number of programmes to promote cultural diversity, encourage creation and promote access to education and culture for all.

At the heart of the Foundation's commitment to creativity lies the prestigious awards it presents to talented young people under the age of 30 (or under 35 for certain categories) in the culture and media domains. Prizes are awarded by prestigious juries in 11 categories: Writer, Film Producer, Television Scriptwriter, Musician (modern music, jazz and classical music), Bookseller, Print Journalist, Photographer, Documentary Film-maker, Animated Film-maker and Digital Artist.

Since it was created in 1990, 272 beneficiaries (11 in 2016) have received a total of €5,885,000, including €255,000 awarded in 2016.

Subsequently the winners regularly participate in other programmes run by the Foundation. For example, the French Academy in the Villa Medici in Rome welcomed three of the Foundation's prize-winners for a one-month residency in 2016. Similarly, as a result of the Foundation's collaboration with the Studio 13/16 cultural programme at the Pompidou Centre, which aims to bring teenagers right to the heart of the contemporary art scene, one of the prize-winners participated in the new *Hors les Murs du Studio* (Outside the studio walls) programme in 2016, by running recreational and artistic workshops at three Parisian schools.

The Foundation also continued its efforts to promote cultural diversity in 2016, through two key literary events:

- *Marathon des mots* in Toulouse, which runs a partnership programme with the Al Kalimat festival in Tunisia;
- The Prize for Arabic Fiction – jointly created in 2013 by the Jean-Luc Lagardère Foundation and the Institut du Monde Arabe (IMA), and the only French award to recognise Arabic creative writing, this prize was awarded to Inaam Kachachi for Tashari (Gallimard), a tragic story of the plight of Iraqi Christians. The Foundation reinforced its partnership with the IMA at the beginning of 2017 by launching a series of Arab literature readings once a month.

The Foundation also very much honoured its commitment to promote access to culture for all in 2016, through four partnerships involving:

- the Divertimento orchestra and its academy, which accompanies hundreds of young people, from beginners (mainly from priority education zones) to professionals, in their discovery of the symphonic orchestra.
- *Ecole Miroir* which enabled 11 students from working-class districts to benefit from top-level training in acting, directing and writing for a period of three years, free of charge.
- the Jules Rimet award (since 2012), which promotes sporting fiction while also encouraging reading at football clubs. In 2016 the award went to Daniel Rondeau for his work entitled 'Boxing Club' (Grasset).
- *Lire pour en Sortir* (Read for Release), which organises reading programmes for detainees at seven remand centres and offers them the chance, if they fully participate with the programme, to fill out readership questionnaires and obtain reductions in their sentences;

(1) Including the CSR departments of TF1, Vivendi, France Télévisions, Bayard Presse and Havas.
(2) French CSR monitoring body.

Finally, with regard to the education and promotion of sport and its values, the Foundation once again joined forces with Science Po, with which it has created educational programmes for high-level athletes. Since the scheme was launched in 2007, 101 athletes have benefited from educational training to help them prepare for their professional lives (including World Boxing Champion Sarah Ourahmoune and Judo Champion Teddy Riner), a further ten athletes received certificates in 2016 and 31 have signed up to the scheme in 2016-2017.

Lagardère Active's corporate foundation, the Elle Foundation, which is run by *Elle* magazine, embarked on 14 new projects in France and abroad in 2016, while continuing to pursue long-term commitments to projects initiated over the previous two years. The Foundation has a total budget of €299,000 for all these projects. Since 2004, a total of 80 projects have been supported across 25 different countries.

The Foundation also aims to involve employees in its projects and keep them informed of its activities. Consequently, in 2016, it held a number of awareness-raising events, revolving notably around the refugee crisis and violence towards women.

The Elle Foundation took eight other corporate foundations on the adventure of *Elles ont toute une histoire* (They all have a story), a series of short video segments giving extraordinary women from around the world the opportunity to make their voices heard. The series was directed by Nils Tavernier and aired in March 2016 on France Télévisions stations.

Promoting outside talent in fields related to Lagardère's activities

Beyond the projects led by the foundations, the Lagardère group and its divisions also supported initiatives aimed at promoting talented young people from outside the Group that work in similar fields to Lagardère. These initiatives have taken different forms, including a number of competitions and awards to honour young journalists, writers, animators, musicians and photographers.

A) CONTENT ACCESSIBILITY AND DIVERSITY, FREEDOM OF EXPRESSION, DIVERSITY IN IDEAS

A.1 Strategy

As a diversified media group, Lagardère must make its content accessible to all, especially those who do not have easy access to content due to geographic distance, social insecurity or physical disability.

Content diversity, diversity in ideas, promoting and defending the written word, reading and authors, combating illiteracy, and freedom of expression are all issues related to the activities and values of the Lagardère group.

A.2 Application

Accessibility

As is the case every year, all of Lagardère Active's television channels, including those targeted at both young (TiJi, Gulli, Canal J) and older (MCM, RFM TV, Elle Girl, Mezzo) audiences, surpassed the requirements set by the French broadcasting authority (*Conseil supérieur de l'audiovisuel* – CSA) in terms of the percentage of subtitled programmes aired in 2016.

As a signatory of the Quality Charter for using French Sign Language on Television Programmes (*Charte de qualité pour l'usage de la Langue des Signes Française dans les programmes télévisé*), which sets quality standards for using sign language on television, Lagardère Active regularly airs sign language learning programmes on its three youth channels.

In February 2017, Gulli also launched a new programme which aimed to entertain and at the same time improve awareness of hearing impairment: *C'est bon signe*, which follows the daily life of Lucas, a deaf teenager and his group of friends, as he tells of his romantic endeavours, his problems with new technologies or even with the metro, in a light and offbeat way.

Since 2008, Lagardère Publishing's audiobook brand Audiolib has helped people with a visual impairment or with reading difficulties, such as young dyslexics.

In promoting content and cultural diversity, each division takes its own approach.

Cultural diversity is the lifeblood of the Lagardère group. This is reflected in the diversity of the books published by Hachette Livre, reflecting a broad spectrum of opinions in more than 70 countries and 15 languages, the number of countries in which Lagardère Studio broadcasts its audiovisual content, the number of editions of *Elle* published worldwide, the reach of the Lagardère Travel Retail network (4,232 retail outlets at the end of 2016) and the broad range of products on offer, as well as the variety of sports and cultural talent represented by Lagardère Sports and Entertainment.

While Africa and Spain were key deployment regions for the Group's media activities in 2015, with Gulli Africa launched in 22 countries, the acquisition of Boomerang by Lagardère Studios and the launch of two new LARI radio stations in Abidjan and Dakar, in 2016 the focus shifted to Cambodia where LARI invested in two new radio stations.

Promoting diversity also carries implications for labour and social issues. For a media group, the diversity of in-house teams (see 5.3.2.1) must be reflected in the content broadcast through its various media and its radio and television programming, which is closely monitored by the CSA. The 2017 diversity commitments of the Radio-Television unit – Gulli and Europe 1 in particular – were sent to the French regulator CSA at the end of November 2016, in compliance with the CSA's requirements on this issue. Meetings between representatives of the CSA and the broadcasters are scheduled to take place in the spring of 2017.

In representing diversity, Lagardère held to the commitments made by its radio and television channels in 2016. For example, Gulli has taken steps to ensure that, from the programme order to the production phases and ultimately to broadcast, social and cultural diversity is fairly represented in all of its programming, fiction, events, games, and so forth. In 2016 the channel also strengthened its requirements with regard to external content providers, to get them to step up their efforts to combat sexism. In line with the French audiovisual regulator's recommendations (CSA – see below), Gulli undertook to quantify and assess the representation of women or female characters in its animated series and children's and family programming. This led to significant progress, as the portion of women rose from 40% to 54% between May and October 2016.

Additionally, on Bastille Day, the channel treated its viewers to a special themed schedule on citizenship, by re-broadcasting the programme *Gulli à l'Elysée* (Gulli at the Elysée) in which young reporters discover the Elysée Palace and meet the French president.

Throughout 2016, Europe 1 remained careful to ensure that all aspects of French society were properly represented in the participants on the air (hosts, journalists, guests, listeners) and its programming, in addition to the topics covered in its news broadcasts and shows. The initiatives on the air highlighted the vast diversity of French society, in terms of the ethnic and cultural backgrounds of the national community, socio-economic categories, gender and disability. Reflecting its support for these issues alongside Virgin Radio and RFM, Europe 1 also participated in the CSA initiative around the Bastille Day festivities, by broadcasting between 11 and 15 July 2016 and for the second year running, a segment that was developed and produced to promote diversity.

Europe 1 has carried out numerous off-air campaigns to promote diversity, through various cultural partnerships and special operations, including the Version Femina & Europe 1 Community Involvement Award which recognises organisations focused on in areas such as the environment, community support, social inclusion, access to education and culture, healthcare, disability, fighting poverty and the defence of human rights.

Freedom of expression, i.e., the right to inform and be informed as specified in article 19 of the Universal Declaration of Human Rights, is one of the fundamental values of democracy. Outside the initiatives conducted though its media activities, the Lagardère group also tries to promote democracy in its other ventures.

Every year, the network of Relay sales outlets defends the work of *Reporters Sans Frontières* (Reporters Without Borders) to uphold freedom of expression, by selling the organisation's annual photo album to support its cause. Relay also promotes the organisation on its website and in its stores.

Hachette Livre is a founding member of the PEN International Publishers Circle. PEN International is an NGO formed in 1921 to protect freedom of expression, particularly that of persecuted writers, and to promote literature worldwide. In 2016, the Group published a number of books written by authors who have put their lives on the line for freedom of expression, such as Yeomni Park, a young activist born in North Korea who is a fervent human rights support Additionally, the *Lettres à* (Letters to) collection, which began with *Lettres à la France* (Letters to France), continued to support freedom of expression in 2016, through *Lettres à la jeunesse* (Letters to the young) and *Lettres à Paris* (Letters to Paris), which were published as a tribute to the victims of the terrorist attacks at the Bataclan on 13 November 2015. Hachette Livre also published the book by Antoine Leiris, the partner of one of the victims of the Bataclan attack, entitled *Vous n'aurez pas ma haine* (You will not have my hate), written as a testimony to the victims.

A.3 Performance

Indicator	Unit	2016	2015	2014
Number of new books published in the Audiolib catalogue during the year	No.	**73**	78	70
Number of titles available in the Audiolib catalogue at year-end	No.	**531**	458	380
Percentage of Gulli air time per year with subtitled programmes	%	**29.45**	30.4	30.01
Percentage of Canal J air time per year with subtitled programmes	%	**27**	46.3	47.14
Number of hours of subtitled programmes devoted to the hearing impaired broadcast on youth channels during the year	Hours	**4,680**	6,521	6,460

B) EDUCATION, CHILD PROTECTION, PROMOTING READING, MEDIA LITERACY

B.1 Strategy

Child protection is part of the corporate social responsibility of the Lagardère group, which creates and produces content for young audiences in different formats. Certain media, such as television, have been subject to strict child protection regulations for many years, while others, such as the Internet, must be closely monitored every day.

Lagardère's television and radio broadcasters ensure compliance with the applicable laws and regulations, as well as with the agreements signed with the CSA. Each of the Group's channels has signed an agreement with the CSA stipulating the permitted broadcasting times of programmes depending on their classification.

All Group media entities, particularly its youth channels, go beyond complying with regulations to place top priority on child protection and education, due obviously to their target audience, and also to the strong relationship of trust that they have forged with children, parents and teachers.

The Lagardère group states in its Code of Conduct that it firmly believes in adhering to and promoting certain universal principles and guidelines, including the ILO's fundamental convention on the effective abolition of child labour and Unicef's Implementation Handbook for the Convention on the Rights of the Child.

The European Union defines **media literacy** as "*the ability to access the media, to understand and to critically evaluate different aspects of the media and media contents and to create communications in a variety of contexts [...] Media messages are informational and creative contents included in texts, sounds and images [...] and are an important part of our contemporary culture.*"

The development of critical thinking, the responsible use of content and the ability to analyse are part of the social priorities of a media group like Lagardère.

B.2 Application

In addition to their activity of publishing youth works and teaching manuals on all markets, Hachette Livre and Hatier are involved in Savoir Livre, a non-profit organisation that works with the French national education authority and the Books and Reading Department of the Ministry of Culture. Savoir Livre 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 2013, Hatier also launched a contest called "Le Tremplin Prépabac" for secondary school students, with a prize of €5,000 to finance the winner's career project. Since its launch, 1,500 students have participated in the programme.

At Lagardère Active, all programmes pre-purchased and co-produced for the youth channels are closely monitored by the business line. This work is performed upstream, for example when characters, scripts, dialogue and graphics, etc. are selected.

Gulli established a Code of Conduct in December 2015 which covers new media used to deliver content through digital platforms, following approval from its Ethics Committee made up of qualified individuals and independent experts who are responsible for monitoring programme content and child protection.

The Group's 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 this cause.

In preventing obesity, the Group's youth channels take action to promote balanced and healthy eating among their young viewers. The youth channels took part in discussions organised by the

CSA on drawing up a new five-year Charter, which was signed in November 2013. This text came into force in January 2014.

Aside from the quantitative commitment (see table below), the programmes broadcast in 2016 reflect the desire of Lagardère Active's youth channels to offer quality programming. In May 2016 the three channels also took action for European obesity day with special Manger Bouger (Eat, Move) schedule which aimed to raise awareness of the issues among young viewers.

In terms of educating the media, Europe 1 and Gulli once again teamed up to take part in the 27th Press and Media Week at School (*Semaine de la presse et des médias dans l'école*) held on 24 and 25 March 2016, an event coordinated by the centre for liaison between teaching and information media, or Clemi, and the French Ministry of Education to help children to understand the media system, to develop their critical analysis skills and their interest in current issues, and to forge their identity as a citizen. Two of Lagardère's media entities invited two classes of school children aged 10 to 12 to their offices to discover the world of radio and television by participating in a variety of activities.

In promoting reading, Hachette Livre, whose publishing business is, by definition, permanently encouraging reading, is involved via the SNE (the French Publishers Union) in all public events related to combating illiteracy and inciting reading. In addition, many literary prizes are awarded by Lagardère's various entities to encourage reading across all population groups. These awards include the *Elle* readers' grand prize, the Version Femina book prize, the Gulli book prize, and the *Relay des voyageurs* prize.

Youth channels are also involved in promoting reading, for example by broadcasting programmes that teach children how to read and reading stories for children on air.

B.3 Performance

Indicator	Unit	2016	2015	2014
Number of hours of obesity prevention programmes broadcast on youth channels during the year	Hours	**553h**	536h	330h
Total number of hours of obesity prevention programmes broadcast on youth channels since 2009	Hours	**2,593h**	2,040h	1,504h
Number of formal litigation cases involving child labour	No.	**0**	0	0

C) RAISING AWARENESS ABOUT SOCIAL ISSUES AND SUSTAINABLE DEVELOPMENT

C.1 Strategy

Through the content they broadcast, all media activities can contribute to providing their audiences with an understanding of the major issues in contemporary society (environment, social justice, diversity, health, human rights, etc.).

C.2 Application

In 2016 Lagardère's media activities helped explain to various different audiences, both through content and partnerships, the most important social issues of the day. These issues include:

The promotion of women's rights – the main proponent being *Elle* magazine, both in terms of its content and the events it organises – is probably the most iconic theme for Lagardère Active. The Elle Active forum (partnered by Europe 1) was held on 8 and 9 April 2016 at the Economic, Social and Environmental Council offices in Paris, and also on 1 February in Lyon and 16 June in Bordeaux. *Elle et les femmes* (Elle and women), a day of discussion and debates, was also held on 17 January 2017 with a view to interviewing the candidates to the French presidential elections on the situation of women in France.

Health education

The Doctissimo website and its two extensions, Mon Docteur and Doctipharma, stand at the forefront in terms of health education. However, Largardère Studios which produces the *C'est la vie* series in Africa, and Lagardère Radio Internationale (LARI), which broadcasts through Vibe Radio programmes such as *Parole aux jeunes* to African audiences, also played an active role in informing the public on health and preventative healthcare issues.

Promoting innovation

Launched in December 2015 to coincide with the UN Climate Change Conference in Paris, the environment awards organised by Europe 1 were transformed into *Trophées de l'avenir* (Future-looking awards) in 2016. These prizes sought to honour highly innovative ideas in a broad range of fields, ranging from healthcare and environment to education.

5.3.2.4 STRENGTHENING OPERATIONAL SUSTAINABILITY

The Lagardère group's range of activities focuses on the services sector, and this tends to mitigate its direct environmental risks that are not caused by the paper cycle. But environmental protection and more generally sustainability are upheld as critical CSR issues at the Group all the same.

That is why Lagardère lays the groundwork by taking steps to ensure that the development and growth of its businesses preclude any conflict with the environment, while complying with international, national and local regulations in all countries where the Group operates.

The Group and its divisions can then each organise their own approach to sustainability, developing awareness campaigns and training programmes to help their employees understand the concerns specific to their particular business and the tools and measures available for managing them.

The Group's main environmental priorities are responsible paper management, which incorporates both conservation of natural resources and the circular economy, the fight against climate change and supply chain responsibility.

A) RESPONSIBLE PAPER MANAGEMENT

A.1 Strategy

The Lagardère group has long led a rigorous policy of responsible paper management which applies throughout the paper life cycle. From supply to production and ending with the management of returns, Lagardère works with all its trade partners involved at every stage.

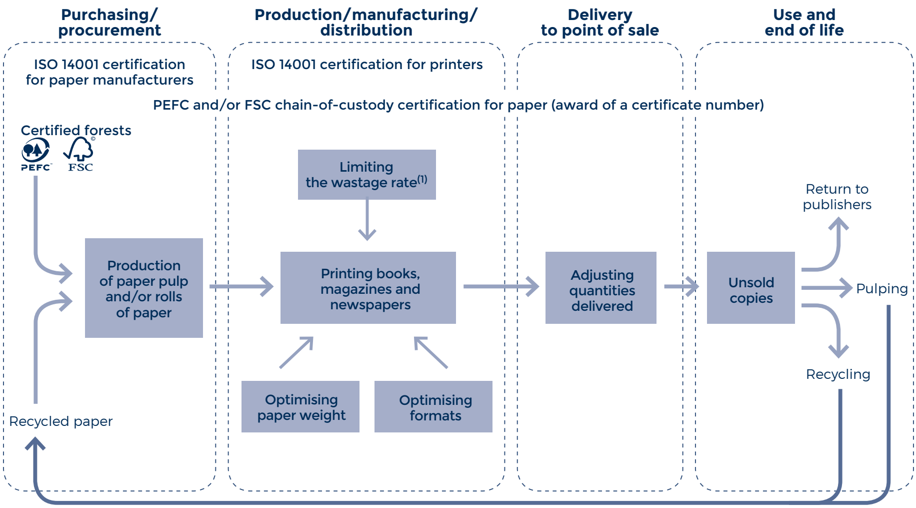
The main raw material used to make paper is wood, which is a renewable resource. The wood is processed into a pulp which is used to make reels of paper. The reels are shipped to the printer to be made into books, magazines and newspapers. Once used, these products can be collected and recycled to be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

A sustainably managed forest is defined as land where the amount of wood harvested every year does not exceed biomass growth over that same year. This guarantees carbon sequestration in the forest, which does not occur in the case of overexploitation or deforestation.

Sustainable forest management involves controlling forest resources, but covers many other criteria beyond carbon. The productive function of forests, biological diversity, their protective function and forest health and vitality are also taken into account. Buying certified paper also has an impact on the preservation of biodiversity.

This sustainable use of natural resources helps gradually eliminate any negative impact of the Group's operations on endangered forests.

The Paper Cycle



A.2 Application

Paper procurement

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.

Initiatives focusing on traceability and monitoring of 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. Lagardère Publishing asks its suppliers in Asia to ban certain qualities of paper that do not meet the requirements (traceability, fibres from sustainably managed forests, etc.).

In 2016, Hachette Book Group also launched a new programme to verify Asian fibres (see below).

In 2010, Lagardère Active launched a PEFC chain-of-custody certification process for paper. Following this process, the division received authorisation to include the certification logo in magazine mastheads or credits. This PEFC chain-of-custody certification process is now audited annually by an accredited independent firm[2].

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.

Monitoring paper consumption

As part of their strategy to limit wastage during the production process, Lagardère Publishing and Lagardère Active have adopted a number of initiatives. The wastage rate refers to the percentage of paper wasted during the book and magazine manufacturing process (printing and after-press). It is calculated by comparing the amount of paper used in the printing process with the amount of paper delivered in the form of books or magazines. This rate varies 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 paper wastage rate, the teams concerned at Lagardère Publishing and Lagardère Active determine the best technical parameters and carry out detailed calculations of the amount of paper to be allocated to the printer. Improving wastage rates is a key factor in negotiations with printers.

Paper consumption and wastage rates are regularly monitored in France and abroad. This monitoring makes it possible to:

- validate the choices of printers, optimal printing techniques and paper (optimisation of reel width and paper size);
- calculate the number of copies of magazines and newspapers to print according to sales statistics;
- identify new technologies that could be used (rotating rapid-calibration tools, automatic setting of ink devices);
- implement rigorous printing press control procedures and optimised machine calibration (inking, size of paper cuts, etc.);

(1) Wastage rate: the percentage of paper wasted during the manufacturing process.
(2) The purpose of this audit is to check that all the physical and administrative flows provide adequate traceability throughout the service chain up to the layout service, which applies the logo to the magazine, certified under a unique number.

- 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;
- identify areas for continuous improvement in conjunction with suppliers.

Adjusting the format of publications is another way of optimising book and magazine production. Lagardère Publishing offers a large number of single-format textbooks by title that are optimised to reduce the paper wastage rate in production. Compact textbooks have proved popular with teachers, buyers and pupils, who saw a reduction in the weight of their school bags. Lagardère Active proposes optimised formats to editorial managers. These new formats not only meet market demand but also reduce the weight of paper consumed and transported.

Print-on-demand technology, which allows books to be printed on an as-needed basis, also helps to reduce paper consumption, while limiting greenhouse gas emissions linked to production, storage and transportation. The Group has developed the use of this technology in France, the United States and the United Kingdom, and its catalogue was enlarged in 2016.

In France, 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, 145,000 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.

Waste paper

With regard to the circular economy (waste prevention and recycling), managing unsold printed material (books and magazines) represents the biggest environmental priority for the Lagardère group.

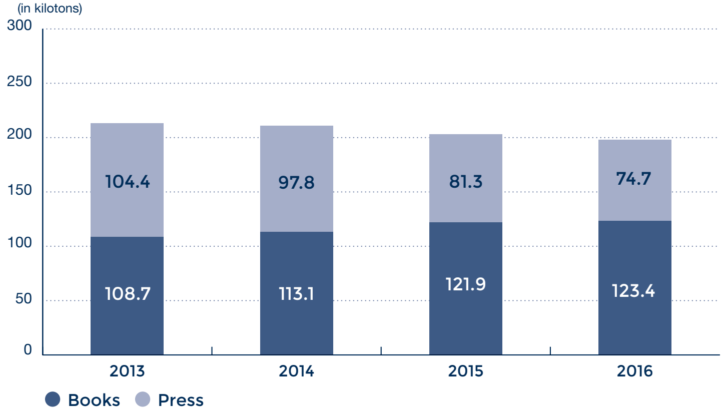
Lagardère Active's Magazine Publishing business takes action upstream to reduce the rate of returns by optimising the number of copies of each title sent to sales outlets. Returns are an inevitable part of newsstand sales, but to manage them as effectively as possible, the business unit regularly adjusts quantities printed and delivered via specialised software used by the sales managers of each title. Over the past twelve years, these actions have reduced its rates of returns to levels well below the average national rate.

Faced with the important economic, environmental and social priorities of 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) signed a "Voluntary Agreement to Raise Awareness on Sorting, Recovering and Recycling Paper in the Press Industry" in 2013, 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). As a result of this agreement and to help raise public awareness, 40 pages of advertising space in Lagardère Active magazines were donated to Ecofolio in 2016.

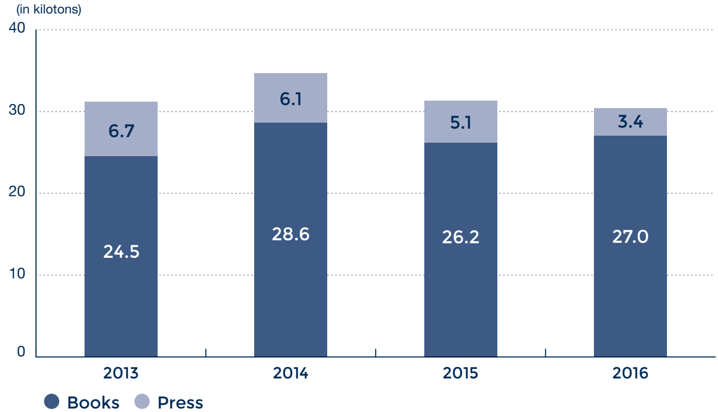
At Lagardère Publishing, the rate of returns for books relates to operations managed by Hachette Livre Distribution, i.e., all activities in France, Belgium, Switzerland and Canada as well as global export. Returns that are not pulped for recycling are added back to inventories.

A.3 Performance

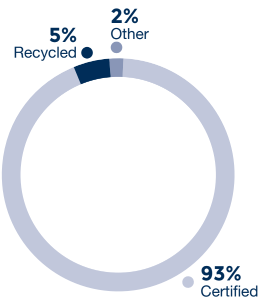
Total weight of paper purchased directly



Total weight of paper supplied by printers

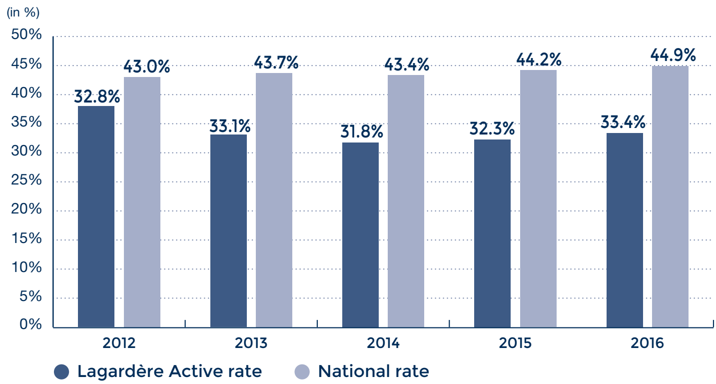


Breakdown of paper purchased and supplied in 2016



Indicator	Unit	2016	2015	2014
Total weight of paper purchased directly	kiloton	**198.1**	203.2	210.9
Total weight of paper purchased and supplied	kiloton	**228.5**	234.5	245.6
Percentage of certified paper	%	**93**	91	88
Percentage of recycled paper	%	**5**	5	4
Number of PEFC-certified magazines	No.	**27**	28	29
Number of pages of advertising granted to Ecofolio in Lagardère Active magazines	No.	**40**	42	68

Comparison of rates of magazine return in France



Indicator	Unit	2016	2015	2014
Rate of returns for Lagardère Publishing	%	**22**	22	24.71
Percentage of returns pulped and recycled	%	**73**	76	57
Percentage of returns added back to inventories	%	**27**	24	43
Rate of returns for Lagardère Active	%	**33.4**	32.3	31.8
Percentage of returns recycled	%	**96**	94	92
Percentage of returns re-released on the market	%	**4**	6	8

B) CLIMATE CHANGE

B.1 Strategy

Fighting climate change involves reducing greenhouse gas emissions, which can come from a wide range of sources: energy consumption, deforestation, manufacturing, transportation and so on.

In order to identify the activities responsible for the highest greenhouse gas emissions and the actions that could be taken to reduce these emissions, in the first half of 2016, the Lagardère group conducted its first consolidated carbon audit, which covered all four divisions as well as the usage of the goods and services that the Group produces.

This process helped to confirm the various assumptions and indicate the extent of the situation. While the heaviest emitters are indirect entities that are directly linked to the Group's activities but over which the Group has very little control (manufacturers of products sold at its points of sale and in particular the production of audiovisual appliances), the production of paper goods, transportation and the energy consumed by the Group's buildings constitute the main sources over which the Group can exert its influence.

The results therefore supported the low carbon strategy introduced several years ago, which focuses mainly on the production of paper products (books and magazines), reducing energy consumption in offices, points of sale and warehousing, and optimising logistical operations.

The Group does not have any operations in geographic areas likely to be impacted by the increase in frequency or intensity of climate-related incidents. Accordingly, since the Group considers that this situation is not likely to hinder the smooth functioning of its activities, it has not yet put in place any specific measures to adapt to the consequences of climate change.

B.2 Application

In offices

In line with the Lagardère group's objective to increase its use of low-carbon energy sources, several of its premises in Paris are heated by a district heating system supplied by Compagnie Parisienne de Chauffage Urbain (CPCU). Similarly, the headquarters of the Lagardère group opted for the same energy mix several years ago to heat one of its two sites.

The building in Vanves that is home to Hachette Livre has obtained HQE NF high environmental standard certification for commercial buildings and the BBC energy efficiency label. The new headquarters of Hachette UK, Carmelite House, has obtained BREEAM certification.

From a general perspective, the Group's office buildings are increasingly being configured for optimal daily energy consumption (LED lighting, occupancy sensors, labelled computer equipment, equipment sharing, etc.).

At the business lines

At **Lagardère Publishing**, after conducting a third carbon audit for its operations in French-speaking countries in 2015, which highlighted a further 10% reduction in emissions versus the 2012 level, the division's American subsidiary introduced a new scheme at the end of 2016 to verify fibres used in the production of paper sourced from Asia. This new environmental performance tool which should be extended to the division's other markets in 2017, rounds out the Cap Action Carbone programme which has enabled the division to display two labels on all its French language books over the last four years: the carbon footprint of the item and the source (certified or recycled) of the fibres used in their production.

Lagardère Active, alongside its paper management policy, 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 with lower greenhouse gas emissions (train or boat where possible).

Lagardère Travel Retail's programme to refurbish its Relay stores in France provided the opportunity to test an upcycling project which has helped limit greenhouse gas emissions and to reduce transport-related emissions from warehouse deliveries. Since 2015, Lagardère Duty Free has operated a fleet of 12 hybrid vehicles.

B.3 Performance

The consumption figures reported in the table below are for all the Group's European activities (France, Germany, Austria, Belgium, Bulgaria, Spain, Hungary, Italy, Iceland, the Netherlands, Poland, Czech Republic, Romania, the United Kingdom, Slovakia, Sweden and Switzerland), which represented just over 64% of the permanent workforce at 31 December 2016.

The data takes into account the direct and indirect energy consumption of all the offices, points of sale, warehouses, server rooms, radio broadcasting sites, performance venues, sports academies and stadiums used for all the Group's activities in all the regions indicated above.

The Group's energy consumption in Europe

Division	Year	Gas (kWh)	Oil (kWh)	Electricity (kWh)	District heating system (kWh)	Total (kWh)
Lagardère Publishing	**2016**	**17,045,552**	**3,359,565**	**28,370,697**	**388,203**	**49,164,016**
	2015	*12,388,715*	*2,699,245*	*26,713,516*	*1,811,817*	*43,613,293*
Lagardère Travel Retail	**2016**	**7,693,446**	**2,975,376**	**112,528,334**	**4,667,415**	**127,864,571**
	2015	*9,163,603*	*1,622,326*	*107,028,097*	*3,632,784*	*121,446,810*
Lagardère Active	**2016**	**2,918,262**	**182,437**	**17,951,152**	**1,966,450**	**23,018,301**
	2015	*3,069,256*	*398,689*	*20,675,208*	*2,585,850*	*26,729,003*
Lagardère Sports and Entertainment	**2016**	**8,145,953**	**169,290**	**6,523,794**	**657,970**	**15,497,007**
	2015	*7,663,776*	*188,854*	*7,092,760*	*658,902*	*15,604,292*
Other Activities	**2016**	**0**	**0**	**1,025,411**	**328,000**	**1,353,411**
	2015	*0*	*0*	*1,016,341*	*340,000*	*1,356,341*
Total	**2016**	**35,803,213**	**6,686,668**	**166,399,387**	**8,008,038**	**216,897,306**
	2015	*32,285,350*	*4,909,114*	*162,525,922*	*9,029,353*	*208,749,739*

Year-on-year increases and decreases in energy consumption varied by branch and by source. The Group's overall energy consumption in Europe (including France) showed an upward trend. This is mainly attributable to the Lagardère Publishing and Lagardère Travel Retail divisions, and reflects changes in consolidation scope that resulted in the inclusion of certain buildings not included in 2015, together with improvements in data collection processes.

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

Division	Year	Scope 1	Scope 2	Total
Lagardère Publishing	**2016**	**4,736.25**	**6,496.91**	**11,233.16**
	2015	*3,009.91*	*5,285.83*	*8,295.74*
Lagardère Travel Retail	**2016**	**2,610.42**	**44,273.95**	**46,884.36**
	2015	*2,126.81*	*44,668.53*	*46,795.34*
Lagardère Active	**2016**	**683.62**	**4,855.45**	**5,539.07**
	2015	*673.87*	*6,260.00*	*6,933.87*
Lagardère Sports and Entertainment	**2016**	**1,552.03**	**1,705.79**	**3,257.83**
	2015	*1,472.37*	*1,892.79*	*3,365.16*
Other Activities	**2016**	**0.00**	**148.04**	**148.04**
	2015	*0.00*	*145.57*	*145.57*
Total	**2016**	**9,582.32**	**57,480.15**	**67,062.46**
	2015	*7,282.96*	*58,252.72*	*65,535.68*

Greenhouse gas emissions linked to the consumption identified above will have increased slightly at Group level in 2016. In particular, the inclusion over the full year of the new building occupied by the bulk of the Lagardère Publishing teams in the United Kingdom explains most of the increase within that division and within the Group as a whole.

In general the changes in reported energy consumption and greenhouse gas emissions, depending on the division and type of energy, reflected:

- changes in organisational structure, with new entities and/or new buildings 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;
- a change in the emissions factors used to convert energy into CO_2.

C) SOCIAL RESPONSIBILITY IN THE SUPPLY CHAIN

C.1 Strategy

The Sustainable Procurement Policy in place since 2013 promotes issues such as respect for the environment, diversity and social inclusion, quality of governance and easier access to VSEs and SMEs to the Group's procurement specialists, and encourages them to take into account the cash flow of small suppliers and select sustainable suppliers.

Alongside this Sustainable Procurement Policy, the Lagardère group also has a Responsible Supplier Charter which is based on a certain number of international standards, such as the OECD Guidelines, the ILO Conventions and the UN Global Compact. All new suppliers working with a Group company have been required to systematically sign up to this Charter since 2013.

C.2 Application

The Group continued to conduct supplier assessments (238 score-cards in 2016) as part of the partnership signed with EcoVadis in 2016, which provides a collaborative platform for companies to assess the environmental and social performance of their suppliers. At the end of 2016, the Group decided, together with its partner, to increase its vigilance in this area by mapping out the CSR risks linked to its procurement.

Meanwhile, Lagardère Publishing and Lagardère Active have for some time run an efficient policy to raise awareness of environmental and labour issues with their paper suppliers and printers, both in and outside France, by encouraging certification. Consequently, more than 99% of the paper purchased by the two divisions in 2016 was sourced from ISO 14001-certified suppliers.

The Responsible Supplier Charter stipulates that the publisher can initiate compliance audits at the suppliers' and subcontractors' premises or at any of their production sites, with penalties applied for any infringement. Hachette Collections commissioned six such audits in 2016. Four audits validated compliance with the requirements. One audit revealed serious non-compliance which has since been corrected by the supplier, which was subsequently re-audited and found to be compliant.

C.3 Performance

Indicator	Unit	2016	2015	2014
Number of active responsible supplier charters at year-end	No.	**378**	248	-
Number of suppliers and subcontractors assessed via the EcoVadis platform at 31 December 2016	No.	**238**	164	-
Percentage of revenue generated with ISO 14001 certified printers – Lagardère Publishing	%	**62**	50	48
Percentage of revenue generated with ISO 14001 certified printers – Lagardère Active	%	**23**	25	22
Proportion of paper purchased directly from ISO 14001-certified suppliers – Lagardère Publishing	%	**99**	90	78
Proportion of paper purchased directly from ISO 14001-certified suppliers – Lagardère Active	%	**99.5**	99.5	99

D) FOOD HYGIENE AND SAFETY – FIGHTING FOOD WASTAGE

The steady expansion of Foodservice at Lagardère Travel Retail since 2014 means food hygiene and safety issues have become a priority as the division now offers food at nearly 800 sales outlets in 17 countries.

With the help of Eurofins, which specialises in food safety, Lagardère Travel Retail has drawn up a policy that is implemented through three vehicles:

1. Food Safety Guidelines, which are available in all countries. These set out the policy along with strict rules that must be adhered to (which are sometimes more demanding than the local hygiene regulations) and also provide tools for implementing action plans and objectives.

- Setting up an HACCP[(1)] 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.

2. An annual audit plan which is conducted at each of the subsidiaries. This includes in-depth questionnaires for each sales outlet and audits for the headquarters of each of the divisions. Eight countries were audited in 2016, while ten are expected to be audited in 2017 and 15 in 2018.

3. Awareness-raising programmes, conducted in all new Foodservice countries, such as the United States, China and Australia.

Alongside the food hygiene and safety issues, the division is becoming more and more aware of increasing demand from order-givers and consumers for healthier foods that promote traveller well-being. This awareness has led to partnerships with brands that are committed to improving the intrinsic quality of the products or to providing locally sourced products.

Finally, beyond the food hygiene and safety aspects and proposing healthy products, Lagardère Travel Retail is keen to prevent food wastage and therefore implements an efficient stock management programme at its warehouses. In 2016, Lagardère Travel Retail also put in place an initiative to redistribute any unsold products to charity organisations.

Consequently, a partnership was launched in France with the Chaînon Manquant organisation which collects unsold food waste from the Relay H café at the Pitié-Salpêtrière Hospital in Paris with a view to redistributing it to those in need. As a result of this initiative, around 117kg of food was collected between September and December 2016.

(1) HACCP: Hazard Analysis Critical Control Point.

5.3.3 MONITORING OTHER REQUIRED DISCLOSURES

In addition to the information provided on the four strategic priorities (see section 5.3.2) and in line with article R. 225-105-1 of the French Commercial Code (as shown in the cross-reference index in section 5.3.4.3 A), the disclosures shown below cover the other labour, environmental and social information required by law.

5.3.3.1 LABOUR INFORMATION

Permanent workforce by age group

Division	Under 30	Age 31-40	Age 41-50	Age 51-60	Over 60	Total
Lagardère Publishing	1,223	1,843	1,863	1,420	304	**6,653**
Lagardère Travel Retail	5,862	4,301	3,482	2,509	896	**17,050**
Lagardère Active	577	1,048	1,009	577	74	**3,285**
Lagardère Sports and Entertainment	394	548	336	128	34	**1,440**
Other Activities	23	32	41	38	13	**147**
Group	**8,079**	**7,772**	**6,731**	**4,672**	**1,321**	**28,575**
Percentage	55%		24%	21%		

Staff recruitments/separations

The Lagardère group monitors the indicators on staff recruitments and separations, which reflect its ability to attract and keep talent.

Staff recruitments and separations by type

Division	Recruitments	Merger/ Absorption	Contract conversions	Internal mobility	Total
Lagardère Publishing	780	189	151	57	**1,177**
Lagardère Travel Retail	6,638	2	243	27	**6,910**
Lagardère Active	417	105	171	32	**725**
Lagardère Sports and Entertainment	246	13	86	19	**364**
Other Activities	11	0	4	2	**17**
Group total 2016	**8,092**	**309**	**655**	**137**	**9,193**
Group total 2015	5,560	-	631	152	6,343

Division	Resignations	Retirements	Redundancies	Dismissals for personal reasons	Separations by mutual agreement	Other reasons	Total
Lagardère Publishing	449	73	38	103	59	84	**806**
Lagardère Travel Retail	3,913	92	56	1,048	589	561	**6,259**
Lagardère Active	122	7	10	66	105	152	**462**
Lagardère Sports and Entertainment	171	5	44	49	51	11	**331**
Other Activities	4	2	0	2	6	9	**23**
Group total 2016	**4,659**	**179**	**148**	**1,268**	**810**	**817**	**7,881**
Group total 2015	3,261	149	406	810	1,614	821	7,061

In 2016, most staff recruitments at the Group – 95% of staff recruitments – involved new hires and conversions of fixed-term contracts into permanent contracts.

As is the case each year, most staff recruitments and departures took place at Lagardère Travel Retail, which is more susceptible to higher staff turnover than other Group activities, due to its positioning in the retail sector (sales outlets located at transport hubs). This effect has been reinforced as Lagardère Travel Retail has expanded into certain regions, such as the United States, where staff turnover generally tends to be very high. Lagardère Publishing also experienced a higher level of staff recruitments and departures in 2016.

Remuneration, employee welfare benefits

It is Group policy to use remuneration and pay rises to recognise and reward individual performance levels, based 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 increasingly common.

Regarding remuneration, 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 objectives and collective objectives at the level of the subsidiary concerned.

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.

Lagardère also seeks to build loyalty among key talent with the regular award 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 report of the Managing Partners in section 7.3.5).

Although the divisions are largely free to adapt their remuneration policy to their business line and context, the Group believes that each entity should cover its social security contributions in line with the requirements and practices of its home country.

Regarding employee welfare benefits, all Group employees in France have supplementary health and social welfare plans partially funded by the employer. Welfare benefits also exist or are offered to employees in other countries, depending on the state systems in place and local practices.

Average annual gross salary by geographic area (in €)

Continent	Executives	Managers	Journalists and photographers	Other employees
France	206,727	55,998	62,475	24,672
Rest of Europe	128,163	47,964	14,772	24,494
Americas	372,899	114,355	NA	20,241
Asia-Pacific	153,760	45,421	28,507	24,847
Africa	38,902	46,793	NA	9,847
Group average 2016	**173,806**	**59,979**	**52,012**	**22,978**
Group average 2015	177,875	55,470	55,792	25,676

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 differing greatly from country to country), and no general conclusions or comparisons should be drawn from them.

Organisation of labour relations

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 priorities, at all levels of the organisation (entities, divisions and Group).

The Lagardère group has freely elected independent employee representatives through whom it can regularly discuss labour issues that have an impact on employment such as working conditions and restructuring.

In all countries, Lagardère complies with rules entitling employees to form their own representative bodies.

As such, the Lagardère group works to apply and promote the ILO's fundamental principles on the freedom of association and the effective recognition of the right to collective bargaining.

In terms of labour relations, 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 priorities and changes necessary for the Group's business activities.

The Group Employees' Committee comprises 30 employee members who represent the employees of the Lagardère group's French operations.

The European Works Committee also comprises 30 members who are employees of the Lagardère group in Europe. Since the committee was renewed on 1 July 2015, French employees hold 13 seats and the remaining 17 seats are held by representatives from ten other European countries – Austria, Belgium, the Czech Republic, Germany, Hungary, Italy, Poland, Romania, Spain and the United Kingdom.

New or existing members of both committees will be appointed or re-appointed in July 2017.

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.

In 2016, the Group Employees' Committee and the European Works Committee held two ordinary general meetings. At these meetings, the committees assessed the activity of each division and reviewed their strategies.

The plan to sell Lagardère Travel Retail's distribution operations, which was finalised at the beginning of 2017, also led the European Works Committee to hold an extraordinary meeting in 2016, with a view to keeping the employee representative bodies informed of the Group's progress on the deal.

Summary of collective agreements

Collective agreements signed during the year and agreements in place[1]

Continent	Collective agreements in place at 31 December	Collective agreements signed during the year
France	540	56
Rest of Europe	104	19
Americas	14	5
Asia-Pacific	2	0
Group total 2016	**660**	**80**
Group total 2015	665	72

Percentage of the workforce covered by collective agreements, by type

Type of agreement	Gender balance	Hygiene, safety, working conditions	Integration of employees with a disability	Employee welfare benefits	Working hours	Training	Remuneration
Group total 2016	**52%**	**55%**	**41%**	**57%**	**78%**	**36%**	**74%**
Group total 2015	51%	61%	33%	62%	78%	31%	73%

Employee representation

Percentage of employees covered by employee representation

Group total 2016	**70%**
Group total 2015	71%

Organisation of working hours

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 Lagardère group's compliance with legal regulations specific to each country, particularly in terms of working hours and overtime.

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.

Calculated on a full-time equivalent (FTE[2]) basis, the total number of non-permanent and temporary workers stood at 11.4% of the Lagardère group's total FTE workforce in 2016, compared with 12.3% in 2015.

(1) At 31 December 2016.
(2) The FTE figure is obtained by adding together all the employees who worked for the Group during the year, 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 occupational group.

Average daily and annual working hours

Region	France	Rest of Europe	Americas	Asia-Pacific	Africa	Group
Days worked per year	218.9	238.3	251.8	253.7	279.3	**235.8**
Hours worked per day	7.2	7.8	7.5	7.9	8.0	**7.6**
Hours worked per year	1,567.8	1,870.4	1,888.5	2,010.5	2,234.7	**1,792.9**

Employees on fixed-term contracts(1) (Full-Time Equivalent basis)(2)

Division	2016	2015
Lagardère Publishing	**359.23**	346.90
Lagardère Travel Retail	**2,243.55**	1,585.49
Lagardère Active	**252.38**	299.06
Lagardère Sports and Entertainment	**259.19**	170.94
Other Activities	**3.01**	5.88
Group	**3,117.36**	2,408.27

Occasional employees(3) (Full-Time Equivalent basis)

Division	2016	2015
Lagardère Publishing	**90.20**	16.90
Lagardère Travel Retail	**17.50**	471.00
Lagardère Active	**1,518.66**	1,049.63
Lagardère Sports and Entertainment	**1,082.54**	1,043.08
Other Activities	**1.75**	25.00
Group	**2,710.65**	2,605.61

Number of overtime hours worked during the year on a full-time equivalent basis

Division	2016	2015
Lagardère Publishing	**71.04**	67.89
Lagardère Travel Retail	**277.75**	263.63
Lagardère Active	**3.53**	5.24
Lagardère Sports and Entertainment	**3.81**	4.34
Other Activities	**0.01**	0.02
Group total 2015	**356.13**	341.12

(1) Non-permanent employees = employees on fixed-term contracts.
(2) The FTE figure is obtained by adding together all the employees who worked for the Group over the course of the year, 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 more appropriate for analysing the non-permanent workforce, given that reporting a figure as at 31 December would not reflect the actual situation for this occupational group.
(3) Occasional employees alternate between periods worked and periods not worked to meet the company's specific requirements.

Number of temporary hours[(1)] worked during the year on a full-time equivalent basis

Division	2016	2015
Lagardère Publishing	**544.47**	469.56
Lagardère Travel Retail	**145.01**	351.24
Lagardère Active	**37.44**	19.42
Lagardère Sports and Entertainment	**57.40**	60.06
Other Activities	**0.50**	0.07
Group	**784.82**	900.35

Percentage of part-time employees

Division	Femmes	Hommes	Total
Lagardère Publishing	12%	2%	**8%**
Lagardère Travel Retail	29%	20%	**26%**
Lagardère Active	10%	4%	**8%**
Lagardère Sports and Entertainment	15%	10%	**12%**
Other Activities	9%	8%	**8%**
Group total 2016	**23%**	**12%**	**19%**
Group total 2015	19%	9%	15%

Health and safety at work

Lagardère's business activities are mainly concentrated in the services sector, which has low exposure to health and safety risks. However, entities with logistics and distribution activities have a greater "safety culture" than other Group companies.

Each division implements a policy of reducing health and occupational risks through preventive action and training.

In terms of safety, Lagardère specifically monitors the indicators covering lost time due to sick leave and all indicators covering work-related accidents and sick leave, which are presented below.

Number of work accidents and days' absence due to sick leave

Division	Number of accidents	Number of days' absence due to sick leave
Lagardère Publishing	148	6,005
Lagardère Travel Retail	461	13,963
Lagardère Active	19	583
Lagardère Sports and Entertainment	26	763
Other Activities	0	0
Group total 2016	**654**	**21,314**
Group total 2015	584	16,382

(1) The number of temporary hours worked includes the use of employees from temporary employment agencies. Temporary employees sign a contract under which they provide their services for a fixed period, which is invoiced to the entity. The individual is not registered in the entity's payroll and is paid by the temporary employment agency.

Frequency and severity rate of work accidents[1]

Division	Frequency rate and change		Severity rate and change	
Lagardère Publishing	12.49	→	0.51	↑
Lagardère Travel Retail	15.80	↓	0.48	→
Lagardère Active	3.29	→	0.10	↑
Lagardère Sports and Entertainment	9.82	↑	0.13	→

Days' absence and lost time rate[2] due to work accidents and sick leave

Division	Lost time due to sick leave and change		Lost time due to work accidents and change	
Lagardère Publishing	2.22%	↓	0.39%	↑
Lagardère Travel Retail	3.41%	↓	0.36%	→
Lagardère Active	3.08%	→	0.08%	↑
Lagardère Sports and Entertainment	2.26%	↑	0.22%	↑
Other Activities	0.93%	↓	NA	NA

5.3.3.2 ENVIRONMENTAL INFORMATION

The information relating to the identification of environmental risks and pollution, along with any provisions or guarantees is provided in section 3.5.5 of this Reference Document.

A) WATER CONSUMPTION AND SUPPLY IN ACCORDANCE WITH LOCAL CONSTRAINTS

Lagardère Publishing and Lagardère Active fully understand that paper production by definition uses large amounts of water. As such, they carefully monitor how their paper suppliers and printers optimise water consumption and the return of unpolluted water to the environment.

Several initiatives (closed loop recycling, isolation transformers) have been taken by the main paper suppliers, resulting in marked progress over the past ten years. The total amount of water used in the paper manufacturing process has been substantially reduced, now standing at nearly half the amount recorded around 15 years ago. By continuously improving their paper manufacturing processes, paper suppliers also recycle most of their wastewater and release clean water back into their natural environment.

Printers have also taken an active approach to limiting water consumption and use all the advanced technology available to them (especially in closed loop rinse water systems) to reduce their consumption and return clean water to the environment.

To maintain transparency, the Lagardère group monitors its tertiary water consumption along with that of certain partners. This refers to the amount of water used at all types of physical sites where employees from the different divisions work (offices, warehouses, retail outlets, sports training academies etc.). The table below shows the amount of water used at each division worldwide in 2016.

The Group's water consumption (cu.m)

Division	Year	Water (cu.m)
Lagardère Publishing	**2016**	54,930
	2015	*55,865*
Lagardère Travel Retail	**2016**	367,348
	2015	*304,240*
Lagardère Active	**2016**	34,357
	2015	*30,486*
Lagardère Sports and Entertainment	**2016**	104,908
	2015	*87,340*
Total	**2016**	**561,544**
	2015	*477,931*

(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.
(2) Lost time = (number of days absence x average number of hours worked per day)/(number of permanent FTEs over the year x average number of hours worked per year).

B) CIRCULAR ECONOMY

The management of office waste has been the subject of multiple improvement schemes, led autonomously and often at the local level, by each of the Group's divisions in France and abroad.

Aside from recycling paper at Lagardère Publishing and Lagardère Active, which represents the biggest priority with regards the circular economy at the Lagardère group, a number of initiatives introduced in other divisions also demonstrate efforts to accommodate the resource life cycle.

In addition to the upcycling scheme (transforming existing structures into equipment adapted to new offers) that was implemented as part of its programme to refurbish 30 Relay outlets in France, Lagardère Travel Retail organised partnerships with recycling companies to collect boxes and plastic wrapping from its warehouses as well as old furniture.

C) 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 and responsible forestry management (see above).

5.3.3.3 SOCIAL INFORMATION

A) TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF OPERATIONS

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

Lagardère Travel Retail's dense network of stores is highly integrated into the transport infrastructures used by a large number of people on a daily basis and also plays an important role in the development of the surrounding areas. Particular attention is paid to offering employment to people looking to reintegrate into society.

The supply chain is another important factor in social responsibility. About 90% of the fine foods sold at Lagardère Travel Retail's French sales outlets are made in France to limit transportation and promote employment in the country.

Outside France, more than 90% of the Group's executives were hired locally in 2015.

B) RELATIONS WITH PEOPLE OR ORGANISATIONS WITH AN INTEREST IN THE COMPANY'S ACTIVITIES

In addition to the Lagardère group's sponsorship programmes, the work of its foundations, and its support for employee engagement at the community level, each Group division is involved in community partnerships with a variety of organisations (see 5.3.2.1.B and 5.3.2.3).

C) FAIR BUSINESS PRACTICES AND ACTION UNDERTAKEN TO PREVENT CORRUPTION

The Lagardère group attaches the utmost importance to maintaining ethics and integrity in its practices in all its activities and regions. In 2013 it set up a Group Compliance department to assume responsibility for steering and implementing specific programmes, aimed at preventing, detecting and handling any incidents that might arise (see 7.4.1.6.D). Designed to support the operating teams, these programmes have been implemented on the ground by the division-level compliance departments and by the international compliance correspondent networks.

The Group Compliance department, in direct collaboration with the divisions, therefore continued its efforts to work against corruption and ensure compliance with international economic sanctions in 2016.

Anti-corruption measures: the anti-corruption programme and existing procedures have been enhanced with a procedure aimed at handling any unwanted solicitations that constitute facilitating payments. This has led to the provision of training for employees in the most exposed roles. The level of checks and due diligence carried out on the Group's partners has also been intensified. Finally, an audit of the implementation of the Compliance department's anti-corruption programme was carried out by the Internal Audit department in 2016, and the recommendations and prescribed improvement measures are to be followed through in 2017.

Compliance with international economic sanctions: the Lagardère group, which has operations spanning five continents, endeavours to ensure that its partners are not subject to restrictions and that its planned activities are not subject to a ban. The deployment of the international economic sanctions programme therefore continued in 2016 and was enhanced with tools, such as reporting tools aimed at internal management, a subscription to a consolidated external data base that references all the different sanctions in place and the insertion of specific clauses into contracts.

Management of incidents: the Group also set up a procedure for the management of potential compliance issues, which is applicable for all programmes and designed to handle any sign or suspicion of an incident or any non-compliance with any compliance programme in a coordinated and efficient manner.

In 2016 a number of coordinated actions were conducted in collaboration with the Internal Control Department to improve the Group's visibility on the organisation of the compliance function within the operating units and on the efficient deployment of the compliance programmes.

In 2017 the Group intends to continue its efforts, in particular by updating its anti-corruption programme to take into account France's Sapin II Law and to launch a compliance programme that incorporates the protection of personal data, in compliance with European data protection regulations.

D) MEASURES TAKEN TO ENSURE CUSTOMER HEALTH AND SAFETY

Issues relating to consumer health and safety are relevant for many of the Group's activities and vary by division. For instance, the theme is also relevant to physical products (box sets, plus products), Foodservice products (food hygiene, see 5.3.2.4.D) and even content and responsibility in advertising.

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 new product safety regulatory requirements or standards (toys, items in contact with food, etc.).

Since the end of 2012, Hachette Livre has provided compliance certificates on both a systematic and intermittent basis on a dedicated portal to French retailers and booksellers for products requiring certification.

Hachette Livre is a member of the French committee in charge of defining toy safety standards and has implemented new incident and crisis management procedures concerning product safety to better handle all incidents. These procedures went into effect in early 2015.

At **Lagardère Active**, 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, which reviewed 350 advertising messages in 2016 before broadcasting them. 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).

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 (systematically for television advertisements) for prior verification of compliance with the standards. As an advertising sales brokerage, Lagardère Publicité also provides advice to agencies and advertisers to ensure that their advertising messages comply with the ARPP's recommendations.

5.3.4 CSR METHODOLOGY AND INDICATORS

In terms of environmental issues, 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 measures taken to prevent, reduce and clean up discharges into the air, water and soil that seriously affect the environment;
- data on the mitigation of noise and other forms of pollution related to a business activity;
- data on land use.

5.3.4.1 SCOPE OF CONSOLIDATION

The reporting system used to collect labour, social and environmental information is deployed in all the consolidated subsidiaries(1) whose operations are managed by the Group, with the exception of:

- entities that were disposed of or deconsolidated during the fiscal year;
- certain joint ventures at 31 December 2016 whose operations are managed by the Group;
- entities acquired during the year (after 30 June), 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);
- certain entities with fewer than five employees for labour data and fewer than ten employees for environmental data.

Beyond these four parameters, the decision to include entities in the reporting system is 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. The following exclusions were made from the reporting scope on 2016:

- the Press Distribution businesses in Belgium, whose sale was finalised at the end of November 2016, from labour reporting;
- the Press Distribution businesses in Canada, whose sale was finalised in November 2016, from labour reporting;
- the LeGuide group, whose sale was finalised in September 2016, from labour reporting.

Labour, social and environmental information presented in this document is reported using a dedicated software package, which covered a total of more than 300 Group operating companies in 2016.

By covering France and the whole of Europe, the information on energy consumption and greenhouse gas emissions encompasses 64.2% of the Group's workforce at 31 December 2016.

5.3.4.2 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 in detail 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.

Following the modest update in 2013, the labour reporting guidelines were revised again in 2014 in order to factor in the comments formulated by contributors during the 2013 reporting campaign. Days of absence are monitored in business days or calendar days, depending on the practices of each country. The method for qualifying absence due to long-term illnesses, which is not included in the calculation of lost time, is based on local legislation. The number of days' absence and the number of training hours were partly determined based on declarations at some Group entities, but this practice is not widespread in the reporting scope.

As every year, the labour reporting procedure was updated in 2016.

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 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 a Group-wide monitoring indicator to be added for WEEE in France. As every year, the environmental reporting procedure was updated in 2016.

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

The data on energy consumption disclosed 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 Lagardère 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) The list is provided in note 38 to the consolidated financial statements in this Reference Document.

1 2 3 4 5 6 7 8 9 10 11

Starting in 2015, all this information is reported on a per-building basis.

The greenhouse gas emissions data shown only concerns the above-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.

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 public database of emissions factors needed to establish carbon accounting.

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.

The reporting method for labour, social 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) before being sent to the Group Sustainable Development Department, which checks the consistency of all the data reported.

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.

5.3.4.3 CROSS-REFERENCE INDICES

A) CROSS-REFERENCE INDEX WITH THE FRENCH COMMERCIAL CODE

Cross reference index with article R. 225-105-1 of the French Commercial Code				
Information	**Subject**	**Paragraph**	**Section**	**Pages**
Labour	Employment	Total workforce and breakdown of employees	5.3.2.1	50
		Recruitments and redundancies/ dismissals	5.3.3.1	70
		Remuneration and pay rises	5.3.3.1	70
	Organisation of working hours	Organisation of working hours	5.3.3.1	70
		Lost time	5.3.3.1	70
	Labour relations	Organisation of labour relations	5.3.3.1	70
		Summary of collective agreements	5.3.3.1	70
	Health and safety	Health and safety conditions at work	5.3.3.1	70
		Summary of health and safety agreements	5.3.3.1	70
		Frequency and severity of work-related accidents and sick leave	5.3.3.1	70
	Training	Policies implemented	5.3.2.1 B1 & B2	56
		Total number of training hours	5.3.2.1 B3	57
	Equal opportunities	Measures taken to promote gender balance	5.3.2.1 A	52
		Measures taken to promote the employment and integration of people with a disability	5.3.2.1 A	52
		Anti-discrimination policy	5.3.2.1 A	52
	Promotion of and compliance with the fundamental principles of the ILO	Compliance and freedom of association and right to collective bargaining	5.3.3.1	70
		Elimination of discrimination in respect of employment and occupation	5.3.2.1 A	52
		Elimination of forced or compulsory labour	5.3.2.1 A	52
		Effective abolition of child labour	5.3.2.3 B3	62

Cross reference index with article R. 225-105-1 of the French Commercial Code				
Information	**Subject**	**Paragraph**	**Section**	**Pages**
Environmental	General policy	Organisation of the company and assessment and certification processes	5.3.1.2 & 5.3.2.4 A2	49 & 63
		Employee information and training initiatives	5.3.1.2	49
		Measures taken to prevent environmental risks and pollution	3.5.5	16
		Provisions and guarantees set aside for environmental risks	3.5.5	16
	Pollution	Measures taken to prevent reduce and clean up discharges into the air water and soil	Non pertinent	
		Mitigation of noise or other forms of pollution related to a business activity		
	Circular economy	Measures taken to prevent recycle and reuse waste other forms of recycling and waste elimination	5.3.3.2 B	76
		Fighting food wastage	5.3.2.4 D	69
		Water consumption and supply in accordance with local constraints	5.3.3.2 A	75
		Consumption of raw materials and measures taken to improve efficiency of use	5.3.2.4 A	62
		Energy consumption measures taken to improve energy efficiency and use of renewable energy	5.3.2.4 B	66
		Land use	Non pertinent	
	Climate change	Significant contributors to greenhouse gas emissions due to company activity for instance by using the goods and services it produces	5.3.2.4 B	66
		Adaptation to the consequences of climate change	5.3.2.4 B	66
	Preservation of biodiversity	Measures taken to preserve and develop biodiversity	5.3.3.2 C	76

Cross reference index with article R. 225-105-1 of the French Commercial Code				
Information	**Subject**	**Paragraph**	**Section**	**Pages**
Social	Territorial economic and social impact of the company's activities	Regional employment and development	5.3.3.3 A	76
		Resident and local populations	Non pertinent	
	Relations with people or organisations with an interest in the company's activities	Relations with people or organisations	5.3.3.3 B	76
		Partnership or sponsorship operations	5.3.2.1 B2 & 5.3.2.3	56 & 59
	Subcontractors and suppliers	Recognition of social and environmental priorities in the procurement policy	5.3.2.4 C	68
		Importance of subcontracting and recognition of subcontractors' and suppliers' corporate social responsibility in relations with them	5.3.2.4 C	68
	Fair business practices	Action undertaken to prevent corruption	5.3.3.3 C	76
		Measures taken to ensure customer health and safety	5.3.2.4 D & 5.3.3.3 D	69 & 76
	Other action undertaken to promote human rights	-	5.3.1.1 A	47

B) GRI G4 INDEX

GRI G4 General Standard Disclosures		
Disclosures	Pages	ISO 26000 Clauses
Strategy and analysis		
G4-1	47-49	4.7 – 6.2 – 7.2 – 7.4.2
Organisational profile		
G4-3	1	6.3.10 – 6.4.1 – 6.4.2 – 6.4.3 – 6.4.4 – 6.4.5 – 6.8.5 – 7.8
G4-4	1	
G4-5	1	
G4-6	51	
G4-7	1	
G4-8	27	
G4-9	8; 50	
G4-10	51; 53; 73	
G4-11	72	
G4-12	68	
G4-13	24	
G4-14	48	
G4-15	47	
G4-16	49	
Identified material aspects and scope		
G4-17	77	5.2 – 7.3.2 – 7.3.3 – 7.3.4
G4-18	47-49	
G4-19	77	
G4-20		
G4-21		
G4-22		
G4-23		
Stakeholder engagement		
G4-24	48	5.3
G4-25		
G4-26		
G4-27		
Report profile		
G4-28	77	7.5.3 – 7.6.2
G4-29		
G4-30		
G4-31	281	
G4-32	82	
G4-33	85	
Governance		
G4-34	192	6.2 – 7.4.3 – 7.7.5
Ethics and integrity		
G4-56	76	4.4 – 6.6.3

GRI G4 General Standard Disclosures		
DMA and Indicators	Pages	ISO 26000 Clauses
Category: Economic		
Aspect: Market presence		
G4-DMA	76	6.4.3 – 6.8.1 – 6.8.2 – 6.8.5 – 6.8.7
G4-EC6		
Category: Environment		
Aspect: Materials		
G4-DMA	62	6.5.1 – 6.5.2 – 6.5.4
G4-EN1	65	
G4-EN2	66	
Aspect: Energy		
G4-DMA	66	6.5.1 – 6.5.2 – 6.5.4
G4-EN3	67	–
Aspect: Water		
G4-DMA	75	6.5.1 – 6.5.2 – 6.5.4
G4-EN8		–
Aspect: Emissions		
G4-DMA	66	6.5.1 – 6.5.2 – 6.5.5
G4-EN15	67	
G4-EN16		
Aspect: Effluents and waste		
G4-DMA	62; 76	6.5.1 – 6.5.2 – 6.5.3
G4-EN23	66	–
Aspect: Products and services		
G4-DMA	62	6.5.1 – 6.5.2 – 6.5.3 – 6.5.4 – 6.5.5 – 6.7.5
G4-EN27		–
Aspect: Supplier environmental assessment		
G4-DMA	68	6.6.1 – 6.6.2 – 6.6.3 – 6.6.6
G4-EN32		
Category: Labour		
Aspect: Employment		
G4-DMA	70	6.4.1 – 6.4.2 – 6.4.3
G4-LA1		
Aspect: Labour/management relations		
G4-DMA	72	6.4.1 – 6.4.2 – 6.4.3 – 6.4.5
Aspect: Health and safety at work		
G4-DMA	74	6.4.1 – 6.4.2 – 6.4.6
G4-LA6		–
Aspect: Training and education		
G4-DMA	56	6.4.1 – 6.4.2 – 6.4.7 – 6.8.5
G4-LA9	57	
G4-LA10	56	

GRI G4 General Standard Disclosures		
DMA and Indicators	Pages	ISO 26000 Clauses
Aspect: Diversity and equal opportunity		
G4-DMA	50	6.2.3 – 6.3.7 – 6.3.10 – 6.4.3
G4-LA12	53; 70	
Aspect: Non-discrimination		
G4-DMA	50	6.3.6 – 6.3.7 – 6.3.10 – 6.4.3
G4-HR3	55	
G4-HR12	62	6.3.6
Aspect: Anti-corruption		
G4-DMA	76	6.6.1 – 6.6.2 – 6.6.3 – 6.6.6
G4-SO4		
Aspect: Consumer health and safety		
G4-DMA	69; 76	4.6 – 6.7.1 – 6.7.2 – 6.7.3 – 6.7.4 – 6.7.5 – 6.7.9 – 6.8.8
Aspect: Product and service labelling		
G4-DMA	62	6.7.1 – 6.7.2 – 6.7.3 – 6.7.4 – 6.7.5 – 6.7.9
G4-PR3	63	

Segment information: media	
DMA and Indicators	Page
G4-M2	59-62
G4-M3	
G4-M4	
G4-M7	

5.3.5 REPORT OF THE INDEPENDENT THIRD-PARTY

Report by the independent third party, on the consolidated social, environmental and societal information included in the management report

To the Shareholders,

In our capacity as independent third party, certified by COFRAC Inspection under number 3-1058[1] and member of Mazars' network, Lagardère SCA's Statutory Auditor, we hereby report to you on the consolidated social, environmental and societal information for the year ended 31 December 2016, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

COMPANY'S RESPONSIBILITY

The Managing Partners are responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the protocols used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, professional guidance issued by the national auditing body (*Compagnie nationale des commissaires aux comptes*) and applicable legal and regulatory requirements.

RESPONSIBILITY OF THE INDEPENDENT THIRD PARTY

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved 6 persons and was conducted between December 2016 and March 2017 during a 8-week intervention period.

We performed our work in accordance with the professional guidance issued by the national auditing body and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000[2] concerning our conclusion on the fairness of CSR Information.

I. ATTESTATION REGARDING THE COMPLETENESS OF CSR INFORMATION

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding social and environmental impacts of its activities and its societal commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in the section "5.3.4 CSR methodology and indicators" of the management report.

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

II. CONCLUSION ON THE FAIRNESS OF CSR INFORMATION

Nature and scope of our work

We conducted about twenty interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and controls based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the social and environmental challenges of its activities, its sustainability strategy and industry best practices.

(1) Whose scope is available at www.cofrac.fr.
(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Regarding the CSR Information that we considered to be the most important[1]:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities selected by us[2] on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents.

The selected sample represents 23% of headcount and between 22% and 100% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

CONCLUSION

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

French language original signed at Paris - La Défense, on 31 March 2017

The independent third party entity

MAZARS SAS

THIERRY BLANCHETIER

Partner

EDWIGE REY

CSR & Sustainable Development partner

(1) Social information: permanent staff as of 31 December, permanent staff as of 31 December broken down by gender, age group, and geographical area, recruitments and departures of permanent staff by type and by gender, measures to promote equality of treatment between women and men, measures to promote employment and integration of disabled employees, anti-discrimination policy, training and skills development policies, total number of training hours and breakdown by type and gender.
Environmental information: overall weight of paper purchased by the Group and breakdown between certified and recycled paper, overall weight of paper purchased by printers and breakdown between certified and recycled paper, tertiary energy consumption of the Group in France and in Europe: electricity, gas, fuel and district heating, greenhouse gas emissions related to the energy consumption.
Societal information: conditions for dialogue with third people or organizations interested in company's activities, partnerships and sponsorship, actions in favour of health and safety of consumers.

(2) Social and societal information: Hachette Livre SA (France); Hachette Book Group (USA); Pôle presse (France); LARI (Czech Republic); LTR (France); LTR CZ (Czech Republic); Lagardère Sports (France); Environmental information: Hachette Livre SA (France); HFA (France); LTR (France), LTR CZ and LARI (Czech Republic) for energy consumptions and the associated greenhouse gas emissions.

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)	2016		2015		2014	
	basic	diluted(1)	basic	diluted(1)	basic	diluted(1)
Profit attributable to owners of the Parent, per share	1.36	1.34	0.58	0.57	0.32	0.32
Equity attributable to owners of the Parent, per share	14.75	14.54	15.53	15.37	15.50(3)	15.32(3)
Cash flow from operations before change in working capital, per share	4.31	4.25	3.48	3.44	3.15	3.11
Share price at 31 December	26.40		27.51		21.60	
Dividend	1.30(2)		1.30		1.30	
Extra dividend	-		-		-	

(1) The method used to calculate diluted earnings per share is described in note 15 to the consolidated financial statements.
(2) Dividend submitted for approval to the General Meeting to be held on 4 May 2017.
(3) 2014 data have been restated to take account of the retrospective application of IFRIC 21 (see note 1.1 to the 2015 consolidated financial statements).

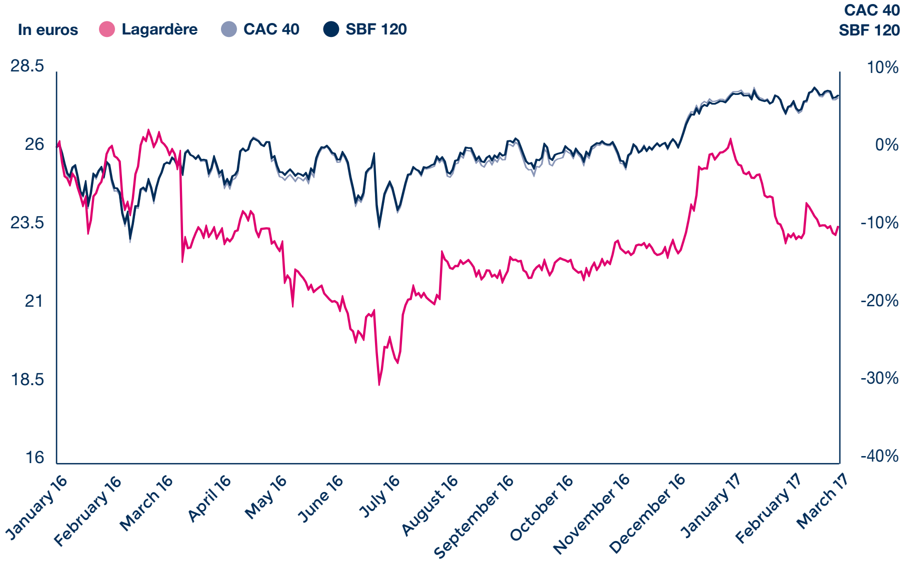
6.1.2 DIVIDEND POLICY

Total dividends paid for the years 2013, 2014 and 2015 amounted to €2,100.9 million, €167.2 million, and €168.1 million, respectively.

The dividend payouts represented 403.7% and 226.3% of profit attributable to owners of the Parent in 2014 and 2015.

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

6.1.3 SHARE PERFORMANCE SINCE JANUARY 2016



Source: Euronext.com.

1 2 3 4 5 6 7 8 9 10 11

6.2 PRESENTATION OF THE FINANCIAL POSITION AND CONSOLIDATED FINANCIAL STATEMENTS OF LAGARDÈRE SCA

AFR

Comments on the Lagardère SCA consolidated financial statements at 31 December 2016

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 Operating Activities are carried out through four divisions: Lagardère Publishing, Lagardère Travel Retail, Lagardère Active and Lagardère Sports and Entertainment.

Business is also carried out through "Other Activities", which correspond to activities not directly related to the four operating divisions.

The main changes in the scope of consolidation in 2015 and 2016 are described in Note 4 to the consolidated financial statements.

6.2.1 CONSOLIDATED INCOME STATEMENT

(in millions of euros)	2016	2015
Revenue	**7,391**	7,193
Recurring operating profit of fully consolidated companies(*)	**395**	378
Income (loss) from equity-accounted companies(**)	**10**	11
Non-recurring/non-operating items	**(91)**	(215)
Profit before finance costs and tax	**314**	174
Finance costs, net	**(49)**	(66)
Income tax expense	**(69)**	(37)
Profit for the period	**196**	71
Attributable to:		
- Owners of the Parent	**175**	74
- Minority interests	**21**	(3)

(*) Recurring operating profit of fully consolidated companies is defined as profit before finance costs and tax excluding the following income statement items:
- income from equity-accounted companies;
- 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 and fair value adjustments due to changes in control,
  - amortisation of acquisition-related intangible assets.

(**) Before impairment losses.

At €7,391 million, the Lagardère group posted robust 2.7% growth in revenue on a reported basis and 2.5% like-for-like growth(1) in 2016, driven by good momentum in Travel Retail and a very strong performance for Lagardère Publishing.

The difference between reported and like-for-like figures mainly reflects a €124 million positive impact of changes in Group structure. This difference stems chiefly from acquisitions made by Lagardère Travel Retail (particularly Paradies in the US in late October 2015), by Lagardère Publishing (North American publisher Perseus Books in April 2016) and by Lagardère Active (Spanish TV production group TV Boomerang in May 2015). These impacts were partly offset by the disposal of Press Distribution operations by Lagardère Travel Retail (particularly in Switzerland in February 2015, in Spain in February 2016, and in Belgium in November 2016).

Changes in exchange rates (calculated based on an average rate for the period) had a €95 million negative impact, owing mainly to the depreciation in the pound sterling against the euro (€81 million negative impact).

Lagardère Publishing delivered €2,264 million in revenue in 2016, up 2.6% on a reported basis and up 2.5% like-for-like. The difference between reported and like-for-like figures results from a €70 million positive impact of changes in Group structure relating mainly to the consolidation of Perseus Books, offset by a €68 million negative exchange impact.

Business growth in 2016 was driven by the United Kingdom (up 11.0%), lifted by the success of *Harry Potter and the Cursed Child* in English worldwide (excluding the US and Canada) and *Fantastic*

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

(1) Based on constant Group structure and exchange rates.

Beasts, and by the good performance of Partworks (up 5.7%), especially in Japan and Spain.

In France (up 1.5%), the good performance of Education driven by curricular reform was partly offset by an unfavourable comparison effect linked to the success of Astérix in 2015, and by a less intensive release schedule in General Literature.

Business was subdued in the United States (down 4.2%) due to a less eventful publishing programme than in 2015.

The Spain/Latin America region was stable despite the unfavourable comparison effect (publication of Astérix in 2015), thanks to ongoing curricular reform in Spain and a one-off export transaction in Latin America.

In 2016, the contribution of e-books to Lagardère Publishing's overall revenue was 8.0% versus 9.0% in 2015.

Lagardère Travel Retail posted €3,695 million in revenue in 2016, up a strong 5.3% on a reported basis and up 5.0% like-for-like. The difference between reported and like-for-like data reflects the €50 million positive impact of the changes in Group structure described above, partially offset by a €21 million negative foreign exchange impact related primarily to the fall in the pound sterling and Polish zloty against the euro.

Despite an unstable geopolitical environment, Lagardère Travel Retail's growth strategy continued to bear fruit, with organic growth in Travel Retail (up 7.1% like-for-like) led by strong performances in North America and Asia-Pacific.

Business in France held firm (up 0.5%), thanks to a good performance in the Travel Essentials and Foodservice segments following the extension and modernisation of the network, and to the upturn in the Duty Free segment towards the end of the year. Duty Free benefited from a favourable comparison effect after a weak fourth-quarter 2015 shaped by the Paris terrorist attacks.

EMEA (excluding France) enjoyed strong 10.9% growth, spurred by network development, modernisation of concepts and a dynamic sales policy which helped limit the impact of the terrorist attacks.

Business was up 9.7% in North America thanks to network expansion and sales synergies arising from the integration of Paradies.

In the Asia-Pacific region, revenue rose 8.0% thanks to the good performance of fashion stores in China and of Duty Free activities in New Zealand, which offset the contraction in the network.

Distribution operations were down 3.8%.

Over the year as a whole, Travel Retail accounted for 84.8% of total consolidated revenue (72.5% in 2015), thanks to the division's ongoing strategic transformation.

Lagardère Active revenue retreated 4.9% on a reported basis to €915 million for 2016, and fell 5.4% like-for-like. The difference between like-for-like and reported figures primarily reflects a €6 million positive scope impact relating to the acquisition of Grupo Boomerang TV in May 2015, partly offset by the disposals of LeGuide.com and Parents magazine.

The downturn in business is attributable to the 7.4% decline in Magazine Publishing in line with market trends and related to the decline in advertising revenue (down 8.6%) and in circulation sales (down 5.2%), and an unfavourable comparison effect for Lagardère Studios (down 7.6%) owing to strong rights sales in 2015.

Music radio enjoyed good momentum both in France and internationally, with advertising revenue up 5.5%.

Pure-play digital and B2B revenue rose 9.7% (excluding LeGuide.com), driven by growth in the e-health segment (especially at MonDocteur) and a good performance from BilletRéduc ticketing services.

Advertising revenues were down across the division as a whole, losing 4.0% year-on-year.

Lagardère Sports and Entertainment delivered €517 million in revenue in 2016, up 0.3% on a reported basis and up 1.5% like-for-like. The difference between reported and like-for-like figures primarily results from a negative €4 million impact of exchange rates (mainly in connection with the pound sterling).

The firm full-year revenue performance is attributable to the favourable sporting calendar over the second half of the year, namely the Asian and African qualifiers for the 2018 FIFA World Cup, and the ASEAN Football Federation (AFF) Suzuki Cup.

The Lagardère group reported €395 million in recurring operating profit of fully consolidated companies, up €17 million on 2015 (€378 million). Movements in this item can by analysed as follows:

- Lagardère Publishing reported €208 million in recurring operating profit of fully consolidated companies, up €10 million on the previous year. The increase results from three factors: profitability gains in the US underpinned by strict cost discipline; a good performance from Partworks in Japan and Spain; and the one-off impact of new titles such as *Harry Potter and the Cursed Child* and *Fantastic Beasts* in the UK, which offset the full-year impact of a return to the agency agreement for e-books;
- Lagardère Travel Retail delivered recurring operating profit of fully consolidated companies of €108 million, up €6 million on 2015. Travel Retail was up €27 million, buoyed by the consolidation of new activities (including Paradies) and by robust momentum of the legacy business in North America. The EMEA region contracted, hit by the impact of the terrorist attacks (estimated negative impact of €7 million for the year), partly offset by gains in Italy, Romania, the Czech Republic and Iceland. Recurring operating profit of fully consolidated companies for the Distribution business fell €21 million to €13 million, due primarily to the disposal of operations in Switzerland, Spain, the US, Canada and Belgium;
- Lagardère Active reported €78 million in recurring operating profit of fully consolidated companies in 2016, versus €79 million on 2015. The consolidation of Grupo Boomerang TV and the impact of the cost reduction plans put in place helped offset the downturn in advertising and broadcasting revenue, as well as the unfavourable comparison effect for Lagardère Studios;
- Lagardère Sports and Entertainment reported €20 million in recurring operating profit of fully consolidated companies, stable on the same prior-year period. Stable profitability reflects the focus on improving the portfolio of activities, offset by a slightly less favourable mix of football events;
- Other Activities recorded a recurring operating loss of fully consolidated companies of €19 million, compared to a loss of €21 million in 2015. This reflects a decline in property income following the disposals carried out in the year which was more than offset by a reduction in overhead costs.

Income from equity-accounted companies (before impairment losses) came in at €10 million in 2016, up from €11 million in 2015, reflecting the decrease in profit at SDA (Lagardère Travel Retail), hit by the impact of the terrorist attacks on tourism.

Non-recurring/non-operating items included in profit before finance costs and tax represented a net expense of €91 million in 2016, mainly comprising:

- €113 million in restructuring costs, including €55 million for Lagardère Active essentially relating to voluntary redundancy plans rolled out in early 2016 in connection with the reorganisation of Magazine Publishing and Advertising Sales Brokerage activities in France, and €29 million for Lagardère Travel Retail corresponding mainly to the costs linked to the disposal of the Distribution subsidiaries in Belgium, Canada and Hungary as well as the integration costs attributable to Paradies' North American operations. The remaining balance concerns Lagardère Sports and Entertainment (€11 million) in relation to the implementation of productivity plans in Germany, Scandinavia and the US; Lagardère Publishing (€10 million), mainly due to the integration of Perseus in the US; and Other Activities (€8 million) as a result of the liquidation of a non-operating entity and employee-related costs;

- €82 million in amortisation of intangible assets and costs relating to the acquisition of consolidated companies, including €72 million for Lagardère Travel Retail, €6 million for Lagardère Publishing and €4 million for Lagardère Sports and Entertainment;
- €72 million in impairment losses on property, plant and equipment and intangible assets, including €40 million for Lagardère Active, mainly relating to impairment charged against LeGuide group goodwill, and €31 million for Lagardère Travel Retail, mainly concerning the write-down of Distribution assets in Hungary to their recoverable amount (assets sold on 7 February 2017). The remaining balance concerns property, plant and equipment;
- €18 million in impairment losses on investments in equity-accounted companies, including €13 million charged against the investment in the Marie Claire group amid a downturn in the French and international advertising market, and €5 million charged against Lagardère Sports and Entertainment investments in Brazil;
- €180 million in net gains on asset disposals, including €100 million relating to Other Activities, primarily the sale of an office building leased to third parties, €55 million relating to Lagardère Travel Retail further to the disposal of Distribution subsidiaries (particularly in Belgium), and €21 million relating to Lagardère Publishing, including gains on the sales of the 50% stake in Harlequin and of part of the holding in the publisher Yen Press in the US. The remaining balance mainly corresponds to the capital gain booked by Lagardère Active on the disposal of its shares in SETC, the publisher of Télécâble Sat Hebdo;
- fair value adjustments due to changes in control, representing a positive impact of €14 million. This includes €8 million relating to Lagardère Publishing following the sale of part of its holding in Yen Press (the remaining 49% holding is now carried at fair value).

In 2015, non-recurring/non-operating items represented a net loss of €215 million, including €77 million in restructuring costs, mainly for Lagardère Sports and Entertainment, Lagardère Active and Lagardère Travel Retail; €69 million in amortisation of intangible assets and other acquisition-related items, including an expense of €56 million for Lagardère Travel Retail; €62 million in impairment losses on property, plant and equipment and intangible assets, including €44 million for Lagardère Active (primarily relating to partial write-downs of goodwill of the LeGuide group and SPF (*Version Femina*); €27 million in costs relating to the trade dispute between World Sport Group and MSM Satellite at Lagardère Sports and Entertainment; and a net disposal gain of €20 million (mainly in connection with the sale of Lagardère Travel Retail's Distribution operations in Switzerland and the US).

As a result of the above, profit before finance costs and tax came out at €314 million for 2016, versus €174 million one year earlier.

Net finance costs amounted to €49 million in 2016, down €17 million on 2015. The decrease primarily reflects the favourable impact of the disposal of Deutsche Telekom shares in first-half 2016, and to a lesser extent the favourable comparison effect (owing to the refinancing of the syndicated loan in 2015). The impacts of these two factors were partially offset by the rise in the Group's average debt.

Income tax expense booked in 2016 was €69 million, €32 million more than in 2015. This increase was mainly attributable to taxes on disposals (€26 million), in particular in relation to a property sale carried out in France, and the sale of part of Lagardère Publishing's holding in Yen Press in the US.

Profit attributable to minority interests was €21 million for 2016, versus a loss of €3 million attributable to minority interests in 2015. The increase in this item reflects improved results at Lagardère Sports Asia following the one-off impact of cricket litigation in India in 2015, as well as the full-year consolidation in 2016 of the minority interests of Paradies at Lagardère Travel Retail.

6.2.2 CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows

(in millions of euros)	2016	2015
Cash flows from operations before changes in working capital	**557**	447
Changes in working capital	**26**	180
Cash flows from operations	**583**	627
Interest paid and received, and income taxes paid	**(125)**	(103)
Net cash from operating activities	**458**	524
Cash used in investing activities	**(361)**	(827)
- Purchases of intangible assets and property, plant and equipment	***(253)***	*(259)*
- Purchases of investments	***(108)***	*(568)*
Proceeds from disposals	**299**	(50)
- Disposals of intangible assets and property, plant and equipment	***211***	*9*
- Disposals of investments	***88***	*(59)*
(Increase) decrease in short-term investments	**45**	0
Net cash used in investing activities	**(17)**	(877)
Total cash from (used in) operating and investing activities	**441**	(353)
Net cash from (used in) financing activities	**(486)**	375
Other movements	**(29)**	(3)
Change in cash and cash equivalents	**(74)**	19

6.2.2.1 CASH FROM (USED IN) OPERATING AND INVESTING ACTIVITIES

In 2016, cash flows from operations before changes in working capital totalled €557 million (€447 million in 2015).

The change reflects the impact of the €17 million rise in operating profit, the increase in depreciation and amortisation expense and the decrease in net reversals of provisions. It is also attributable to the high prior-year basis for comparison for the non-recurring expense in respect of cricket litigation and to the fall in restructuring cost outflows (€13 million), in particular at Lagardère Sports and Entertainment.

Changes in working capital represented a positive €26 million over the year, after a very positive €180 million impact in 2015. The year-on-year change in this item results from the unfavourable comparison effect at Lagardère Active, 2015 having been positively impacted by the deconsolidation of receivables included in the French securitisation programme, and non-recurring items at Lagardère Sports and Entertainment (mainly payment of the indemnity relating to the cricket dispute in India).

All of these items generated net cash from operating activities of €583 million in 2016 compared to €627 million in 2015.

Interest paid (net of interest received) was €48 million versus €47 million for the previous year. Income taxes paid totalled €77 million (€56 million in 2015), related primarily to taxes on disposals, particularly the sale of property in France and of part of the holding in Yen Press in the US.

Purchases of property, plant and equipment and intangible assets in 2016 totalled €253 million, and primarily related to Lagardère Travel Retail in line with its Travel Retail growth strategy, Lagardère Sports and Entertainment (acquisitions of sports rights) and Lagardère Publishing (namely logistics projects in the UK and US). In 2015, these items totalled €259 million and mainly related to Lagardère Travel Retail, Lagardère Sports and Entertainment and Lagardère Publishing.

Purchases of investments amounted to €108 million and essentially related to acquisitions by Lagardère Publishing of North American publisher Perseus and to a lesser extent Neon Play's video games business and Peak publisher Brainbow Ltd's mobile applications. At Lagardère Sports and Entertainment, purchases of investments related to the acquisition of the Rooftop2 Productions agency and to the payment of contingent purchase consideration.

Proceeds from disposals of intangible assets and property, plant and equipment represented cash inflows of €211 million in 2016, essentially relating to the sale by Lagardère Media (Other Activities) of an office building leased to third parties in France and, to a lesser extent, sales of buildings in Spain.

Proceeds from disposals of investments and short-term investments represented a cash inflow of €133 million in 2016 and primarily related to the completion of the sale of Deutsche Telekom shares, and to the sale by Lagardère Travel Retail of its Belgian and Spanish Press Distribution activities. Proceeds from disposals of investments also include the sale by Lagardère Publishing of the holding in Harlequin, along with the sale of part of the holding in Yen Press; the sale by Lagardère Active of its shares in SETC and LeGuide.com; and the sale by Lagardère Sports and Entertainment's of its Endurance sports activities.

In all, operating and investing activities represented a net cash inflow of €441 million, compared with a net cash outflow of €353 million in 2015.

6.2.2.2 NET CASH FROM (USED IN) FINANCING ACTIVITIES

Financing activities in 2016 represented a net cash outflow of €486 million and include:

- €187 million in dividends paid, of which €168 million paid by Lagardère SCA;
- a €297 million net decrease in debt, reflecting a €75 million repayment on a bank loan, a €187 million repayment on commercial paper, and a €500 million issue of bonds due in 2023, which enabled the Group to refinance its USD 530 million (€479 million) bridge loan granted to fund its acquisition of Paradies;
- €3 million in purchases of minority interests, mainly at Lagardère Travel Retail and Lagardère Active.

6.2.3 NET CASH AND CASH EQUIVALENTS (NET DEBT)

Net cash and cash equivalents and net debt break down as follows:

(in millions of euros)	31 Dec. 2016	31 Dec. 2015
Short-term investments and cash and cash equivalents	**481**	634
Financial instruments allocated as hedges of debt with a positive fair value(*)	**3**	-
Non-current debt(**)	**(1,041)**	(1,526)
Current debt(**)	**(832)**	(659)
Net debt	**(1,389)**	(1,551)

(*) Financial instruments allocated as hedges of debt with a positive fair value are included in "Other current assets" on the balance sheet.
(**) Current and non-current debt include financial instruments allocated as hedges of debt with a negative fair value, representing €15 million at 31 December 2016 and €1 million at 31 December 2015.

Changes in net debt during 2015 and 2016 were as follows:

(in millions of euros)	2016	2015
Net debt at 1 January	**(1,551)**	(954)
Total cash from (used in) operating and investing activities	**441**	(353)
(Acquisitions) disposals of treasury shares	**2**	0
(Acquisitions) disposals of minority interests	**(3)**	(11)
Dividends	**(187)**	(186)
Increase (decrease) in short-term investments	**(45)**	0
Debt related to put options granted to minority shareholders	**7**	(25)
Changes in scope of consolidation	**(18)**	13
Effect on cash of changes in exchange rates and other	**(35)**	(35)
Net debt at 31 December	**(1,389)**	(1,551)

6.3 LAGARDÈRE SCA CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016 AFR

Consolidated income statement

(in millions of euros)		2016	2015
Revenue	*(Notes 5 and 6)*	**7,391**	7,193
Other income from ordinary activities		**267**	263
Total income from ordinary activities		**7,658**	7,456
Purchases and changes in inventories		**(2,896)**	(2,988)
Capitalised production		**1**	1
Production transferred to inventories		**101**	85
External charges		**(2,532)**	(2,345)
Payroll costs	*(Note 7)*	**(1,697)**	(1,603)
Depreciation and amortisation other than on acquisition-related intangible assets		**(225)**	(207)
Amortisation of acquisition-related intangible assets and other acquisition-related expenses		**(84)**	(69)
Restructuring costs	*(Note 8)*	**(113)**	(77)
Gains (losses) on:	*(Note 9)*		
- Disposals of assets		***180***	20
- Fair value adjustments due to changes in control		***14***	-
Impairment losses on goodwill, property, plant and equipment and intangible assets	*(Note 10)*	**(72)**	(60)
Other operating expenses	*(Note 11)*	**(38)**	(88)
Other operating income	*(Note 12)*	**25**	40
Income (loss) from equity-accounted companies	*(Note 19)*	**(8)**	9
Profit before finance costs and tax	*(Note 5)*	**314**	174
Financial income	*(Note 13)*	**41**	14
Financial expenses	*(Note 13)*	**(90)**	(80)
Profit before tax		**265**	108
Income tax expense	*(Note 14)*	**(69)**	(37)
Profit for the year		**196**	71
Attributable to:			
Owners of the Parent		**175**	74
Minority interests	*(Note 26.5)*	**21**	(3)
Earnings per share – Attributable to owners of the Parent			
Basic earnings per share (in €)	*(Note 15)*	***1.36***	*0.58*
Diluted earnings per share (in €)	*(Note 15)*	***1.34***	*0.57*

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

Consolidated statement of comprehensive income

(in millions of euros)	2016	2015
Profit for the period (1)	**196**	71
Actuarial gains and losses on pensions and other post-employment benefit obligations	**(34)**	3
Tax relating to actuarial gains and losses on pensions and other post-employment benefit obligations	**7**	(2)
Other comprehensive income (expense) for the year, net of tax, that will not be reclassified subsequently to profit or loss (2)	**(27)**	1
Currency translation adjustments	**(47)**	82
Change in fair value of derivative financial instruments:	**(15)**	1
- Unrealised gains and losses recognised directly in equity	***(15)***	*-*
- Amounts reclassified from equity to profit or loss	***-***	*1*
Change in fair value of investments in non-consolidated companies:	**(23)**	11
- Unrealised gains and losses recognised directly in equity	***1***	*11*
- Amounts reclassified from equity to profit or loss	***(24)***	*-*
Share of other comprehensive income (expense) of equity-accounted companies, net of tax:	**5**	(3)
- Unrealised gains and losses recognised directly in equity	***-***	*-*
- Amounts reclassified from equity to profit or loss	***5***	*(3)*
Translation reserve	***5***	*(3)*
Valuation reserve	***-***	*-*
Tax relating to components of other comprehensive income (expense)	**6**	(1)
Other comprehensive income (expense) for the year, net of tax, that may be reclassified subsequently to profit or loss (3)	**(74)**	90
Other comprehensive income (expense) for the year, net of tax (2)+(3)	**(101)**	91
Total comprehensive income (expense) for the year (1)+(2)+(3)	**95**	162
Attributable to:		
Owners of the Parent	**73**	159
Minority interests	**22**	3

Consolidated statement of cash flows

(in millions of euros)		2016	2015
Profit for the period		**196**	71
Income tax expense	*(Note 14)*	**69**	37
Finance costs, net	*(Note 13)*	**49**	66
Profit before finance costs and tax		**314**	174
Depreciation and amortisation expense		**306**	263
Impairment losses, provision expense and other non-cash items		**103**	26
(Gains) losses on disposals of assets		**(193)**	(20)
Dividends received from equity-accounted companies		**19**	13
(Income) loss from equity-accounted companies	*(Note 19)*	**8**	(9)
Changes in working capital	*(Note 25)*	**26**	180
Cash flows from operations		**583**	627
Interest paid		**(54)**	(52)
Interest received		**6**	5
Income taxes paid		**(77)**	(56)
Net cash from operating activities	*(A)*	**458**	524
Cash used in investing activities			
- Purchases of intangible assets and property, plant and equipment	*(Note 5)*	**(253)**	(259)
- Purchases of investments	*(Note 5)*	**(108)**	(588)
- Cash acquired through acquisitions		**3**	35
- Purchases of other non-current assets		**(3)**	(15)
Total cash used in investing activities	*(B)*	**(361)**	(827)
Cash from (used in) investing activities			
Proceeds from disposals of non-current assets			
- Disposals of intangible assets and property, plant and equipment	*(Note 5)*	**211**	9
- Disposals of investments	*(Note 5)*	**151**	59
- Cash transferred on disposals	*(Note 5)*	**(70)**	(155)
Decrease in other non-current assets	*(Note 5)*	**7**	37
Total cash from (used in) investing activities	*(C)*	**299**	(50)
(Increase) decrease in short-term investments	*(D)*	**45**	-
Net cash used in investing activities	*(E)=(B)+(C)+(D)*	**(17)**	(877)
Net cash from (used in) operating and investing activities	*(F)=(A)+(E)*	**441**	(353)
Capital transactions			
- Proceeds from capital increase by the Parent		**-**	-
- Minority interests' share in capital increases by subsidiaries		**-**	1
- (Acquisitions) disposals of treasury shares		**1**	-
- (Acquisitions) disposals of minority interests		**(3)**	(11)
- Dividends paid to owners of the Parent(*)		**(168)**	(167)
- Dividends paid to minority shareholders of subsidiaries		**(19)**	(19)
- Indemnities paid to holders of free shares		**-**	-
Financing transactions			
- Increase in debt		**680**	685
- Decrease in debt		**(977)**	(114)
Net cash from (used in) financing activities	*(G)*	**(486)**	375
Other movements			
- Effect on cash of changes in exchange rates		**(16)**	(3)
- Effect on cash of other movements		**(13)**	-
Total other movements	*(H)*	**(29)**	(3)
Change in cash and cash equivalents	*(I)=(F)+(G)+(H)*	**(74)**	19
Cash and cash equivalents at beginning of year		**479**	460
Cash and cash equivalents at end of year	*(Note 25)*	**405**	479

(*) Including the portion of profit for the year paid to the General Partners.

Consolidated balance sheet

ASSETS (in millions of euros)		31 Dec. 2016	31 Dec. 2015
Intangible assets	*(Note 17)*	**1,253**	1,403
Goodwill	*(Note 16)*	**1,856**	1,919
Property, plant and equipment	*(Note 18)*	**732**	986
Investments in equity-accounted companies	*(Note 19)*	**145**	155
Other non-current assets	*(Note 20)*	**118**	115
Deferred tax assets	*(Note 14)*	**224**	249
Total non-current assets		**4,328**	4,827
Inventories	*(Note 21)*	**600**	648
Trade receivables	*(Note 22)*	**1,268**	1,236
Other current assets	*(Note 23)*	**914**	962
Short-term investments	*(Note 24)*	**0**	48
Cash and cash equivalents	*(Note 25)*	**481**	586
Total current assets		**3,263**	3,480
Assets held for sale	*(Note 4.3)*	**162**	-
Total assets		**7,753**	8,307

Consolidated balance sheet

EQUITY AND LIABILITIES (in millions of euros)		31 Dec. 2016	31 Dec. 2015
Share capital		**800**	800
Reserves		**926**	1,121
Profit attributable to owners of the Parent		**176**	74
Equity attributable to owners of the Parent		**1,902**	1,995
Minority interests	*(Note 26.5)*	**133**	140
Total equity		**2,035**	2,135
Provisions for pensions and other post-employment benefit obligations	*(Note 27)*	**166**	142
Non-current provisions for contingencies and losses	*(Note 27)*	**222**	193
Non-current debt	*(Note 28)*	**1,041**	1,526
Other non-current liabilities	*(Note 31)*	**80**	111
Deferred tax liabilities	*(Note 14)*	**326**	354
Total non-current liabilities		**1,835**	2,326
Current provisions for contingencies and losses	*(Note 27)*	**188**	185
Current debt	*(Note 28)*	**832**	659
Trade payables		**1,439**	1,617
Other current liabilities	*(Note 31)*	**1,395**	1,385
Total current liabilities		**3,854**	3,846
Liabilities related to assets held for sale	*(Note 4.3)*	**29**	-
Total equity and liabilities		**7,753**	8,307

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 2015	**800**	**72**	**1,223**	**(141)**	**23**	**8**	**1,985**	**99**	**2,084**
Profit for the year	-	-	74	-	-	-	74	(3)	71
Other comprehensive income (expense) for the year[(a)]	-	-	1	-	73	11	85	6	91
Total comprehensive income (expense) for the year	**-**	**-**	**75**	**-**	**73**	**11**	**159**	**3**	**162**
Dividends paid	-	-	(167)	-	-	-	(167)	(19)	(186)
Parent company capital increase/reduction[(b)]	-	(18)	(5)	23	-	-	-	-	-
Minority interests' share in capital increases	-	-	-	-	-	-	-	1	1
Changes in treasury shares	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	12	-	-	-	12	-	12
Effect of transactions with minority interests	-	-	12	-	-	-	12	(21)	(9)
Changes in consolidation scope and other	-	-	(6)	-	-	-	(6)	77	71
At 31 December 2015	**800**	**54**	**1,144**	**(118)**	**96**	**19**	**1,995**	**140**	**2,135**
Profit for the year	-	-	175	-	-	-	175	21	196
Other comprehensive income (expense) for the year[(a)]	-	-	(27)	-	(43)	(32)	(102)	1	(101)
Total comprehensive income (expense) for the year	**-**	**-**	**148**	**-**	**(43)**	**(32)**	**73**	**22**	**95**
Dividends paid	-	-	(168)	-	-	-	(168)	(19)	(187)
Parent company capital increase/reduction[(b)]	-	(8)	(3)	11	-	-	-	-	-
Minority interests' share in capital increases	-	-	-	-	-	-	-	-	-
Changes in treasury shares	-	-	-	2	-	-	2	-	2
Share-based payments	-	-	10	-	-	-	10	-	10
Effect of transactions with minority interests			(7)				(7)	(3)	(10)
Changes in consolidation scope and other	-	-	(2)	-	(1)	-	(3)	(7)	(10)
At 31 December 2016	**800**	**46**	**1,122**	**(105)**	**52**	**(13)**	**1,902**	**133**	**2,035**

(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 2016

(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 IFRS Interpretation Committee (IFRS-IC) endorsed by the European Union at 31 December 2016 have been applied. They can be viewed on the European Commission website at:

http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_en.htm.

The Group has applied the new standards, interpretations and/or amendments to IFRSs adopted by the European Union that are effective for periods beginning on or after 1 January 2016, including:

- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation. These amendments state that the use of revenue-based methods to calculate the charge for depreciation of property, plant and equipment is not appropriate (IAS 16) and that it is generally presumed to be an inappropriate basis to calculate the amortisation charge for intangible assets (IAS 38). The amendments issue a reminder that the depreciation or amortisation method used should reflect the pattern in which the asset's future economic benefits are expected to be consumed.
- Amendments to IAS 1 – Disclosure Initiative. These amendments clarify the provisions relating to (i) how the notion of materiality should be applied, specifying that it is applicable to the whole of the financial statements, including the notes thereto; and (ii) the use of judgement when preparing the financial statements.
- Amendment to IAS 19 – Defined Benefit Plans: Employee Contributions. This amendment applies to contributions from employees or third parties to defined benefit plans. These contributions may be recognised as a reduction in the service cost in the same period in which they are payable, instead of being attributed to periods of service.
- Amendment to IFRS 7 – Financial Instruments: Disclosures provides clarification on the disclosures required where entities have a continuing involvement, as a result of a servicing contract, in transferred financial assets, and also states that the disclosures required on offsetting financial assets and financial liabilities are not applicable to condensed interim financial statements.

The other standards and amendments adopted by the European Union that are effective for periods beginning on or after 1 January 2016 do not have a material impact on the consolidated financial statements.

In addition, the Group did not elect to early adopt the following new standards which had been endorsed by the European Union at 31 December 2016 but which will only become mandatory subsequent to 2016:

- IFRS 15 – Revenue from Contracts with Customers (including amendments);
- IFRS 9 – Financial Instruments.

The new standards and amendments to existing standards published by the IASB but not yet endorsed by the European Union at 31 December 2016 and which may be relevant to the Group are as follows:

- IFRS 16 – Leases;
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture;
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses;
- Amendments to IAS 7 – Disclosure Initiative;
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions.

PREPARATION FOR THE APPLICATION OF THE NEW STANDARDS IFRS 15, IFRS 9 AND IFRS 16

The Group is currently finalising its analyses and estimates of the impacts of **IFRS 15 – Revenue from Contracts with Customers** on the consolidated financial statements. The work carried out to date, which has not identified any major impacts on the Group's consolidated financial statements relating to the application of IFRS 15, confirmed the revenue recognition methods used (see note 3.1) in most divisional sales models and helped identify the main differences with existing accounting principles to be addressed.

Lagardère Publishing: Based on an analysis of the recognition of revenue from sales and the distribution of paper and e-books, no significant differences with existing accounting principles were identified. The specific focus of the work was on the agent/principal definitions in each sales model, the timing of revenue recognition (over time or at a given point in time), and the measurement of variable payments (discounts, returns).

Lagardère Travel Retail: Revenue from retail sales in travel areas and concessions (airports, railway stations, hospitals) were analysed in light of the revenue recognition principles set out in IFRS 15. Based on a review of the agent/principal distinction, no material impacts were identified relating to the application of IFRS 15. Analyses of the division's other revenue streams are currently being finalised.

Lagardère Active: The different types of revenue were analysed. The focus was primarily on sales of advertising space, magazine circulation and television broadcasting, audiovisual broadcasting rights, and income from licences and digital services. In particular, we looked at transaction pricing, the timing of revenue recognition and the agent/principal distinction. Most of the sales models will be recognized as revenue under IFRS 15, based on the same price and timing as currently applied. A review of the agent/principal distinction is currently being finalised.

Lagardère Sports and Entertainment: Analyses focused particularly on the timing of revenue recognition and on the allocation of the sales price, including the marketing and sale of media and marketing rights and technical services, and on the agent/principal relationship. These analyses did not highlight any material differences compared to the existing accounting principles currently applied by the division.

An analysis of the impacts of **IFRS 9 – Financial Instruments** was in progress at 31 December 2016. Our work focusing on the recognition of hedging instruments and on the type of hedging relationships did not identify any material impacts compared to the existing accounting treatment. An analysis of the classification and measurement of financial assets and liabilities and of trade receivables impairment is in progress.

To prepare for the application of **IFRS 16 – Leases**, task forces were set up within each division in 2016. In 2017 these task forces will analyse lease agreements by type of underlying physical asset as well as concession agreements in Lagardère Travel Retail. These agreements give rise to variable or fixed payments in consideration of a right to use the concession grantor's premises (airports, railway stations, hospitals, etc.) and to revenue. The initial impacts will be estimated upon completion of this analysis before the end of 2017.

The Group is currently analysing the potential impact on its consolidated financial statements of applying the other new standards and amendments.

The consolidated financial statements were approved for issue by the Managing Partners on 8 March 2017 and are subject to the approval of the Annual Shareholders Meeting on 4 May 2017.

Measurement principles

The financial statements have been prepared using the historical cost method, except for certain financial assets and liabilities which have been measured at fair value where applicable under IFRS.

Use of estimates and judgements

The preparation of financial statements requires the use of estimates and assumptions to determine the value of assets and liabilities and contingent amounts at the year-end, as well as the value of income and expenses for the year.

Management reviews these estimates and assumptions at regular intervals, based on past experience and various other factors considered as reasonable, which form the basis of its assessment of the carrying amount of assets and liabilities. Actual amounts may differ from these estimates due to changes in assumptions or circumstances.

NOTE 2 SCOPE AND METHODS OF CONSOLIDATION

2.1 SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of the parent company as well as those of entities controlled by the parent company (subsidiaries), jointly-controlled entities (joint ventures) and entities in which the Group exercises significant influence over their management and financial policy decisions (associates). The Group does not have any unconsolidated structured entities.

In accordance with IFRS 10, subsidiaries are all controlled entities. Control results from the following three elements, regardless of the ownership interest held in an entity: (i) the power to direct the entity's key activities (operating and financial activities), (ii) exposure, or rights, to variable returns from the involvement with the entity, and (iii) the ability to use power over the entity to affect the amount of returns from the investment in the entity. For the purpose of assessing power, only substantive rights and rights that are not protective are considered. Substantive rights, such as those conferred in shareholder agreements, are rights that are exercisable when decisions about the direction of key activities need to be made.

A joint venture is an arrangement over which the Group and another party, or parties, have contractually agreed joint control and have rights to the assets, and obligations for the liabilities, relating to the arrangement. Decisions concerning the key activities of a joint venture are submitted to a unanimous vote of Lagardère and its joint venturers.

Associates are entities over which the Group exercises significant influence, i.e., when it has the power to participate in financial and operating decisions but does not have control or joint control. 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. The full consolidation method consists of combining the financial statements line by line and recognising minority interests in the net assets of each subsidiary on a separate line in equity and on separate lines in the income statement and comprehensive statement of income. Any changes in Lagardère's ownership interest in a subsidiary that does not result in a loss of control is recognised directly in equity (see note 3.8).
- **Equity method** – Joint ventures and associates are accounted for using 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. If the Group's share of losses of an equity-accounted entity equals or exceeds its interest in that entity, its interest is reduced to zero. After the Group's interest has been reduced to zero, additional losses are provided for only to the extent that the Group has incurred legal or constructive obligations in relation to such losses.

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 REVENUE

The Group's revenue figure corresponds to revenue from sales of goods and services recognised when title is transferred to the buyer or the service is rendered.

Revenue recognition methods vary depending on the division, as summarised below:

Lagardère Publishing: Revenue corresponds mainly to sales of goods and circulation of publications. Sales are shown net of rebates, distribution commissions and the right of return, where applicable. When an entity acts solely as agent, sales represent the net margin.

Lagardère Travel Retail: Revenue mainly comprises retail sales in travel areas and concessions in the Travel Essentials, Duty Free & Fashion and Foodservice segments, as well as the Press Distribution and Services activities, including retail sales in convenience stores. Revenue is recognised at the point in time of the retail sale. For certain goods and services (sales of prepaid telephone cards, press distribution, etc.), the entity acts as agent and recognises the net commission received as revenue.

Lagardère Active: Revenue mainly comprises the sale of advertising space, magazine circulation and television broadcasting, audiovisual broadcasting rights, and income from licences and digital services. For all of these activities, revenue corresponds to advertising receipts, sales of editions, subscriptions, content (audiovisual broadcasting rights) and digital services. Revenue is recognised at the time adverts are broadcast, editions are published, and broadcast rights are opened. Revenue from licences for the Press business is recognised when the sale is completed by the license holder during the period covered by the contract. For certain businesses – for example, the Advertising Sales Brokerage and audiovisual catalogue Distribution activities – Lagardère Active acts as an agent and revenue corresponds solely to the commission received. Purchases and sales corresponding to exchanges of goods or services of a similar nature and value (mainly advertising space) are eliminated on consolidation and are not therefore included in the income statement.

Lagardère Sports and Entertainment: Revenue corresponds to the sale of marketing rights management, event production, venue consulting and operations, content production and media rights management, as well as athlete management and brand consulting. Revenue is recognised based on the occurrence of an event. For contracts where the service is performed continuously over time, the corresponding revenue is recognised on a straight-line basis over the duration of the contract. Where the Group is considered to be acting as an agent, revenue corresponds solely to the commission 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 of fully consolidated companies (Recurring EBIT), 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 and fair value adjustments due to changes in control,
  - amortisation of acquisition-related intangible assets.

= Recurring operating profit

Less:

- Income (loss) from equity-accounted companies before impairment losses

= Recurring operating profit of fully consolidated companies (Recurring EBIT)

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 of fully consolidated companies, so that book amortisation with no effect on cash generated by the businesses acquired is eliminated from the measurement of performance.

The 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 of fully consolidated companies to profit before finance costs and tax for 2016 and 2015 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. 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 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 the year.

For investments in equity-accounted companies, when the difference between the carrying amount of the investment and the tax base corresponds to the associate's or joint venture'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

Business combinations are accounted for in accordance with IFRS 3, which has been effective since 1 January 2010, and IFRS 10, which has replaced the part of IAS 27 that addresses the accounting for consolidated financial statements, effective from 1 January 2014.

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.

Minority interests may also be measured 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 equity-accounted companies 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 Operating Activities that meet the capitalisation criteria under IFRS.

3.10 IMPAIRMENT TESTS

The Group reviews the carrying amount of property, plant and equipment and intangible assets at least once a year 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 year end, 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 less costs to sell 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 registered office, 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 above).

3.13 FINANCIAL ASSETS

Investments in non-consolidated companies

Investments in non-consolidated companies are initially recognised at cost, which corresponds to the fair value of the investment plus acquisition costs. Based on the criteria set out in IAS 39, all investments in non-consolidated companies are classified as available-for-sale investments.

At each year-end, shares traded in an active market or for which other sufficiently reliable price information exists are measured at fair value, 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 temporary.

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 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 below in note 3.16.

3.15 PUT OPTIONS GRANTED TO MINORITY SHAREHOLDERS

In its Operating 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 in "Other current assets" or "Other current liabilities" at fair value, which generally corresponds to their acquisition price. They are marked to market at each year end and the corresponding fair value remeasurement gains or losses are recognised in the income statement.

However, certain derivative instruments are classified 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 hedging instrument offsets an opposite change in the fair value of the hedged item.

Cash flow hedges

Derivative instruments used as cash flow hedges are measured at fair value and no specific accounting treatment is applied to the hedged items. 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.

Net investment hedges

The Group hedges exchange gains and losses generated by certain net investments in foreign operations. The corresponding hedging instruments are measured at fair value. 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.

Cumulative gains and losses recognised in equity are reclassified into profit or loss when the net investment is sold.

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 inputs 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 OTHER PROVISIONS

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 2016

The main changes in scope of consolidation in 2016 were as follows:

Lagardère Publishing

- Full consolidation by Hachette Book Group over a nine-month period in 2016 of the publishing business of the Perseus Books group, a trade publisher in the US. This business includes nine brands (notably Avalon Books, Basic Books, Da Capo Press, Public Affairs and Running Press), publishes 500 new releases per year and has a catalogue of over 6,000 titles, for example covering a wide variety of non-fiction categories such as history, science, religion, economics, personal development, health, education, biography, travel guides and music.
- Sale by Hachette Book Group of 51% of Yen Press, specialised in the publication of graphic novels and Japanese comics (mangas). The Group retains significant influence over Yen Press which is accounted for under the equity method with effect from June 2016.
- Sale by Hachette Livre of the 50% interest held in Harlequin, the leading publisher of romantic novels which was deconsolidated in April 2016.
- Consolidation over six months in 2016 of Neon Play, a specialist in video game design for mobiles and tablets acquired by Hachette UK in June 2016.

Lagardère Travel Retail

- Sale by Lagardère Travel Retail of Press Distribution businesses in Spain (SGEL), Canada and Belgium, in February, May and December 2016, respectively.

Lagardère Active

- Sale by Lagardère Active of the 49% interest in SETC (Société d'Edition de Télévision par Câble), which was accounted for under the equity method until May 2016.
- Sale by Lagardère Active of the LeGuide group, which was deconsolidated as from October 2016.

Lagardère Sports and Entertainment

- Sale by Lagardère Sports of the Endurance division, which specialises in the organisation of running events in European cities. The entity was deconsolidated in April 2016.

4.2 BUSINESS COMBINATIONS

Paradies

As described in note 4.2 to the 2015 consolidated financial statements, on 22 October 2015 HDS Retail North America LP closed the acquisition of the entire share capital of Paradies Holding LLC ("Paradies"). The acquisition was funded using a USD 530 million bridge loan, which was refinanced on 13 April 2016 following the issue of €500 million worth of bonds maturing in 2023 (see note 28). Based in Atlanta in the United States, Paradies is a leader in airport Travel Retail in North America.

At 31 December 2016, the final allocation of the purchase price led to the recognition of €121 million (euro-equivalent amount at that date) in goodwill, based on an independent valuation of the assets acquired. Intangible assets consisted of €307 million corresponding to concession agreements, €40 million in respect of brand licensing agreements and €53 million relating to trademarks (euro-equivalent amounts at 31 December 2016). Concession and brand licensing agreements are amortised on a straight-line basis over the term of the agreements. Trademarks are amortized on a straight-line basis over a period of 25 years.

Goodwill represents the future sales and financial synergies already paid and which will be generated thanks to the strategic fit of the concepts and geographic locations with the Group's existing businesses.

The purchase price for Paradies was allocated to the identifiable assets and liabilities based on fair values, as follows (euro-equivalent amounts at the acquisition date):

(in millions of euros)	Provisional opening balance sheet at 31 December 2015	Opening balance sheet adjustments	Final opening balance sheet at 31 December 2016
Purchase price	487	2	**489**
Allocation of identifiable assets and liabilities			
Non-current assets(*)	481	(9)	**472**
Inventories, trade receivables and other assets	62	(2)	**60**
Cash and cash equivalents	20	-	**20**
Trade payables and other liabilities	(73)	19	**(54)**
Deferred taxes, net	(49)	(5)	**(54)**
Minority interests as a proportion of the net assets acquired(**)	(77)	8	**(69)**
Goodwill			
Goodwill (euro equivalent at the acquisition date)	123	(10)	**113**
Translation adjustments	5	3	**8**
Goodwill (euro equivalent at year-end)	128	(7)	**121**

(*) Including €400 million in intangible assets, of which €347 million will be amortized on a straight-line basis over the terms of the associated concession agreements (euro-equivalent amount at 31 December 2016).
(**) Most of Paradies Holding LLC's subsidiaries have minority interests with varying percentage interests.

Perseus

On 1 April 2016, Hachette Book Group, a subsidiary of Lagardère Publishing, acquired the publishing business of Perseus Books, a US publishing group.

At 31 December 2016, the provisional allocation of the purchase price based on the estimated fair value of the assets acquired and liabilities assumed, gave rise to €49 million in goodwill (euro-equivalent amount at 31 December 2016). The purchase price accounting is currently being finalised.

4.3 ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

Press Distribution operations in Hungary

Lagardère Travel Retail's Press Distribution operations in Hungary were sold on 7 February 2017 as part of the sale to Adriatic Media Investors LLC of the French Distribution holding company Lagardère Services Distribution SAS (see note 36). In accordance with the principles set out in note 3.20, the assets and associated liabilities, representing a group of two cash-generating units (CGUs – see note 10), were classified as assets held for sale and liabilities associated with assets held for sale in the Group's balance sheet at 31 December 2016. Since the carrying amount of these items exceeded their sale value less associated costs, a write-down of €19 million was recognized at 31 December 2016 in order to bring the value of the net assets held for sale into line with their fair value.

The write-down was allocated as follows:

- Goodwill: €4 million
- Intangible assets: €4 million
- Property, plant and equipment: €11 million

The businesses concerned by this divestment generated consolidated revenue of €138 million in 2016 and recurring operating profit of €4 million.

Property complex in France

A property complex in France owned by Lagardère Active was classified within assets held for sale for its carrying amount at 31 December 2016 (see note 18). No write-downs were recognized against this asset owing to the purchase offers received.

4.4 2015

- The main changes in scope of consolidation in 2015 were as follows:

Lagardère Publishing

- Full consolidation over 12 months in 2015 of Rising Stars, a publishing house founded in 2002 and specialised in the publication of teaching resources for primary schools. This company was acquired in December 2014 by Hodder Education.
- Acquisition of Nicholas Brealey Publishing, a UK-based publishing house, fully consolidated since July 2015.

Lagardère Travel Retail

- Acquisition on 22 October 2015 of a direct and indirect controlling interest in the entire share capital of Paradies Holding LLC, a leader in airport Travel Retail in North America, which was fully consolidated with effect from 1 November 2015 (see note 4.2 above).
- Acquisition on 21 April 2015 of 17 fashion and confectionery outlets at Terminal 4 of JFK airport in New York, which was consolidated with effect from 1 May 2015.
- Sale of the Curtis Group, the press distribution specialist in the United States and Canada, which was deconsolidated in June 2015.

  The impact of this transaction on Lagardère Travel Retail's 2015 results was a capital loss of €12 million.
- Sale of the 65% stake in Lagardère Services Distribution Suisse (LSDS), the business division's Swiss press distribution and integrated retail subsidiary, which was deconsolidated from March 2015.

  The impact of this transaction on Lagardère Travel Retail's 2015 results is a capital gain of €37 million, before taxes.

Lagardère Active

- Full consolidation over seven months in 2015 of Grupo Boomerang TV following Lagardère Studios' acquisition of 82% of its share capital in May 2015.

  Grupo Boomerang TV is one of Spain's leading independent audiovisual production groups (fiction and unscripted) and has begun to expand into several Latin American countries.

Lagardère Sports and Entertainment

- Acquisition of 70% of the share capital of Société d'Exploitation des Spectacles Bataclan, which has been fully consolidated since October 2015.
- Full consolidation over six months in 2015 of UFA Sports further to the acquisition of the entire share capital by Lagardère Sports in June 2015.

NOTE 5 SEGMENT INFORMATION

Lagardère's operating activities are carried out through the four following business divisions:

- Lagardère Publishing: publication of works in the General Literature, Education, Illustrated Books and Partworks markets.
- Lagardère Travel Retail: Travel Essentials, Duty Free & Fashion, Foodservice and Press 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 Sports and Entertainment: marketing rights management, organisation and management of events, consulting in the management and operation of stadiums and multipurpose venues, content production and media rights management, athlete management and brand consulting.

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 SEGMENT INFORMATION

2016 income statement

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment	Other Activities	Total
Revenue	2,278	3,695	916	517	-	7,406
Inter-segment revenue	(14)	-	(1)	-	-	(15)
Consolidated revenue	**2,264**	**3,695**	**915**	**517**	**-**	**7,391**
Other income from ordinary activities	12	140	97	5	13	267
Total income from ordinary activities	**2,276**	**3,835**	**1,012**	**522**	**13**	**7,658**
Recurring operating profit (loss) of fully consolidated companies	**208**	**108**	**78**	**20**	**(19)**	**395**
Income from equity-accounted companies before impairment losses	1	5	4	-	-	10
Recurring operating profit (loss)	**209**	**113**	**82**	**20**	**(19)**	**405**
Restructuring costs	(10)	(29)	(55)	(11)	(8)	(113)
Gains (losses) on disposals	29	55	6	4	100	194
Disposals of assets	*21*	*55*	*3*	*1*	*100*	*180*
Fair value adjustments due to change in control	*8*	*-*	*3*	*3*	*-*	*14*
Impairment losses(*)	-	(31)	(53)	(6)	-	(90)
Fully consolidated companies	*-*	*(31)*	*(40)*	*(1)*	*-*	*(72)*
Equity-accounted companies	*-*	*-*	*(13)*	*(5)*	*-*	*(18)*
Amortisation of acquisition-related intangible assets	(5)	(72)	-	(4)	-	(81)
Acquisition-related expenses	(1)	(2)	-	-	-	(3)
Purchase price adjustment	-	2	-	-	-	2
Profit (loss) before finance costs and tax	**222**	**36**	**(20)**	**3**	**73**	**314**
Items included in recurring operating profit (loss)						
Depreciation and amortisation of intangible assets and property, plant and equipment	(30)	(105)	(12)	(73)	(5)	(225)
Cost of share option plans	(3)	(1)	(2)	(1)	(3)	(10)

(*) Impairment losses on goodwill, property, plant and equipment and intangible assets.

2015 income statement

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment	Other Activities	Total
Revenue	2,224	3,510	963	516	-	7,213
Inter-segment revenue	(18)	-	(1)	(1)	-	(20)
Consolidated revenue	**2,206**	**3,510**	**962**	**515**	**-**	**7,193**
Other income from ordinary activities	10	132	98	2	21	263
Total income from ordinary activities	**2,216**	**3,642**	**1,060**	**517**	**21**	**7,456**
Recurring operating profit (loss) of fully consolidated companies	**198**	**102**	**79**	**20**	**(21)**	**378**
Income (loss) from equity-accounted companies before impairment losses	1	10	2	(2)	-	11
Recurring operating profit (loss)	**199**	**112**	**81**	**18**	**(21)**	**389**
Restructuring costs	(8)	(19)	(20)	(30)	-	(77)
Gains (losses) on disposals	(1)	17	3	1	-	20
Disposals of assets	*(1)*	*17*	*3*	*1*	*-*	*20*
Fair value adjustments due to change in control	*-*	*-*	*-*	*-*	*-*	*-*
Impairment losses(*)	(2)	(16)	(44)	-	-	(62)
Fully consolidated companies	*(2)*	*(16)*	*(42)*	*-*	*-*	*(60)*
Equity-accounted companies	*-*	*-*	*(2)*	*-*	*-*	*(2)*
Amortisation of acquisition-related intangible assets	(4)	(47)	-	(5)	-	(56)
Litigation relating to the Indian cricket activity(**)	-	-	-	(27)	-	(27)
Acquisition-related expenses	(1)	(9)	(2)	(1)	-	(13)
Purchase price adjustment	-	-	-	-	-	-
Profit (loss) before finance costs and tax	**183**	**38**	**18**	**(44)**	**(21)**	**174**
Items included in recurring operating profit (loss)						
Depreciation and amortisation of intangible assets and property, plant and equipment	(27)	(84)	(18)	(70)	(8)	(207)
Cost of share option plans	(3)	(2)	(3)	(1)	(3)	(12)

(*) Impairment losses on goodwill, property, plant and equipment and intangible assets.
(**) Significant litigation dating back to 2010 and relating to the Indian cricket activity which has been discontinued and which therefore has no connection with the division's operating performance in 2015 (see note 34, "Litigation").

2016 statement of cash flows

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment	Other Activities and eliminations	Total
Cash flows from (used in) operations	284	201	64	38	(4)	583
Interest paid and received, and income taxes paid	(59)	(47)	(40)	(24)	45	(125)
Net cash from operating activities	**225**	**154**	**24**	**14**	**41**	**458**
Net cash from (used in) investing activities relating to intangible assets and property, plant and equipment	(27)	(140)	(12)	(53)	190	(42)
- Purchases	*(38)*	*(147)*	*(14)*	*(53)*	*(1)*	*(253)*
- Proceeds from disposals	*11*	*7*	*2*	*-*	*191*	*211*
Free cash flow	**198**	**14**	**12**	**(39)**	**231**	**416**
Net cash from (used in) investing activities relating to investments	(67)	44	1	4	(2)	(20)
- Purchases	*(90)*	*(3)*	*(5)*	*(7)*	*(3)*	*(108)*
- Proceeds from disposals	*23*	*47*	*6*	*11*	*1*	*88*
(Increase) decrease in short-term investments	-	-	-	-	45	45
Net cash from (used in) operating and investing activities	**131**	**58**	**13**	**(35)**	**274**	**441**

Balance sheet at 31 December 2016

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment	Other Activities and eliminations	Total
Segment assets	2,593	2,262	1,205	961	(59)	6,962
Investments in equity-accounted companies	28	30	81	5	1	145
Segment liabilities	(1,391)	(990)	(860)	(621)	46	(3,816)
Capital employed	**1,230**	**1,302**	**426**	**345**	**(12)**	**3,291**
Assets held for sale and associated liabilities						**133**
Net cash and cash equivalents (net debt)						**(1,389)**
Equity						**2,035**

2015 statement of cash flows

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment	Other Activities and eliminations	Total
Cash flows from (used in) operations	205	211	175	60	(24)	627
Interest paid and received, and income taxes paid	(32)	(42)	(44)	(15)	30	(103)
Net cash from operating activities	**173**	**169**	**131**	**45**	**6**	**524**
Net cash used in investing activities relating to intangible assets and property, plant and equipment	(48)	(115)	(14)	(72)	(1)	(250)
- Purchases	*(50)*	*(122)*	*(14)*	*(72)*	*(1)*	*(259)*
- Proceeds from disposals	*2*	*7*	*-*	*-*	*-*	*9*
Free cash flow	**125**	**54**	**117**	**(27)**	**5**	**274**
Net cash from (used in) investing activities relating to investments	(7)	(580)	(47)	9	(2)	(627)
- Purchases	*(9)*	*(485)*	*(50)*	*(22)*	*(2)*	*(568)*
- Proceeds from disposals	*2*	*(95)*	*3*	*31*	*-*	*(59)*
(Increase) decrease in short-term investments	-	-	-	-	-	-
Net cash from (used in) operating and investing activities	**118**	**(526)**	**70**	**(18)**	**3**	**(353)**

Balance sheet at 31 December 2015

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment	Other Activities and eliminations	Total
Segment assets	2,576	2,520	1,243	970	209	7,518
Investments in equity-accounted companies	18	29	100	7	1	155
Segment liabilities	(1,314)	(1,208)	(851)	(660)	46	(3,987)
Capital employed	**1,280**	**1,341**	**492**	**317**	**256**	**3,686**
Assets held for sale and associated liabilities						**-**
Net cash and cash equivalents (net debt)						**(1,551)**
Equity						**2,135**

5.2 INFORMATION BY GEOGRAPHICAL SEGMENT

Revenue

	2016	2015
France	**2,239**	2,299
European Union (excl. France)	**2,805**	3,042
Other European countries	**80**	131
United States and Canada	**1,437**	935
Middle East	**24**	38
Asia-Pacific	**659**	585
Other (Africa, Latin America)	**147**	163
Total	**7,391**	7,193

Segment assets

	31 Dec. 2016	31 Dec. 2015
France	**2,429**	2,633
European Union (excl. France)	**2,113**	2,523
Other European countries	**34**	75
United States and Canada	**1,832**	1,775
Middle East	**5**	5
Asia-Pacific	**515**	472
Other (Africa, Latin America)	**34**	35
Total	**6,962**	7,518

Purchases of intangible assets and property, plant and equipment

	2016	2015
France	**58**	68
European Union (excl. France)	**96**	103
Other European countries	**1**	4
United States and Canada	**58**	27
Middle East	**-**	1
Asia-Pacific	**38**	54
Other (Africa, Latin America)	**2**	2
Total	**253**	259

NOTE 6 REVENUE

Consolidated revenue increased by 2.7% in 2016 on a reported basis and by 2.5% based on a comparable Group structure and exchange rates (like-for-like).

Like-for-like revenue was calculated by adjusting:

- 2016 revenue to exclude companies consolidated for the first time during the year, and 2015 revenue to exclude companies divested in 2016;
- 2016 and 2015 revenue based on 2015 exchange rates.

Revenue breaks down as follows:

	2016	2015
Sales of goods and services	**6,990**	6,777
Advertising revenue	**386**	404
Barter transactions	**15**	12
Total	**7,391**	7,193

NOTE 7 EMPLOYEE DATA

7.1 NUMBER OF EMPLOYEES

The average number of employees of fully consolidated companies breaks down as follows by division:

	2016	2015
Lagardère Publishing	**7,268**	6,965
Lagardère Travel Retail	**14,483**	16,087
Lagardère Active	**4,642**	4,601
Lagardère Sports and Entertainment	**1,686**	1,878
Other Activities	**167**	166
Total	**28,246**	29,697

7.2 PAYROLL COSTS

	2016	2015
Wages and salaries	**1,413**	1,318
Payroll taxes	**274**	273
Share-based payments	**10**	12
Total	**1,697**	1,603

7.3 SHARE-BASED PAYMENTS

In accordance with the principles described in note 3.5 "Share-based payments", share options and free shares awarded were measured at fair value at the grant date.

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 2016 are presented in note 26.2.

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 2016 and 2015 are presented below:

	Number of options	Weighted average exercise price (in euros)
Options outstanding at 31 December 2014	**3,626,119**	**45.21**
Options cancelled	(1,730,783)	45.69
Options exercised	-	-
Options outstanding at 31 December 2015	**1,895,336**	**44.78**
Options cancelled	(1,895,336)	44.78
Options exercised	-	-
Options outstanding at 31 December 2016	**0**	**N/A**
Of which exercisable options	*0*	*N/A*

There were no longer any share options outstanding at 31 December 2016.

Free share award plans

From 2013 to 2016, the Group set up plans to award free shares to employees, the Co-Managing Partners and members of the Enlarged Committee (the former Lagardère Media Operating Committee up to May 2016).

- 26 December 2013 plans: 712,950 shares;
- 22 December 2014 plan: 306,120 shares (plan for salaried employees only, excluding executive management, members of the Enlarged Committee and the Co-Managing Partners);
- 1 April 2015 plan: 444,440 shares (plan for executive management, members of the Enlarged Committee and the Co-Managing Partners only);
- 9 May 2016 plan: 829,660 shares.

For Group employees who are beneficiaries of the 2013 and 2014 plans, these plans do not include any performance conditions and the shares only vest after a two-year period, provided the employee beneficiaries tax-resident in France 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 senior executives of the Group who are beneficiaries of the 1 April 2015 plan, the shares will only vest if the beneficiaries are still with the Group in three years and if certain performance conditions are met, based on Group recurring operating profit and consolidated net cash flows from operating activities. The shares will fully vest in three years for beneficiaries who are French tax residents, and in four years for beneficiaries who are not French tax residents.

For Group employees who are beneficiaries of the May 9, 2016 plan, the plan does not include any performance conditions. The shares vest only after a three-year period, provided the employee beneficiaries tax-resident in France 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 three years.

For the Group's Co-Managing Partners and the members of the Enlarged Committee, who are beneficiaries of the 26 December 2013, 1 April 2015 and 9 May 2016 plans, the shares will only vest subject to:

- the beneficiaries remaining with the Group until at least 31 December 2016, 31 March 2018, and 9 May 2019 under the 2013, 2015 and 2016 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.

Assumptions used to calculate fair value

The assumptions underlying the plans for which an expense was recognised in the 2016 and 2015 financial statements were as follows:

	Free shares				
	9 May 2016 Plan	1 April 2015 Plan	22 Dec. 2014 Plan	26 Dec. 2013 Plan	25 June 2012 Plan
Share price at grant date	€22.01	€27.79	€21.90	€26.49	€20.43
Expected dividend payout rate	5.9%	4.7%	5.9%	4.8% to 5.0%	6.4% to 6.5%

Share-based payment expense recognised by fully consolidated companies amounted to €10 million in 2016 and €12 million in 2015.

NOTE 8 RESTRUCTURING COSTS

2016

Restructuring costs amounted to €113 million in 2016 and related mainly to:

- Lagardère Active: €55 million, including €45 million in connection with voluntary redundancy plans rolled out in first-half 2016 as part of the reorganisation of Magazine Publishing and Advertising Sales Brokerage businesses in France;
- Lagardère Travel Retail: €29 million, primarily in (i) the United States and Canada (€15 million), mainly corresponding to the division's reorganisation in North America following the acquisition of Paradies at end-2015, (ii) Australia (€2 million), and (iii) the Distribution businesses (€9 million) in Belgium, Canada and Hungary;
- Lagardère Sports and Entertainment: €11 million, due mainly to the roll-out of cost reduction plans in Germany, Scandinavia and the US;
- Lagardère Publishing: €10 million, primarily in the US following the consolidation of Perseus.

Other Activities recorded an €8 million restructuring charge as a result of the liquidation of a non-operating entity and employee-related costs.

2015

Restructuring costs in 2015 amounted to €77 million and related to streamlining programmes and cost reduction plans:

- Lagardère Publishing: €8 million, mainly in the United Kingdom and France;
- Lagardère Travel Retail: €19 million, relating mainly to the implementation of cost reduction plans for Distribution operations in Canada and Belgium;
- Lagardère Active: €20 million, essentially in France and half of which concerned regional brokerage activities;
- Lagardère Sports and Entertainment: €30 million, mainly relating to WSG and the closure of the Cricket division in India and other loss-making activities; and in Europe in connection with the reorganisation of the division.

NOTE 9 CAPITAL GAINS AND LOSSES

2016

In 2016, this item represented a €194 million net gain, which mainly included:

- a €106 million pre-tax benefit on the sale by Lagardère Media (Other Activities) of an investment property in France in April 2016;
- a €54 million gain on the December 2016 sale by Lagardère Travel Retail of Distribution operations in Belgium;
- a €12 million gain on the sale of Hachette Livre's 50% interest in Harlequin (Lagardère Publishing);
- an €8 million gain booked by Lagardère Publishing further to the sale of part of its shareholding in Yen Press in the US in May 2016 (49% stake in YenPress compared to 100% previously);
- a €5 million gain booked by Lagardère Active on the sale of its interest in SETC, publisher of Télécâble Sat Hebdo;
- a €3 million loss booked by Lagardère Active on the sale of the LeGuide group in September 2016.

Pursuant to IFRS 10, a gain of €14 million was recognised following changes in control in 2016, relating mainly to Yen Press at Lagardère Publishing in the United States, including €8 million in respect of the remeasurement of its residual 49% interest at fair value (significant influence).

2015

In 2015, this item represented a €20 million net gain, which mainly included:

- a €37 million gain on the sale of Lagardère Services Distribution Suisse in February 2015;
- a €12 million loss in connection with the sale of US Distribution subsidiary Curtis Circulation Company in June 2015;
- a €13 million gain in connection with vendor warranty clauses further to disposals by Lagardère Active in Russia and China;
- €15 million in losses on sales of property plant and equipment and intangible assets, mainly at Travel Retail and Lagardère Active.

NOTE 10 IMPAIRMENT LOSSES ON GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The impairment losses recorded in 2016 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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Lagardère Publishing	**14**	14	**978**	973	**37**	56	**1,015**	1,029
Lagardère Travel Retail	**11**	19	**221**	242	**58**	54	**279**	296
Lagardère Active :	**34**	35	**474**	511	**102**	103	**576**	614
- Press	**3**	3	**154**	154	**59**	60	**213**	214
- Audiovisual	**27**	27	**240**	241	**42**	43	**282**	284
- Digital	**4**	5	**80**	116	**1**	-	**81**	116
Lagardère Sports and Entertainment	**1**	1	**183**	193	**11**	14	**194**	207
Total	**60**	69	**1,856**	1,919	**208**	227	**2,064**	2,146

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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Lagardère Publishing	**14**	14	**978**	973	**37**	56	**1,015**	1,029
Editis group	**4**	4	**236**	236	**2**	2	**238**	238
Hachette UK Holding group	**1**	1	**295**	341	**23**	43	**318**	384
Hachette Book Group (United States)	**1**	1	**328**	270	**-**	-	**328**	270
Hatier group	**1**	1	**84**	84	**-**	-	**84**	84
Hachette Livre España – Salvat	**1**	1	**3**	12	**-**	-	**3**	12
Pika Édition	**1**	1	**14**	14	**-**	-	**14**	14
Les Éditions Albert René	**1**	1	**11**	11	**-**	-	**11**	11
Other	**4**	4	**7**	5	**12**	11	**19**	16
Lagardère Travel Retail	**11**	19	**221**	242	**58**	54	**279**	296
North America (including Paradies)	**1**	2	**128**	134	**57**	54	**185**	188
Pacific	**1**	4	**36**	35	**-**	-	**36**	35
Czech Republic	**1**	2	**33**	33	**-**	-	**33**	33
France	**2**	2	**11**	11	**-**	-	**11**	11
Spain Distribution	**-**	2	**-**	10	**-**	-	**-**	10
Asia	**1**	1	**8**	8	**-**	-	**8**	8
Hungary Distribution (including the Lapker group)	**1**	2	**-**	4	**-**	-	**-**	4
Other	**4**	4	**5**	7	**1**	-	**6**	7
Lagardère Active	**34**	35	**474**	511	**102**	103	**576**	614
Press	**3**	3	**154**	154	**59**	60	**213**	214
Lagardère Active	**1**	1	**124**	124	**-**	-	**124**	124
Société de Presse Féminine	**1**	1	**23**	23	**2**	2	**25**	25
France Magazine Publishing	**1**	1	**7**	7	**57**	58	**64**	65
Audiovisual	**27**	27	**240**	241	**42**	43	**282**	284
Lagardère Active Broadcast	**1**	1	**63**	63	**-**	-	**63**	63
International radio	**5**	5	**45**	45	**-**	-	**45**	45
Audiovisual production	**16**	16	**57**	58	**3**	4	**60**	62
RFM	**1**	1	**-**	-	**16**	16	**16**	16
Lagardère Active TV	**1**	1	**24**	24	**1**	1	**25**	25
TV channels	**3**	3	**51**	51	**22**	22	**73**	73
Digital	**4**	5	**80**	116	**1**	-	**81**	116
E-health (Doctissimo/Mondocteur)	**1**	1	**51**	51	**-**	-	**51**	51
Newsweb	**1**	1	**11**	11	**-**	-	**11**	11
LeGuide	**-**	1	**-**	35	**-**	-	**-**	35
Billetreduc.com	**1**	1	**16**	16	**-**	-	**16**	16
Plurimedia	**1**	1	**2**	3	**1**	-	**3**	3
Lagardère Sports and Entertainment	**1**	1	**183**	193	**11**	14	**194**	207
Total	**60**	69	**1,856**	1,919	**208**	227	**2,064**	2,146

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 2016, 2015 and 2014:

	Discount rate			Perpetuity growth rate		
	2016	2015	2014	**2016**	2015	2014
Lagardère Publishing	**6.78%**	6.44%	6.73%	**2.00%**	2.00%	2.00%
Lagardère Travel Retail:						
Travel Retail	**5.56%**	5.76%	6.06%	**2.50%**	2.50%	2.50%
Distribution	**5.56%**	5.76%	6.06%	**0.00%**	0.00%	0.00%
Lagardère Active:						
Press	**7.09%**	6.89%	6.11%	**0.00%**	0.00%	0.00%
Audiovisual	**6.32%**	6.32%	7.35%	**1.50%**	1.50%	1.50%
Digital(*)	**6.32%**	6.32%	7.35%	**2.00%**	2.00%	2.00%
Lagardère Sports and Entertainment:						
Europe/United States	**6.16%**	6.05%	7.04%	**2.00%**	2.00%	2.00%
Asia	**6.16%**	6.05%	7.04%	**2.50%**	2.50%	3.50%

(*) For these operations specific growth rates ranging from 4.00% to 5.00% were applied for the first few years after the period covered in the 2017-2019 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 2016 compared with 2015, or in those used in 2015 compared with 2014.

Recognised impairment losses

Total impairment losses recognised by consolidated companies in 2016 amounted to €72 million, including €40 million for goodwill, €28 million for property, plant and equipment and €4 million for intangible assets. The main impairment losses on goodwill break down as follows:

- €32 million in impairment losses on the goodwill of the LeGuide group recognised in the first half of 2016. At 30 June 2016, the Group had carried out another valuation of LeGuide group's recoverable amount based on cash flow projections from revised budgets that incorporated the trends observed in first-half 2016, as well as the cumulative impact of the postponement until 1 July 2017 of access to Google's rival links, and their significantly lower contribution. Goodwill in respect of the LeGuide group amounted to €3 million. The sale of the LeGuide group in September 2016 (see note 9) led the Group to derecognise this goodwill at 31 December 2016.
- €4 million in impairment losses on the goodwill of Lagardère Travel Retail's specialised Distribution subsidiaries in Hungary. This follows classification of these activities within assets held for sale (see note 4.3) so that the net assets held for sale are carried at their estimated sale value. The related goodwill has been written down in full at 31 December 2016.

A €28 million impairment loss was recognised at 31 December 2016 against the Group's property, plant and equipment, including €23 million at Lagardère Travel Retail. Impairment losses were recognised against property, plant and equipment of Distribution subsidiaries in Hungary for €11 million at 31 December 2016 following the classification of these activities within assets held for sale (see note 4.3).

Impairment losses recognised in 2015 amounted to €60 million, including €58 million for goodwill, €1 million for property, plant and equipment and €1 million for intangible assets. The impairment losses on goodwill break down as follows:

- €25 million in impairment losses on the goodwill of the LeGuide group, in connection with the significant decrease in web traffic for all price comparison sites due to the increased exposure of Google Shopping offers and changes decided by Google in its search algorithm. The impairment test carried out based on these assumptions led to the recognition of a €25 million impairment loss in first-half 2015. Residual goodwill in respect of the LeGuide group amounted to €35 million at 31 December 2015.
- €17 million in impairment losses on the goodwill of Société de Presse Féminine, subsidiary of Lagardère Active and publisher of *Version Femina*, a magazine distributed exclusively on a paid insert basis with the weekend editions of the daily regional press, whose circulation is in structural decline. As a result of a marked acceleration in the decline in revenue in 2015, the Group had reviewed the revenue assumptions contained in the budget and recognised an impairment loss in the amount of €17 million. Residual goodwill in respect of Société de Presse Féminine amounted to €25 million at 31 December 2015.
- €13 million in impairment losses on the goodwill of Lapker further to the downward revision of forecast cash flows from the Press Distribution and integrated Retail activities in Hungary, taking account of the difficulties encountered in the export business

since the middle of 2015. Residual goodwill in respect of Lapker amounted to €1 million at 31 December 2015.

Sensitivity of impairment tests to changes in key budget assumptions

The operating forecasts 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 revenue; changes brought about by the switch to digital; and the cost of paper.
- Travel Retail: passenger volumes and average spend per customer for each platform (airports, railway stations, etc.); lease payments for retail outlets; press market trends.
- Sports and Entertainment: 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 5.2% in 2016, following on from a 5.3% decrease in 2015, and the budgets were prepared on the basis of assumptions taking into account the revenue trends expected over the next three years.

Beyond the years covered by the budget, a change corresponding to an annual decrease of 1% in revenue from Magazine Publishing compared to the assumptions used at end-2016, would result in an additional €28 million impairment loss, excluding the impact of any corporate cost reduction measures that would necessarily be implemented. At 31 December 2016, the residual amount of goodwill and intangible assets with indefinite useful lives for all Press CGUs amounted to €213 million.

- E-health (Doctissimo/Mondocteur)

The recoverable amount of the E-health CGU was calculated based on budgets and business plans that include both forecast advertising revenue and revenue arising from the development of activities aimed at monetising new services such as the online booking of medical appointments. At 31 December 2016, goodwill and intangible assets with indefinite useful lives allocated to this CGU amounted to €51 million.

Lagardère Sports and Entertainment

Estimated future cash flows used in the budgets incorporate assumptions concerning the renewal of certain contracts covering around half of the total for the division (excluding holding company costs), calculated before the impact of measures to reduce central costs that would necessarily be implemented in the event that a significant element of the assumptions used did not bear out. For Lagardère Sports and Entertainment, a 5% increase or decrease in future cash flows would have a positive or negative impact of approximately €35 million on the recoverable amount of the assets concerned. At 31 December 2016, the carrying amount of goodwill and intangible assets with indefinite useful lives allocated to this division amounted to €194 million.

Sensitivity of impairment tests to changes in discount rates and perpetuity growth rates

The following tables show 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 2016 for the four operating divisions.

The tables include sensitivity to a maximum 2% increase in the discount rate, which is higher than the increase observed for 2015 and 2014.

Lagardère Publishing: (Increase) decrease in impairment losses

(in millions of euros)	Change in discount rate(*)								
Change in perpetuity growth rate	**-2%**	**-1.5%**	**-1%**	**-0.5%**	**0%**	**+0.5%**	**+1%**	**+1.5%**	**+2%**
-1%	-	-	-	(1)	(2)	(3)	(55)	(126)	(189)
-0.5%	-	-	-	-	(1)	(2)	(8)	(66)	(137)
0%	-	-	-	-	-	(1)	(2)	(14)	(78)
+0.5%	-	-	-	-	-	-	(1)	(2)	(20)
+1%	-	-	-	-	-	-	-	-	-

(*) The discount rate used for the 2016 impairment tests was 6.78%.

At 31 December 2016, a one-point increase in the discount rate combined with a one-point decrease in the perpetuity growth rate would lead to the recognition of an additional impairment loss of €37 million for Hachette Group UK, €9 million for Hachette Book Group and €6 million for Anaya-Bruno group.

A two-point increase in the discount rate combined with a one-point decrease in the perpetuity growth rate would lead to the recognition of an additional impairment loss of €95 million for Hachette Group UK, €66 million for Hachette Book Group and €23 million for Anaya-Bruno group.

Lagardère Travel Retail: (Increase) decrease in impairment losses

(in millions of euros)	Change in discount rate(*)								
Change in perpetuity growth rate	**-2%**	**-1.5%**	**-1%**	**-0.5%**	**0%**	**+0.5%**	**+1%**	**+1.5%**	**+2%**
-1%	-	-	-	-	-	-	-	-	(3)(**)
-0.5%	-	-	-	-	-	-	-	-	-
0%	-	-	-	-	-	-	-	-	-
+0.5%	-	-	-	-	-	-	-	-	-
+1%	-	-	-	-	-	-	-	-	-

(*) The discount rate used for the 2016 impairment tests was 5.56%.
(**) Including €3 million for LTR Pacific.

Lagardère Active: (Increase) decrease in impairment losses

(in millions of euros)	Change in discount rate(*)								
Change in perpetuity growth rate	**-2%**	**-1.5%**	**-1%**	**-0.5%**	**0%**	**+0.5%**	**+1%**	**+1.5%**	**+2%**
-1%	-	-	-	-	-	-	-	(2)	(11)(**)
-0.5%	-	-	-	-	-	-	-	-	(3)
0%	-	-	-	-	-	-	-	-	-
+0.5%	-	-	-	-	-	-	-	-	-
+1%	-	-	-	-	-	-	-	-	-

(*) The discount rates used for the 2016 impairment tests were 7.09% for the Press CGU and 6.32% for the Audiovisual and Digital CGUs.
(**) Including E-health for €7 million and Lagardère Active/Press for €4 million.

Lagardère Sports and Entertainment: (Increase) decrease in impairment losses

(in millions of euros)	Change in discount rate(*)								
Change in perpetuity growth rate	**-2%**	**-1.5%**	**-1%**	**-0.5%**	**0%**	**+0.5%**	**+1%**	**+1.5%**	**+2%**
-1%	-	-	-	-	-	-	-	-	-
-0.5%	-	-	-	-	-	-	-	-	-
0%	-	-	-	-	-	-	-	-	-
+0.5%	-	-	-	-	-	-	-	-	-
+1%	-	-	-	-	-	-	-	-	-

(*) The discount rate used for the 2016 impairment tests was 6.16%.

NOTE 11 OTHER OPERATING EXPENSES

	2016	2015
Net change in asset impairment losses	**(27)**	(46)
Financial expenses other than interest	**(1)**	(1)
Net additions to provisions for contingencies and losses	**(8)**	-
Other expenses	**(2)**	(41)
Total	**(38)**	(88)

The net change in asset impairment losses includes impairment losses for Lagardère Publishing taken against advances paid to writers totalling €52 million in 2016 and €50 million in 2015.

Other asset impairment losses relate to changes in impairment losses on trade receivables and inventories for Lagardère Publishing and Lagardère Active.

Other expenses include the costs of a major dispute dating back to 2010 and relating to the Indian cricket activity which has been discontinued and which therefore has no connection with Lagardère Sports and Entertainment's operating performance in 2015. This dispute had generated an expense of €27 million in the 2015 financial statements (including costs).

NOTE 12 OTHER OPERATING INCOME

	2016	2015
Foreign exchange gains	**4**	3
Net reversals of provisions for contingencies and losses	**-**	18
Other income	**21**	19
Total	**25**	40

NOTE 13 FINANCIAL INCOME AND EXPENSES

Financial income and expenses break down as follows:

	2016	2015
Interest income on loans	**2**	2
Investment income and gains on sales of marketable securities	**23**	2
Gains on derivative financial instruments acquired as hedges of net debt	**10**	8
Other financial income	**6**	2
Financial income	**41**	14
Interest expense on borrowings	**(69)**	(66)
Loss on derivative financial instruments acquired as hedges of net debt	**(14)**	(12)
Other financial expenses	**(7)**	(2)
Financial expenses	**(90)**	(80)
Total	**(49)**	(66)

In 2016, investment income and gains on sales of marketable securities included a gain of €22 million relating to the sale of Deutsche Telekom shares on 17 June 2016 (see note 24).

NOTE 14 INCOME TAX EXPENSE

14.1 ANALYSIS OF INCOME TAX EXPENSE

Income tax expense breaks down as follows:

	2016	2015
Current taxes	**(93)**	(72)
Deferred taxes	**24**	35
Total	**(69)**	(37)

Income tax expense booked in 2016 was €69 million, €32 million more than in 2015. This increase is mainly attributable to the tax on property sales carried out in France and Spain, the disposal of Lagardère Travel Retail's Distribution activities, and the sale of part of Lagardère Publishing's holding in Yen Press in the US.

14.2 TAX PROOF

The following table reconciles income tax expense reported in the income statement to the theoretical income tax expense for 2016 and 2015:

	2016	2015
Profit before tax	**265**	108
Income (loss) from equity-accounted companies	**8**	(9)
Profit of fully consolidated companies before tax	**273**	99
Theoretical tax expense(*)	**(94)**	(38)
Effect on theoretical tax expense of:		
Differences in tax rates on:		
- Capital gains and losses	**21**	8
- Impairment losses on goodwill and other intangible assets	**(19)**	(22)
- Earnings of foreign subsidiaries	**11**	6
Taxes on dividends	**(5)**	(5)
Limitation on deferred taxes	**(5)**	5
Tax loss carryforwards used (recognised) in the year(**)	**20**	1
Tax credits on recognised tax loss carryforwards	**-**	-
Tax credits and similar	**10**	10
Permanent differences and other items(***)	**(8)**	(2)
Effective tax expense	**(69)**	(37)

(*) Calculated at the French standard rate (34.43% in 2016 and 38% in 2015).
(**) Tax losses for which no deferred tax assets were recognised.
(***) Including the 1% share of expenses and charges on dividends received from companies in the French tax consolidation group and from companies in the European Union more than 95%-owned by the Group and liable to income tax similar to the income tax levied on French companies. In 2015, the Group was liable for a 5% share of expenses and charges on dividends received from companies not included in the French tax consolidation group.

14.3 DEFERRED TAXES RECOGNISED IN THE BALANCE SHEET

Deferred taxes recognised at 31 December 2016 and 2015 concerned the following assets and liabilities:

	31 Dec. 2016	31 Dec. 2015
Intangible assets	**(282)**	(291)
Property, plant and equipment	**(10)**	(19)
Non-current financial assets	**(13)**	(12)
Inventories	**18**	19
Provisions for pension benefit obligations	**38**	40
Other provisions	**127**	91
Other working capital items	**114**	143
Temporary differences (gross amount)	**(10)**	(29)
Write-down of deferred tax assets	**(154)**	(154)
Temporary differences (net amount)	**(163)**	(183)
Tax loss carryforwards	**61**	78
Tax credits	**-**	-
Net deferred tax asset (liability)	**(102)**	(105)
Deferred tax assets	**224**	249
Deferred tax liabilities	**(326)**	(354)

At 31 December 2016, 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 tax loss carry forwards (tax basis) of more than €354 million.

14.4 CHANGES IN DEFERRED TAXES

	2016	2015
Net deferred tax asset (liability) at 1 January	**(105)**	(91)
Income tax benefit (expense) recognised in the income statement	**24**	35
Deferred tax recognised directly in equity	**13**	(3)
Effect of change in consolidation scope and exchange rates	**(34)**	(46)
Net deferred tax asset (liability) at 31 December	**(102)**	(105)

The negative €34 million effect of changes in exchange rates and scope of consolidation for 2016 was mainly attributable to the depreciation of pound sterling against the euro.

Deferred taxes recognised directly in equity can be analysed as follows:

	31 Dec. 2016	31 Dec. 2015
Available-for-sale investments	**-**	(3)
Cash flow hedges	**3**	-
Actuarial gains and losses on pensions and other post-employment benefit obligations	**27**	20
Total	**30**	17

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).

	2016	2015
Profit for the year attributable to owners of the Parent (in millions of euros)	**175**	74
Number of shares making up the share capital at 31 December	**131,133,286**	131,133,286
Treasury shares	**(1,952,575)**	(2,324,157)
Number of shares outstanding at 31 December	**129,180,711**	128,809,129
Average number of shares outstanding during the year	**128,994,920**	128,478,148
Basic earnings per share attributable to owners of the Parent (in euros)	**1.36**	0.58
Dilutive share options and free shares:		
Share options	**-**	-
Free shares	**1,793,455**	1,310,382
Average number of shares including dilutive share options and free shares	**130,788,375**	129,788,530
Diluted earnings per share attributable to owners of the Parent (in euros)	**1.34**	0.57

NOTE 16 GOODWILL

	2016	2015
At 1 January	**1,919**	1,740
Cost	***3,199***	*3,010*
Accumulated impairment losses	***(1,280)***	*(1,270)*
Acquisitions(*)	**49**	185
Reclassification as assets held for sale	**-**	-
Goodwill written off following disposal or deconsolidation(**)	**(28)**	(7)
Impairment losses(***)	**(40)**	(58)
Translation adjustments	**(33)**	61
Other movements	**(11)**	(2)
At 31 December	**1,856**	1,919
Gross amount	**3,092**	3,199
Accumulated impairment losses	**(1,236)**	(1,280)

(*) Including for 2016: Perseus for €48 million.
Including for 2015: Paradies for €123 million, Rising Stars for €22 million, and Grupo Boomerang TV for €17 million.
(**) Including for 2016: Endurance for €14 million, Distribution operations in Spain and Belgium for €11 million, and LeGuide for €3 million.
Including for 2015: Lagardère Services Distribution Suisse for €6 million.
(***) Including for 2016: LeGuide for €32 million, Distribution operations in Hungary for €4 million.
Including for 2015: LeGuide for €25 million, Société de Presse Féminine for €17 million and Lapker for €13 million.

See note 10 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 2015	**123**	**163**	**760**	**582**	**471**	**2,099**
Acquisitions		7	51	3	26	87
Changes in scope of consolidation(*)		49	16	345	(15)	395
Disposals/Derecognition		(6)	(24)		(24)	(54)
Reclassifications		(7)	(12)	(5)	17	(7)
Translation adjustments		7	32	17	7	63
At 31 December 2015	**123**	**213**	**823**	**942**	**482**	**2,583**
Acquisitions		1	24		20	45
Changes in scope of consolidation		1		(16)	(42)	(57)
Disposals/Derecognition	(4)	-	(53)	(1)	(14)	(72)
Reclassifications		(14)	(8)	(33)	48	(7)
Translation adjustments		(3)	7	10	(6)	8
At 31 December 2016	**119**	**198**	**793**	**902**	**488**	**2,500**

(*) Increase in intangible assets due mainly to the acquisition of Paradies in 2015 (see note 4.2).

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 2015	**(65)**	**(46)**	**(516)**	**(84)**	**(343)**	**(1,054)**
Amortisation			(63)	(47)	(31)	(141)
Impairment losses			-		(1)	(1)
Changes in scope of consolidation			(11)		15	4
Disposals/Derecognition		1	24		18	43
Reclassifications		3		4	(11)	(4)
Translation adjustments		(2)	(20)	(2)	(3)	(27)
At 31 December 2015	**(65)**	**(44)**	**(586)**	**(129)**	**(356)**	**(1,180)**
Amortisation		(1)	(65)	(72)	(28)	(166)
Impairment losses					(4)	(4)
Changes in scope of consolidation		(1)		2	20	21
Disposals/Derecognition	4		53	1	29	87
Reclassifications		(2)			3	1
Translation adjustments			(6)	(3)	3	(6)
At 31 December 2016	**(61)**	**(48)**	**(604)**	**(201)**	**(333)**	**(1,247)**

Carrying amounts

At 31 December 2015	**58**	**169**	**237**	**813**	**126**	**1,403**
At 31 December 2016	**58**	**150**	**189**	**701**	**155**	**1,253**

See note 10 for a breakdown by CGU of intangible assets with indefinite useful lives.

1 2 3 4 5 6 7 8 9 10 11

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down as follows by category:

2016 – Cost

	At 1 Jan. 2016	Acquisitions	Changes in scope of consolidation	Disposals	Reclassifications(*)	Translation adjustments	At 31 Dec. 2016
Land	**251**	-	(11)	(58)	(130)	-	**52**
Buildings	**556**	17	(19)	(89)	(60)	(2)	**403**
Machinery and equipment	**582**	80	(39)	(34)	28	(3)	**614**
Other	**619**	60	(41)	(60)	(4)	4	**578**
Assets under construction	**36**	28	(1)	-	(20)	-	**43**
Total	**2,044**	**185**	**(111)**	**(241)**	**(186)**	**(1)**	**1,690**

2016 – Depreciation and impairment losses

	At 1 Jan. 2016	Depreciation	Impairment losses(**)	Changes in scope of consolidation	Disposals	Reclassifications(*)	Translation adjustments	At 31 Dec. 2016
Land	**(6)**	-	(1)	-	-	6	-	**(1)**
Buildings	**(311)**	(26)	(7)	13	69	34	1	**(227)**
Machinery and equipment	**(359)**	(66)	(4)	34	19	5	4	**(367)**
Other	**(382)**	(49)	(13)	35	41	8	(3)	**(363)**
Assets under construction	**-**	-	(3)	1	-	2	-	**-**
Total	**(1,058)**	**(141)**	**(28)**	**83**	**129**	**55**	**2**	**(958)**
Carrying amounts	**986**	**44**	**(28)**	**(28)**	**(112)**	**(131)**	**1**	**732**

(*) In 2016, cost and depreciation reclassifications relate to a property complex in France owned by Lagardère Active, classified within assets held for sale at 31 December 2016 for its carrying amount (see note 4.3).
(**) See note 10 for a breakdown of property, plant and equipment impairment.

2015 – Cost

	At 1 Jan. 2015	Acquisitions	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustments	At 31 Dec. 2015
Land	**240**	1	1	(1)	10	-	251
Buildings	**500**	39	(49)	(21)	78	9	556
Machinery and equipment	**468**	52	73	(32)	9	12	582
Other	**571**	64	2	(44)	21	5	619
Assets under construction	**85**	32	12	(1)	(93)	1	36
Total	**1,864**	**188**	**39**	**(99)**	**25**	**27**	**2,044**

2015 – Depreciation and impairment losses

	At 1 Jan. 2015	Depreciation	Impairment losses	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustments	At 31 Dec. 2015
Land	(1)	-	(1)	-	-	(4)	-	(6)
Buildings	(325)	(28)	-	37	15	(4)	(6)	(311)
Machinery and equipment	(345)	(45)	-	9	27	1	(6)	(359)
Other	(353)	(47)	-	3	38	(22)	(1)	(382)
Assets under construction	-	-	-	-	-	-	-	-
Total	**(1,024)**	**(120)**	**(1)**	**49**	**80**	**(29)**	**(13)**	**(1,058)**
Carrying amounts	**840**	**68**	**(1)**	**88**	**(19)**	**(4)**	**14**	**986**

Investment property

Balance sheet assets include a property complex in France whose carrying amount was €68 million at 31 December 2015 and which was sold during the first half of 2016. The sale generated a net gain of €106 million (see note 9). In 2015, a total of €9 million in rental income was received in relation to this property.

In the second half of 2016, the Group also sold a property complex outside France, whose carrying amount on the balance sheet was €22 million at 31 December 2015. The sale generated a net loss of €3 million. In 2015, a total of €2 million in rental income was received in relation to this property.

The Group no longer owned any investment property at 31 December 2016.

Finance leases

The Group did not have any finance leases representing material amounts at either 31 December 2016 or 31 December 2015.

NOTE 19 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

Investments in **associates and joint ventures** are accounted for under the equity method in the Group's consolidated financial statements. The Group's main equity-accounted companies are as follows:

	Joint shareholder	Main business	% interest		Balance sheet		Income statement	
			31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015	2016	2015
S.D.A. (Société de Distribution Aéroportuaire)	Aéroport de Paris	Travel Retail	**45%**	45%	**10**	16	**3**	7
Société des Commerces en Gares	SNCF Participations	Travel Retail	**50%**	50%	**2**	3	**(1)**	(1)
Other					**8**	4	**(2)**	2
Total joint ventures					**20**	**23**	**-**	**8**
Marie Claire (Holding Evelyne Prouvost)		Magazine Publishing	**42%**	42%	**77**	90	**(10)**	-
Editions J'ai lu		Publishing	**35%**	35%	**17**	17	**1**	-
SETC (Société d'Edition de Télévision par Câble)(*)		Magazine Publishing		49%	**-**	8	**-**	-
Inmedio		Travel Retail	**49%**	49%	**12**	11	**1**	2
Other					**19**	6	**-**	(1)
Total associates					**125**	132	**(8)**	1
Total investments in equity-accounted companies					**145**	155	**(8)**	9

(*) Sale by Lagardère Active of SETC, accounted for under the equity method until May 2016.

Movements in investments in equity-accounted companies can be analysed as follows:

	2016			2015		
	Total	Joint ventures	Associates	Total	Joint ventures	Associates
Investments in equity-accounted companies at beginning of year	**155**	**23**	**132**	159	26	133
Dividends paid(*)	**(19)**	**(13)**	**(6)**	(13)	(10)	(3)
Share in profit (loss)	**10**	**5**	**5**	11	8	3
Impairment losses(**)	**(18)**	**(5)**	**(13)**	(2)	-	(2)
Changes in other comprehensive income	**1**	**-**	**1**	(1)	(1)	-
First-time consolidations/ Acquisitions (***)	**8**	**-**	**8**	-	-	-
Deconsolidations/Disposals (****)	**(5)**	**(1)**	**(4)**	-	-	-
Other(*****)	**13**	**11**	**2**	1	-	1
Investments in equity-accounted companies at end of year	**145**	**20**	**125**	155	23	132

(*) Including SDA for €9 million in 2016 and €6 million in 2015.
(**) Including Marie Claire for €13 million and Lagardère Sports and Entertainment joint ventures in Brazil for €5 million.
(***) Including Yen Press for €8 million in 2016.
(****) Including the sale of SETC for a negative €6 million in 2016.
(*****) Reclassifications relate to additional losses incurred by equity-accounted companies (negative €11 million impact) whose shares were written down to zero, within provisions for contingencies and liabilities.

Joint ventures

As part of its business operations, Lagardère Travel Retail manages certain travel retail contracts in the form of 50/50 joint ventures entered into with concession grantors. The main joint ventures set up by Lagardère Travel Retail with its partners are (i) Société de Distribution Aéroportuaire and Relay@ADP, with Aéroport de Paris, (ii) Société des Commerces en Gares, with SNCF Participations, (iii) SVRLS@LAREUNION, with Servair, and (iv) Lyon Duty Free, with Lyon airport authorities.

Total revenue generated by these Travel Retail joint ventures (on a 100% basis) amounted to €1,171 million in 2016 versus €1,242 million in 2015. Fully consolidated entities invoiced joint ventures amounts of €325 million in 2016 and €349 million in 2015.

	Figures on a 100% basis		Lagardère's share (50%)	
	2016	2015	**2016**	2015
Total revenue	**1,171**	1,242	**586**	621
Group revenue with joint ventures	***(325)***	*(349)*	***(163)***	*(174)*
Adjusted revenue	**846**	893	**423**	447
Recurring operating profit	**15**	34	**8**	17
Profit before finance costs and tax	**13**	32	**7**	16
Profit before tax	**13**	32	**7**	16
Profit for the year	**9**	18	**5**	9
Net debt	**(79)**	(66)	**(40)**	(33)

Associates

Marie Claire

In 2016, the Marie Claire group saw a substantial decline in advertising and circulation revenue compared to 2015, and failed to meet the estimates contained in the budget drawn up at end-2015 and used as the basis for the impairment tests in the 2015 financial statements. The new budget prepared in 2016 takes into account lower future cash flows for the business, particularly as regards profit margins. In light of the changes in assumptions included in the budget plan, Lagardère's interest in the Marie Claire group was revalued at €77 million, leading to the recognition of a €13 million impairment loss in the year.

Beyond the years covered by the budget, a change corresponding to an annual decrease of 1% in circulation revenue compared to the assumptions used at end-2016, would result in an additional €19 million impairment loss, excluding the impact of any corporate cost reduction measures that would necessarily be implemented.

NOTE 20 OTHER NON-CURRENT ASSETS

OTHER NON-CURRENT ASSETS

Other non-current assets break down as follows:

Carrying amount	31 Dec. 2016	31 Dec. 2015
Investments	**50**	41
Loans and receivables	**68**	74
Total	**118**	115

INVESTMENTS

Investments include the following:

Carrying amount	31 Dec. 2016		31 Dec. 2015	
	Carrying amount	% interest	Carrying amount	% interest
FCPI Idinvest Digital Fund II	**11**	**7%**	11	7%
Other	**39**		30	
Total	**50**		41	

The above investments are classified as available-for-sale investments.

Fair value adjustments to available-for-sale investments represented €1 million in 2016, recognised in equity.

Cumulative fair value adjustments at 31 December 2016 amounted to a negative €1 million (negative €2 million at 31 December 2015).

LOANS AND RECEIVABLES

Loans and receivables can be analysed as follows:

Loans and receivables	31 Dec. 2016	31 Dec. 2015
Gross amount	**100**	133
Accumulated impairment losses	**(32)**	(59)
Carrying amount	**68**	74

Analysis of impairment losses	2016	2015
At 1 January	**(59)**	(58)
Impairment losses (recognised) reversed in the year	**5**	(1)
Other movements and translation adjustments	**22**	-
At 31 December	**(32)**	(59)

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. 2016	31 Dec. 2015
Lagardère Publishing	**401**	388
Lagardère Travel Retail	**342**	412
Lagardère Active	**72**	59
Lagardère Sports and Entertainment	**-**	-
Other Activities(*)	**4**	6
Gross amount	**819**	865
Accumulated impairment losses	**(219)**	(217)
Carrying amount	**600**	648

(*) Corresponding to the inventories of the Spare Parts business of Matra Manufacturing & Services (formerly Matra Automobile).

Analysis of impairment losses	2016	2015
At 1 January	**(217)**	(218)
Impairment losses (recognised) reversed in the year	**(1)**	1
Other movements and translation adjustments	**(1)**	-
At 31 December	**(219)**	(217)

NOTE 22 TRADE RECEIVABLES

Trade receivables and their realisable value can be analysed as follows:

	31 Dec. 2016	31 Dec. 2015
Trade receivables (gross amount)	**1,400**	1,409
Accumulated impairment losses	**(132)**	(173)
Carrying amount	**1,268**	1,236
Of which:		
- not yet due	***1,077***	*1,016*
- less than six months past due	***147***	*163*
- more than six months past due	***44***	*57*
Total	**1,268**	1,236

Analysis of impairment losses	2016	2015
At 1 January	**(173)**	(171)
Impairment losses (recognised) reversed in the year	**31**	2
Other movements and translation adjustments	**10**	(4)
At 31 December	**(132)**	(173)

Securitisation of trade receivables

It should be recalled that in December 2015 the Group set up a five-year trade receivables securitisation program in certain Lagardère Active subsidiaries. Under the amended programme, sold receivables may now be deconsolidated based on the conditions set out below.

The new programme involves the no-recourse sale of receivables and includes a credit insurance and protection mechanism within the securitisation fund which absorbs most of the risks. Accordingly, substantially all of the risks and rewards incidental to ownership of the receivables are transferred to the compartment of the fund.

The main characteristics of the programme are as follows:

- receivables are sold through an entity representing the compartment of a securitisation fund that is not controlled by Lagardère;
- the compartment subscribes to a credit insurance policy covering 95% of the credit risk on the receivables;
- receivables are purchased for their nominal value net of a discount set (using a pre-determined formula) so as to cover the carrying costs of the securitisation, the fees associated with the fund compartment (remuneration of fund units and expenses), and the risk of late-payment on the acquired receivables;
- the compartment's senior units are subscribed by a financial institution and are used to finance the acquisition of receivables;
- the compartment's subordinated units and additional units subscribed by Lagardère absorb the dilution risk and the share of uninsured receivables in the event that the discount is insufficient;
- Lagardère is responsible for recovering the receivables and for managing the credit insurance policy, and receives a fixed commission for this purpose.

Further to the implementation of the programme, receivables sold and deconsolidated at end-2016 totalled €74 million. Lagardère is nevertheless exposed to a residual risk in the sold receivables, represented mainly by the units subscribed in the securitisation compartment, which amounted to €1.9 million at 31 December 2016, or around 2% of the total value of the sold receivables.

NOTE 23 OTHER CURRENT ASSETS

Other current assets break down as follows:

	31 Dec. 2016	31 Dec. 2015
Advances paid	**28**	37
Recoverable taxes and payroll taxes	**247**	256
Derivative financial instruments(*)	**10**	8
Receivable from writers	**335**	351
Receivable from suppliers	**82**	91
Loans	**11**	11
Prepaid expenses	**196**	216
Other	**65**	59
Total	**974**	1,029
Accumulated impairment losses	**(60)**	(67)
Carrying amount	**914**	962

(*) See note 30.1.

Analysis of impairment losses	2016	2015
At 1 January	**(67)**	(61)
Impairment losses (recognised) reversed in the year	**(50)**	(48)
Other movements and translation adjustments	**57**	42
At 31 December	**(60)**	(67)

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. 2016	31 Dec. 2015
Shares	-	47
Bonds	-	1
Total	**-**	48

The 2,836,835 Deutsche Telekom shares received in 2006 in exchange for T-Online shares as part of the merger between the two companies were subject to a prepaid forward sale agreement, which was concluded in March 2015. The shares were pledged to the purchaser until the effective transfer date on 17 June 2016. The sale resulted in the recognition of a €22 million gain within financial income in 2016 (see note 13).

At 31 December 2016, all fair value adjustments were reclassified to the income statement following the sale of Deutsche Telekom shares (cumulative fair value adjustments of €24 million at 31 December 2015).

NOTE 25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents reported in the statement of cash flows are calculated as follows:

	31 Dec. 2016	31 Dec. 2015
Cash and cash equivalents	**481**	586
Short-term bank loans and overdrafts	**(76)**	(107)
Cash and cash equivalents, net	**405**	479

Cash and cash equivalents break down as follows:

	31 Dec. 2016	31 Dec. 2015
Bank accounts	**360**	376
Money market funds	**61**	149
Term deposits and current accounts maturing in less than three months	**60**	61
Cash and cash equivalents	**481**	586

Changes in working capital as reported in the statement of cash flows can be analysed as follows:

	2016	2015
Change in inventories	**(21)**	(15)
Change in trade receivables(*)	**(72)**	121
Change in trade payables	**24**	(11)
Change in other receivables and payables	**95**	85
Changes in working capital(**)	**26**	180

(*) Including in 2015 the €73 million impact of deconsolidating the trade receivables securitisation programme (see note 22).
(**) Increase/(decrease) in cash and cash equivalents.

NOTE 26 EQUITY

26.1 SHARE CAPITAL

At 31 December 2016 and 31 December 2015, 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 used an authorisation given at the 11 May 2004 Annual General Meeting to award options to certain Group executives and employees to purchase existing Lagardère SCA shares. The main features of the outstanding share option plans at 1 January 2016 are presented below.

Plan	Number of beneficiaries	No. of options originally awarded	Exercise price before adjustment	Exercise price after adjustment	Options exercised in 2016(*)	Increase in number of options due to adjustment	Options cancelled in 2016	Options outstanding at end-2016	Exercise period
14.12.2006	451	1,844,700	€55.84	€44.78	-	380,129	1,895,336	-	14.12.2008 to 14.12.2016

(*) No options were exercised in 2016.

In addition, plans to award free shares in Lagardère SCA have been set up for employees, the members of the Enlarged Committee, and the Co-Managing Partners (see note 7).

26.3 TREASURY SHARES

Changes in the number of shares held in treasury over the last two years were as follows:

	2016	2015
Number of treasury shares held at 1 January	**2,324,157**	2,986,120
Purchases of treasury shares	**626,955**	684,214
Sales of treasury shares	**(657,650)**	(694,519)
Capital reduction by cancellation of treasury shares	**(340,887)**	(651,658)
Number of treasury shares held at 31 December	**1,952,575**	2,324,157

At 31 December 2016 shares held in treasury represented 1.49% of Lagardère SCA's share capital and were allocated for the following purposes:

- 1,933,575 shares for future allocation to employees;
- 19,000 shares for market-making purposes.

As part of the liquidity agreement entered into in 2008 with Crédit Agricole Cheuvreux for the purposes of market-making, during 2016 Lagardère SCA purchased 626,955 treasury shares for a total cost of €14 million and sold 657,650 treasury shares for a total of €15 million, giving rise to a €1 million net disposal gain which was recorded directly in equity.

In 2016 the Group carried out a number of capital reductions by cancelling 340,887 treasury shares for an amount of €11 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 in 2016 to the Group's Co-Managing Partners and salaried employees who are beneficiaries under the 25 June 2012 and 22 December 2014 plans.

In 2015, Lagardère SCA purchased 684,214 treasury shares for a total cost of €18 million and sold 694,519 treasury shares for a total of €18 million, generating a net disposal gain of €0.5 million which was recorded directly in equity.

The Group carried out a number of capital reductions in 2015 by cancelling 651,658 treasury shares for an amount of €23 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 in April 2015 and December 2015 to the Group's Co-Managing Partners and salaried employees who are beneficiaries under the 29 December 2011, 25 June 2012 and 26 December 2013 plans.

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 as cash flow hedges; and
- available-for-sale investments.

26.5 MINORITY INTERESTS

Minority interests do not represent a material amount in the Group's consolidated financial statements. Minority interests in the net assets and profits of consolidated companies break down as follows:

	Minority interests in subsidiaries		Balance sheet		Income statement		Dividends paid to minority shareholders of subsidiaries	
	31 Dec. 2016	31 Dec. 2015	**31 Dec. 2016**	31 Dec. 2015	**2016**	2015	**2016**	2015
Lagardère Publishing			**25**	24	**4**	3	**3**	3
O/w Librairie Générale Française	**40%**	40%	**19**	17	**3**	2	**2**	2
Lagardère Travel Retail			**104**	119	**5**	-	**15**	14
O/w the HDS Retail North America (ELS) sub-group(*)	**N/A**	N/A	**79**	92	**7**	1	**15**	2
O/w the Lagardère Duty Free SAS (Aelia) sub-group	**9.96%**	9.96%	**18**	17	**1**	2	**-**	-
O/w the Airest sub-group(**)	**50%**	50%	**6**	5	**1**	(1)	**-**	-
O/w the Lapker sub-group	**80.41%**	80.41%	**(1)**	3	**(4)**	(2)	**-**	1
O/w the LS Distribution Suisse sub-group	**0%**	0%	**-**	-	**-**	-	**-**	11
Lagardère Active			**6**	5	**5**	3	**1**	1
O/w Mezzo	**40%**	40%	**3**	3	**-**	-	**-**	1
O/w the Réservoir sub-group	**70%**	70%	**1**	-	**2**	-	**-**	-
Lagardère Sports and Entertainment			**(2)**	(8)	**7**	(9)	**-**	1
O/w the Lagardère Sports Asia sub-group	**29.26%**	29.26%	**(2)**	(8)	**7**	(9)	**-**	-
Total			**133**	140	**21**	(3)	**19**	19

(*) HDS Retail North America (ELS) group: includes the minority interests resulting from the acquisition of Paradies on 22 October 2015 (the average percentage of minority interests in Paradies was 19% at the acquisition date). In accordance with US legislation (Airport Concessions Disadvantaged Business Enterprises (ACDBE) Program), the Travel Retail activities in North America are operated in numerous airports by legal entities that include minority partners. The percentages of minority interests are different in each of the sub-group's subsidiaries.

(**) Exercise of call options on minority interests in the Airest sub-group in 2015. However, the percentage of minority interests remains unchanged in the Airest SPA subsidiaries (Venice, Treviso, Verona, Bari and Palermo airports).

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 92%, which guarantees good liquidity. Lagardère Capital & Management, which is controlled by Arnaud Lagardère, the Group's General and Managing Partner, has a 7.65% 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 executives and employees 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 OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR

Other comprehensive income (expense) can be analysed as follows:

	2016			2015		
	Attributable to owners(*)	Minority interests	Total equity	Attributable to owners(*)	Minority interests	Total equity
Translation reserve	(43)	1	(42)	73	6	79
- Currency translation adjustments	*(48)*	*1*	*(47)*	*76*	*6*	*82*
- Share of other comprehensive income (expense) of equity-accounted companies, net of tax	*5*	*-*	*5*	*(3)*	*-*	*(3)*
Valuation reserve	(32)	-	(32)	11	-	11
Change in fair value of derivative financial instruments	(11)	-	(11)	-	-	-
- Unrealised gains (losses) recognised directly in equity	*(15)*	*-*	*(15)*	*-*	*-*	*-*
- Amounts reclassified from equity to profit or loss	*-*	*-*	*-*	*1*	*-*	*1*
- Tax effect	*4*	*-*	*4*	*(1)*	*-*	*(1)*
Change in fair value of investments in non-consolidated companies	(21)	-	(21)	11	-	11
- Unrealised gains (losses) recognised directly in equity	*1*	*-*	*1*	*11*	*-*	*11*
- Amounts reclassified from equity to profit or loss	*(24)*	*-*	*(24)*	*-*	*-*	*-*
- Tax effect	*2*	*-*	*2*	*-*	*-*	*-*
Other reserves	(27)	-	(27)	1	-	1
- Actuarial gains and losses on pensions and other post-employment benefit obligations	*(34)*	*-*	*(34)*	*3*	*-*	*3*
- Tax effect	*7*	*-*	*7*	*(2)*	*-*	*(2)*
Other comprehensive income (expense) for the year, net of tax	(102)	1	(101)	85	6	91

(*) Equity attributable to owners of the Parent.

Currency translation adjustments recognized within other comprehensive income relate mainly to the following currencies:

	2016	2015
▸ Pound sterling:	€(85) million	€30 million
▸ US dollar:	€45 million	€63 million
▸ Other:	€(2) million	€(14) million
Total	**€(42) million**	**€79 million**

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 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 and France.

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 2016, the plans in effect in the United Kingdom represented an aggregate obligation of €221 million (56% of the Group's total obligation) and plan assets amounted to €212 million (93% 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 2016, they represented an aggregate obligation of €86 million (22% of the Group's total obligation).

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

	2016	2015
Present value of benefit obligation at beginning of year	**368**	426
Current service cost	**7**	11
Plan amendments/Curtailments	**(6)**	5
Settlements	**-**	(2)
Interest expense	**11**	11
Employee contributions	**-**	-
Benefits paid	**(13)**	(15)
Actuarial (gains) and losses from changes in demographic assumptions	**-**	(2)
Actuarial (gains) and losses from changes in financial assumptions	**59**	(11)
Actuarial (gains) and losses from experience adjustments	**(1)**	6
Changes in scope of consolidation	**-**	(80)
Translation adjustments and other	**(30)**	19
Present value of benefit obligation at end of year	**395**	368
Present value of benefit obligation at end of year for funded plans	**278**	243
Present value of benefit obligation at end of year for unfunded plans	**117**	125

Change in fair value of plan assets

	2016	2015
Fair value of plan assets at beginning of year	**230**	271
Interest income	**8**	9
Effect of remeasurements	**24**	(4)
Employee contributions	**-**	1
Employer contributions	**7**	9
Benefits paid	**(9)**	(9)
Settlements	**-**	(1)
Changes in scope of consolidation(*)	**-**	(63)
Translation adjustments and other	**(31)**	17
Fair value of plan assets at end of year	**229**	230

(*) Mainly sales of Lagardère Services Distribution Suisse and Curtis in 2015.

Asset allocation at 31 December

	2016	2015
Shares	25%	24%
Bonds	68%	69%
Real property	2%	2%
Money market instruments	0%	0%
Other	5%	5%

Calculation of net amount recognised as a provision

	2016	2015	2014	2013	2012
Present value of benefit obligation	395	368	426	380	376
Fair value of plan assets	(229)	(230)	(271)	(263)	(257)
Unrecognised past service cost	-	-	-	-	-
Net amount recognised as a provision	166	138	155	117	119

Movements in the provision recognised in the balance sheet

	2016	2015
Provision at beginning of year	138	155
Net expense for the year	4	17
Actuarial (gains) and losses recognised in equity	34	(3)
Employer contributions	(7)	(9)
Benefits paid by the employer	(4)	(6)
Changes in scope of consolidation	-	(18)
Translation adjustments and other	1	2
Provision at end of year	166	138

Calculation of net expense for the year

	2016	2015
Current service cost	7	11
Plan amendments/Curtailments	(6)	5
Settlements	-	(1)
Interest expense	3	2
Actuarial gains and losses on other employee benefits	-	-
Net expense recognised in the income statement	4	17
Actuarial (gains) and losses from changes in demographic assumptions	-	(2)
Actuarial (gains) and losses from changes in financial assumptions	59	(11)
Actuarial (gains) and losses from experience adjustments	(1)	6
Excess of actual return on plan assets	(24)	4
Effect of asset ceiling	-	-
Remeasurement of the net liability recognised in equity	34	(3)
Net expense for the year	38	14

Actuarial assumptions used to calculate benefit obligations

	2016	2015
Discount rate: weighted average for all countries including: - *Eurozone*(*) - *United Kingdom*(*)	**2.34%** ***1.50%*** ***2.80%***	3.26% *2.00%* *4.10%*
Average expected rate of benefit increase	**3.10%**	2.95%
Average expected rate of salary increase	**2.85%**	2.59%
Expected rate of healthcare cost inflation: - *initial* - *ultimate* - *year in which ultimate rate is expected to be reached*	 ***3.75%*** ***2.25%*** ***2030***	 *3.38%* *2.25%* *2030*

(*) 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

	2016	2015
Difference between actual and expected return on plan assets		
Gains (losses)	**24**	(4)
Percentage of plan assets at year-end	**10.58%**	-1.77%
Experience adjustments		
Losses (gains)	**(1)**	6
Percentage of present value of plan liabilities at year-end	**-0.26%**	1.63%

Sensitivity to trend rate assumptions (+/-1%) for post-retirement medical plans

	2016	2015
Present value of benefit obligation at 31 December	**13**	8
Effect of a 1% increase: - on present value of benefit obligation - on expense for the year	 **52** **3**	 33 1
Effect of a 1% decrease: - on present value of benefit obligation - on expense for the year	 **(33)** **(2)**	 (24) -

Sensitivity of the obligation at 31 December 2016 to changes in discount rates

	0.5% increase	**0.5% decrease**
Impact on present value of benefit obligation	(36)	33
Weighted average duration of obligations	19 years	

Expected employer contributions

	2016	2015
Expected employer contributions	**7**	9

Actuarial gains and losses recognised directly in equity

	2016	2015
Actuarial gains (losses) at 1 January	**(40)**	(63)
Change during the year: - in value of benefit obligation - in fair value of plan assets	 **(58)** **24**	 7 (4)
Actuarial gains (losses) at 31 December	**(74)**	(60)
Deferred tax impact	**27**	20
Actuarial gains (losses), net of tax at 31 December	**(47)**	(40)

27.2 OTHER PROVISIONS

Current and non-current provisions for contingencies and losses primarily cover the following:

	31 Dec. 2016	31 Dec. 2015
Losses on long-term contracts and other contracts	**7**	7
Restructuring and withdrawal costs	**54**	38
Claims and litigation	**71**	91
Other contingencies	**278**	242
Total	**410**	**378**
Of which:		
- non-current provisions	***222***	*193*
- current provisions	***188***	*185*

2016	At 1 Jan. 2016	Translation adjustments	Changes in scope of consolidation	Charges	Utilisations	Releases of surplus provisions	Reclassifications	At 31 Dec. 2016
Losses on long-term contracts and other contracts	**7**	-	-	9	(7)	(2)	-	**7**
Restructuring and withdrawal costs	**38**	-	(6)	40	(17)	(3)	2	**54**
Claims and litigation	**91**	-	-	10	(20)	(6)	(4)	**71**
Other contingencies	**242**	-	(2)	61	(17)	(25)	19	**278**
Total	**378**	**-**	**(8)**	**120**	**(61)**	**(36)**	**17**	**410**

2015	At 1 Jan. 2015	Translation adjustments	Changes in scope of consolidation	Charges	Utilisations	Releases of surplus provisions	Reclassifications	At 31 Dec. 2015
Losses on long-term contracts and other contracts	**8**	-	1	5	(5)	(2)	-	**7**
Restructuring and withdrawal costs	**65**	-	-	10	(38)	(1)	2	**38**
Claims and litigation	**91**	2	-	22	(17)	(11)	4	**91**
Other contingencies	**267**	-	(13)	51	(23)	(39)	(1)	**242**
Total	**431**	**2**	**(12)**	**88**	**(83)**	**(53)**	**5**	**378**

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

The **Group's debt** breaks down as follows:

	31 Dec. 2016	31 Dec. 2015
Bonds	**989**	993
Bank loans	**3**	491
Finance lease liabilities	**6**	7
Debt related to put options granted to minority shareholders	**24**	30
Other debt	**4**	5
Non-current debt excluding financial instruments allocated as hedges of debt	**1,026**	1,526
Financial instruments allocated as hedges of debt	**15**	-
Non-current debt	**1,041**	1,526
Bonds	**497**	-
Bank loans	**-**	80
Finance lease liabilities	**5**	2
Debt related to put options granted to minority shareholders	**17**	17
Commercial paper (NEU CP)(*)	**213**	399
Other debt	**100**	160
Current debt excluding financial instruments allocated as hedges of debt	**832**	658
Financial instruments allocated as hedges of debt	**-**	1
Current debt	**832**	659
Total debt	**1,873**	2,185

(*) Negotiable European Commercial Paper.

The main movements in debt during 2016 were as follows:

- In April 2016, the issue of €500 million worth of bonds maturing in 2023 and paying an annual coupon of 2.75%. The proceeds of the issue were used to refinance the bridge loan subscribed in connection with the Paradies acquisition (see note 4.2), as well as for general corporate purposes. The effective interest rate is 2.90%.
- In June 2016, repayment of a bank loan subscribed in 2015 for a nominal amount of €75 million.
- Continuation of the commercial paper programme with a ceiling of €700 million: Debt issues represented €213 million in 2016 compared with €399 million one year earlier.

Net debt breaks down as follows:

(in millions of euros)	2016	2015
Short-term investments and cash and cash equivalents	**481**	634
Financial instruments allocated as hedges of debt with a positive fair value(*)	**3**	-
Non-current debt(**)	**(1,041)**	(1,526)
Current debt(**)	**(832)**	(659)
Net debt	**(1,389)**	(1,551)

(*) Financial instruments allocated as hedges of debt with a positive fair value are included in "Other current assets" on the balance sheet.
(**) Current and non-current debt include financial instruments allocated as hedges of debt with a negative fair value, representing €15 million at 31 December 2016 and €1 million at 31 December 2015.

28.2 ANALYSIS OF DEBT BY MATURITY

Debt can be analysed as follows by maturity at **31 December 2016**:

	2017(*)	2018	2019	2020	2021	Beyond 5 years	Total
Bonds	497	-	495	-	-	494	**1,486**
Bank loans	-	-	-	-	-	3	**3**
Financial instruments allocated as hedges of debt	-	-	4	-	-	11	**15**
Finance lease liabilities	5	4	1	-	-	1	**11**
Debt related to put options granted to minority shareholders	17	1	1	13	7	2	**41**
Commercial paper	213	-	-	-	-	-	**213**
Other debt	100	1	-	-	-	3	**104**
At 31 December 2016	**832**	**6**	**501**	**13**	**7**	**514**	**1,873**

(*) Debt due within one year is reported in the consolidated balance sheet under “Current debt”.

Debt can be analysed as follows by maturity at **31 December 2015**:

	2016(*)	2017	2018	2019	2020	Beyond 5 years	Total
Bonds	-	495	-	498	-	-	**993**
Bank loans	80	488	-	-	3	-	**571**
Finance lease liabilities	2	2	2	1	-	2	**9**
Debt related to put options granted to minority shareholders	17	10	1	3	15	1	**47**
Commercial paper	399	-	-	-	-	-	**399**
Other debt	161	-	-	-	-	5	**166**
At 31 December 2015	**659**	**995**	**3**	**502**	**18**	**8**	**2,185**

(*) Debt due within one year is reported in the consolidated 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 2016	Carrying amount	Value of hedging instruments(*)	Total	Effective interest rate(**)
31 October 2012 5-year bond issue, for €500 million	497	-	**497**	4.76%
10 September 2014 5-year bond issue, for €500 million	495	4	**499**	2.37%(***)
13 April 2016 7-year bond issue, for €500 million	494	11	**505**	2.90%
Bonds	**1,486**	**15**	**1,501**	
Other debt	3	-	**3**	
Bank loans	**3**	**-**	**3**	
Total	**1,489**	**15**	**1,504**	

(*) Fair value of derivative instruments designated as hedges of debt.
(**) The effective interest rate includes the amortisation of the bond issue costs.
(***) The effective interest rate includes the impact of the amortisation of the pre-hedge interest rate set up before the bond issue and terminated at the time of the issue. The termination payment is being amortised over the life of the bond.

31 December 2015	Carrying amount	Value of hedging instruments(*)	Total	Effective interest rate(**)
31 October 2012 5-year bond issue, for €500 million	495	-	**495**	4.76%
10 September 2014 5-year bond issue, for €500 million	498	-	**498**	2.37%(***)
Bonds	**993**	**-**	**993**	
USD 530 million bridge loan on 22 October 2015 (indexed to Libor)	487	-	**487**	
Other debt	84	-	**84**	
Bank loans	**571**	**-**	**571**	
Total	**1,564**	**-**	**1,564**	

(*) Fair value of derivative instruments designated as hedges of debt.
(**) The effective interest rate includes the amortisation of the bond issue costs.
(***) The effective interest rate includes the impact of the amortisation of the pre-hedge interest rate set up before the bond issue and terminated at the time of the issue. The termination payment is being amortised over the life of the bond.

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 2016	Before hedging		After hedging	
		%		%
Eurozone	1,813	96.8%	1,176	62.8%
US dollar	26	1.4%	546	29.2%
Pound sterling	7	0.4%	33	1.8%
Australian dollar	0	0.0%	27	1.5%
Canadian dollar	7	0.4%	25	1.3%
Other	20	1.1%	66	3.4%
Total	**1,873**	**100%**	**1,873**	**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

Liquidity risk is controlled since the ratio of gross debt maturing in two years to available liquidity reserves (cash and cash equivalents, short-term investments and confirmed undrawn credit lines) is 210%. Gross debt maturing within two years amounts to €838 million, while total liquidity reserves represent €1,762 million (cash and cash equivalents and short-term investments for €481 million, confirmed undrawn credit lines for €1,281 million).

The liquidity reserve relates mainly to the syndicated credit facility contracted in May 2015 for €1,250 million over an initial period of five years. This initial period was extended by a further year on 26 April 2016 and the facility now matures on 11 May 2021. In 2017, Lagardère SCA will have the possibility to request another one-year extension.

Total borrowings include the value of any hedging instruments (see note 28.3).

The proportion of bond debt redeemable at maturity increased from 45% to 79% of total borrowings between 31 December 2015 and 31 December 2016, with the same amounts falling due in 2017, 2019 and 2023.

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 of fully consolidated companies, (ii) depreciation, amortisation and impairment and (iii) dividends received from equity-accounted companies).

Failure to meet these ratio requirements entitles the lenders to require early repayment of their loans.

This type of covenant is contained in the May 2015 loan agreement for the five-year €1,250 million syndicated credit facility.

The ratios are calculated every six months on the basis of the published consolidated financial statements.

At 31 December 2016, none of the applicable covenants had been breached.

Interest rate risks

Fixed-interest bonds account for 79% of total gross debt.

The €497 million worth of bonds issued in 2012 and maturing in 2017, and the €495 million worth of bonds issued in 2014 and maturing in 2019, bear interest at fixed rates (effective interest rates of 4.76% and 2.37%, respectively). The €494 million worth of bonds issued in 2016 and maturing in 2023 also bears interest at fixed rates (effective interest rate of 2.90%).

The Group regularly issues commercial paper with maturities of between 1 and 12 months, the frequency and maturities of which adjust the reference rates applied. In addition, the rate applied to the portfolio as a whole varies throughout the year. The Group's other bank debt is mainly at variable interest rates.

Cash and cash equivalents totalled €481 million at 31 December 2016. Variable-rate debt stood at €295 million at 31 December 2016 (excluding notably debt related to put options granted to minority shareholders and deposits and guarantees received). Based on the amounts indicated above, at 31 December 2016 a sudden rise in interest rates would have a limited impact on the Group's net finance costs.

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 Sports and Entertainment. At 31 December 2016, the foreign currency hedges set up for all four of the Group's divisions – in the form of direct forward agreements – amounted to €123 million (sales) and €204 million (purchases).

The Group does not hedge the income statement translation risk. Its main exposures in this respect are given below.

The percentage of 2016 consolidated revenue represented by the main currencies can be analysed as shown below (revenue reported by entities in the official currency of the country in which they are based):

▸ Euro	63%
▸ US dollar	17%
▸ Pound sterling	9%
▸ Other	11%
Total	**100%**

Based on accounting data for 2016, the sensitivity of recurring operating profit of fully consolidated companies 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 2016 recurring operating profit of fully consolidated companies
US dollar(*)	€(8) million
Pound sterling(**)	€(4) million

(*) Recurring operating profit of fully consolidated entities based in the US.
(**) Recurring operating profit of fully consolidated entities based in the UK.

In general, ordinary business operations are financed through short-term, variable-rate borrowings denominated in the local currency in order to avoid exchange rate risks. These represented €262 million at 31 December 2016.

For long-term investments including acquisitions, the Group may set up medium-term borrowings in the investment currency. At 31 December 2016, the amount of instruments classified as net investment hedges represented €373 million, denominated mainly in US dollars.

Equity risks

The Group's principal direct and indirect investments in listed companies are:

Name of company	Number of shares held	Percent shareholding	Share price at 31 Dec. 2016	Market capitalisation at 31 Dec. 2016
Lagardère SCA	1,952,575	1.49%	26.40	€51,538,217
Pension plan assets invested in equities				€56,392,507

Treasury shares are initially recognised at cost and are deducted from consolidated equity. Subsequent changes in value have no impact on the consolidated financial statements.

The fair value of pension plan assets totalled €229 million at 31 December 2016, of which 25% or €56 million was invested in equities (see note 27.1).

29.1.2 EQUITY RISK MANAGEMENT

The Group has implemented a policy aimed at reducing market risks by applying procedures that help identify and quantify these risks. Derivatives are used exclusively for non-speculative hedging transactions.

Interest rate risks

The Group does not use daily active interest rate management techniques in relation to any of its financial assets or liabilities.

Cash investments are made in fixed-income instruments selected for their high-quality issuer entities and 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.

29.2 CREDIT AND COUNTERPARTY RISKS

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 in connection with commercial contracts totalled €3,048 million at 31 December 2016. 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 sales deriving from business with the Group's largest, five largest and ten largest customers were as follows:

	2016	2015
Largest customer	**4.1%**	4.2%
Five largest customers	**8.2%**	9.0%
Ten largest customers	**11.2%**	12.4%

The data for 2016 shown above does not include customers of Lagardère Travel Retail's Press Distribution business which was sold during the year.

The Group's short-term investments and cash and cash equivalents amounted to €481 million at 31 December 2016. In addition to bank account balances, the majority of these resources are invested in instruments with leading lenders.

Assets managed in connection with post-employment benefits totalled €229 million (including €212 million in the United Kingdom). A total of 68% of these assets are invested in bonds.

Hedging contracts are primarily entered into to hedge foreign exchange risks. Their notional amount was €1,179 million at 31 December 2016. 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.

29.2.2 EQUITY RISK MANAGEMENT

Each division is responsible for managing its own credit risk 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:

	31 Dec. 2016	31 Dec. 2015
Derivative financial instruments with a positive fair value – Assets	**10**	8
- Financial instruments allocated as hedges of debt	**3**	-
- Currency swaps (effective portion)	**7**	8
Derivative financial instruments with a negative fair value – Liabilities	**(20)**	(3)
- Financial instruments allocated as hedges of debt	**(15)**	-
- Currency swaps (effective portion)	**(5)**	(3)
Total (net)	**(10)**	5

30.2 FINANCIAL INSTRUMENTS RECOGNISED IN THE BALANCE SHEET

	31 Dec. 2016		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	50	50		50			
Other non-current financial assets	69	69	69				
Trade receivables	1,268	1,268	1,268				
Derivative financial instruments	10	10					10
Other current financial assets	904	904	904				
Short-term investments	0	0		0			
Cash equivalents	61	61				61	
Cash	420	420	420				
Assets	**2,782**	**2,782**	**2,661**	**50**		**61**	**10**
Bonds and bank loans	1,489	1,555			1,489		
Other debt	369	369			369		
Other non-current financial liabilities	80	80			80		
Trade payables	1,439	1,439			1,439		
Derivative financial instruments	20	20			0		20
Other current financial liabilities	1,390	1,390			1,390		
Liabilities	**4,787**	**4,853**			**4,767**		**20**

(1) There were no reclassifications between categories of financial instruments in 2016.

	31 Dec. 2015		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	41	41		41			
Other non-current financial assets	74	74	74				
Trade receivables	1,236	1,236	1,236				
Derivative financial instruments	8	8					8
Other current financial assets	954	954	954				
Short-term investments	48	48		48			
Cash equivalents	148	148				148	
Cash	438	438	438				
Assets	**2,947**	**2,947**	**2,702**	**89**		**148**	**8**
Bonds and bank loans	1,564	1,596			1,564		
Other debt	621	621			621		
Other non-current financial liabilities	111	111			111		
Trade payables	1,617	1,617			1,617		
Derivative financial instruments	3	3			0		3
Other current financial liabilities	1,382	1,382			1,382		
Liabilities	**5,298**	**5,330**			**5,295**		**3**

(1) There were no reclassifications between categories of financial instruments in 2015.

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 above).

Lagardère's financial instruments are classified as follows under this hierarchy:

	Category of instrument[1]			Fair value hierarchy[2]			
31 Dec. 2016	**Available-for-sale financial assets**	**Fair value through profit or loss**	**Derivative financial instruments**	**Level 1**	**Level 2**	**Level 3**	**Acquisition cost**
Investments	50						50
- FCPI Idinvest Digital Fund II	*11*						*11*
- Other	*39*						*39*
Derivative financial instruments with a positive fair value			10		10		
Short-term investments	0			0			
- Shares	*0*			*0*			
- Bonds	*0*			*0*			
Cash equivalents		61		61			
- Marketable securities		*61*		*61*			
Total financial instruments with a positive fair value	**50**	**61**	**10**	**61**	**10**		**50**
Derivative financial instruments with a negative fair value			20		20		
Total financial instruments with a negative fair value			**20**		**20**		

(1) There were no reclassifications between categories of financial instruments in 2016.
(2) There were no reclassifications between fair value hierarchy levels in 2016.

	Category of instrument[1]			Fair value hierarchy[2]			
31 Dec. 2015	**Available-for-sale financial assets**	**Fair value through profit or loss**	**Derivative financial instruments**	**Level 1**	**Level 2**	**Level 3**	**Acquisition cost**
Investments	41						41
- FCPI Idinvest Digital Fund II	*11*						*11*
- Other	*30*						*30*
Derivative financial instruments with a positive fair value			8		8		
Short-term investments	48			48			
- Deutsche Telekom shares	*47*			*47*			
- Bonds	*1*			*1*			
Cash equivalents		148		148			
- Marketable securities		*148*		*148*			
Total financial instruments with a positive fair value	**89**	**148**	**8**	**196**	**8**	**0**	**41**
Derivative financial instruments with a negative fair value			3		3		
Total financial instruments with a negative fair value			**3**		**3**		

(1) There were no reclassifications between categories of financial instruments in 2015.
(2) There were no reclassifications between fair value hierarchy levels in 2015.

NOTE 31 OTHER LIABILITIES

Other liabilities break down as follows:

	31 Dec. 2016	31 Dec. 2015
Due to suppliers of non-current assets	**49**	91
Repayable advances	**-**	-
Other advances and prepayments	**-**	-
Other	**31**	20
Other non-current liabilities	**80**	**111**
Derivative financial instruments(*)	**5**	3
Accrued taxes and employee benefit expense	**431**	430
Advances and prepayments	**25**	23
Due to writers	**269**	252
Due to customers	**88**	86
Deferred income	**187**	250
Sundry payables	**390**	341
Other current liabilities	**1,395**	**1,385**
Total other liabilities	**1,475**	**1,496**

(*) See note 30.1.

NOTE 32 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. 2016	31 Dec. 2015
Bonds and bank loans (net of derivatives)	497	495	497	**1,489**	1,564
Other debt(*)	335	32	17	**384**	621
Other non-current financial liabilities		62	18	**80**	111
Trade payables	1,439			**1,439**	1,617
Currency swaps	5			**5**	3
Other current financial liabilities	1,390			**1,390**	1,382
Total financial liabilities ***including finance lease obligations***	**3,666** ***5***	**589** ***5***	**532** ***1***	**4,787** ***11***	**5,298** ***9***
Expected bank interest on debt(**)	31	100	15	**146**	96
Operating leases(***)	90	277	239	**606**	621
Commitments for future capital expenditure	18			**18**	16
Total contractual obligations	**3,805**	**966**	**786**	**5,557**	**6,031**

(*) Financial instruments allocated as hedges of debt are included in other debt for €15 million at 31 December 2016.
(**) Variable-rate interest payable has been calculated based on the rates in force at 31 December 2016. It is reported excluding accrued interest already included in debt in the balance sheet.
(***) Minimum future lease payments under non-cancellable operating leases.

Recurring operating profit includes rental expense of €597 million in 2016 (2015: €524 million).

Guaranteed minimum payments

As well as these contractual obligations, at 31 December 2016 the Group was committed to guaranteed minimum future payments contracted by:

- Lagardère Sports and Entertainment: €1,326 million under long-term contracts for the sale of TV and marketing rights;
- Lagardère Travel Retail: €1,859 million under concession agreements.

These payments break down as follows by maturity:

Maturity	2017	2018	2019	2020	2021	Beyond 5 years	**Total 31 Dec. 2016**	Total 31 Dec. 2015
Guaranteed minimum payments under sports rights marketing contracts	182	163	158	154	90	579	**1,326**	1,456
Guaranteed minimum payments under concession agreements (fixed portion)(*)	339	297	258	224	197	544	**1,859**	1,405

(*) In the course of its ordinary business operations, Lagardère Travel Retail enters into concession agreements with concession grantors (airports, railway stations, hospitals, etc.). These agreements give rise to variable or fixed royalty payments (which may include a guaranteed minimum amount) in consideration of the right to use the lessor's premises and to the resulting revenue. Regarding guaranteed minimum payments, these can be fixed or variable when indexed to an external indicator such as inflation, or based on the number of passengers.

Sports rights marketing contracts

Entities forming part of Lagardère Sports and Entertainment have signed marketing contracts with broadcasters and partners. At 31 December 2016, the amounts due under these contracts totalled €1,780 million, breaking down as follows by maturity:

Maturity	2017	2018	2019	2020	2021	Beyond 5 years	**Total 31 Dec. 2016**	Total 31 Dec. 2015
Sports rights marketing contracts signed with broadcasters and partners	515	404	257	185	74	345	**1,780**	1,679

NOTE 33 OFF-BALANCE SHEET COMMITMENTS

The information below relates to subsidiaries controlled and fully consolidated by Lagardère.

	31 Dec. 2016	31 Dec. 2015
Commitments given in the normal course of business		
- guarantees and performance bonds	**301**	288
- guarantees given to third parties and non-consolidated companies	**133**	115
- other commitments given	**6**	21
Commitments on assets	**-**	1
Commitments to purchase shares (estimated amount, excluding put options granted to minority shareholders of fully consolidated subsidiaries)	**3**	1
Commitments received		
- counter-guarantees of commitments given	**3**	7
- other commitments received	**2**	20
Confirmed, unused lines of credit ***Of which unused lines on the syndicated credit facility***	**1,281** ***1,250***	1,288 *1,250*

Conditional commitments to purchase shares

Two shareholder agreements exist between Lagardère Sports and Entertainment and the minority shareholders in Lagardère Sports Asia (formerly World Sport Group). Under the terms of these agreements, Lagardère Sports and Entertainment would be required to purchase the shares held by these minority shareholders at market value in certain circumstances.

NOTE 34 LITIGATION

Dispute with Editions Odile Jacob concerning the Vivendi Universal Publishing and Editis transactions

Editions Odile Jacob had filed several appeals with the European Union courts against the decisions handed down by the European Commission in connection with Lagardère's acquisition of Vivendi Universal Publishing and the sale of certain of its assets (Editis) to Wendel. On the termination of these proceedings which are now closed, the European Commission confirmed its approval of Wendel as the buyer of Editis, following a 2011 decision that became final after the ruling of the European Court of Justice (ECJ) on 28 January 2016.

At the same time, Editions Odile Jacob had filed a petition before the Paris Commercial Court in 2010 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. The Paris Commercial Court decided to suspend any decisions until the relevant courts at European Union level had made their final ruling on the validity of the decisions (approval) handed down by the European Commission to approve the sale of Editis to Wendel. In view of the definitive confirmation of Wendel as buyer, these proceedings before the Paris Commercial Court could resume within a period of two years as from the date of the aforementioned ECJ ruling, i.e., until 28 January 2018.

However, the Group does not believe that Editions Odile Jacob has serious grounds to support its request to cancel the transactions. In all events, Lagardère does not consider itself exposed to unfavourable consequences due to this last dispute.

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 BRL 39,200,000 (representing a euro-equivalent amount of approximately €11.4 million based on the exchange rate at 31 December 2016) 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, which was rejected on 29 April 2015. The fine was confirmed, including interest, for a total amount of BRL 55,000,000 (representing a euro-equivalent amount of approximately €16 million based on the exchange rate at 31 December 2016).

Further to an amicable request by SDB to revise the fine, on 20 April 2016, the president of the IBAMA handed down a decision reducing the fine payable by SDB to BRL 22,534 including interest, representing a euro-equivalent amount of approximately €6,500 based on the exchange rate at 31 December 2016, paid by SDB but still subject to judicial review.

Litigation with photographers

Disputes are in process with freelance and salaried photographers who worked with the Lagardère Active magazines. Most of these disputes concern returns of analogue photographic archives and retaining photographs, and the resulting operating losses. In a judgement handed down on 28 October 2015, the Court of Cassation ruled in favour of Lagardère Active and agreed that the publisher is the legal owner of photographic materials, insofar as it has financed them. The financial claims made within the scope of these proceedings appear excessive.

WSG India and WSG Mauritius/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. WSG India – which became a subsidiary of Lagardère Sports and Entertainment (formerly 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 context of the negotiations, the BCCI notably engaged WSG India to market IPL rights worldwide, excluding the Indian subcontinent, for the period 2009/2017.

In June 2010, the BCCI terminated the 2009/2017 contract to market IPL rights worldwide, excluding the Indian subcontinent, and WSG India immediately began proceedings in order to preserve its rights.

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 India 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 India, as well as recovery of the amounts owed by the broadcasters. The proceedings concerning the merits of the case are ongoing before the arbitration tribunal formed in 2016.

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 India, alleging breaches of the Indian criminal code in connection with the attribution to WSG India in March 2009 of certain IPL media rights for the 2009/2017 seasons. A police investigation is currently in process.

After the Indian tax authorities' audit of WSG India's operations, the company was issued with tax reassessment notices representing an overall liability of around €9.3 million at 31 December 2016 for which a provision has been set aside in the financial statements. WSG India has paid a deposit for part of the amount and launched an appeal.

Lastly, as part of an investigation by the Indian authorities into money-laundering allegations concerning the former managers of the BCCI and its commercial partners in the IPL, on 24 May 2016 WSG Mauritius received a notification from Mauritius' Attorney General requesting it to provide certain documents. The hearings before the Attorney General took place in July 2016. WSG India's managers have since received requests for information and documentation.

Competition investigations in the e-books market

Lagardère Publishing, as well as a number of other publishers and Apple, had been the subject of a number of different competition investigations concerning the e-book market launched as from 2010.

In **Europe** and the **US**, these competition investigations were settled against the publishers in 2012 and 2013 (without admission of liability), with undertakings made relating to future business practices (notably an undertaking to allow distribution agents to offer price discounts to consumers for a specified period of time, subject to a specified limit). In parallel, a settlement providing for various payments by Hachette Book Group (HBG) put an end to the class actions initiated by consumers on the same grounds. To date, only one claim for damages is outstanding in the US against the publishers and Apple: this claim was dismissed in the first instance in 2015 and 2016 and two of the claimants have since filed an appeal.

In **Canada** in 2014, HBG had also reached a settlement ("consent agreement") with the Canadian Competition Tribunal, as well as a settlement providing for the payment of approximately CAD 635,000 in damages, putting an end to consumer class actions. However, the consent agreement was stayed further to an appeal by the distributor Kobo, which led to this settlement being rescinded on 10 June 2016 on account of a lack of precision. On 18 January 2017, HBG and its affiliates concerned by the case entered into a new consent agreement with the Competition Tribunal. A new class action was also filed for the period between the date of the initial consent agreement (2014) and the date of the new consent agreement (2017), on the grounds that the distributors were unable to offer discounts to consumers during this period and that this had, according to the plaintiffs, proved harmful to consumers.

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) reopened an investigation into imports of French language books by distributors.

Subsequent to the investigation procedure, 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 to the Federal Administrative Court of Switzerland, from which a decision is still pending.

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 employment tribunal alleging that they had been unfairly dismissed. The basis for this claim was that MMS had not complied with its obligations (i) to redeploy the employees in-house, 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), and (ii) to properly inform the Regional Employment Authorities in relation to its external redeployment requirement.

MMS disputed this allegation on the grounds that it had respected all of its obligations.

On 14 January 2014, the Blois employment 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.

On 21 March 2014, the section of the Blois employment tribunal responsible for cases concerning managerial employees ordered MMS to pay seven former employees sums ranging between €15,000 and €17,800 each in compensation, but with no costs payable under Article 700 of the French Civil Procedure Code. No provisional enforcement order was issued for this judgement either.

MMS has appealed these judgements. The cases were joined before the Court of Appeal and on 16 September 2015, based on the arguments put forward by MMS, the Court overturned the employment tribunal's judgements and rejected all of the former employees' claims.

The former employees have appealed this decision before the Court of Cassation.

Commercial disputes resulting from the shutdown of LAWEBCO

Following the closure of LAWEBCO, a subsidiary of Lagardère Active in charge of e-commerce activities for Elle and Be, a number of law suits were brought before the Paris Commercial Court between Lagardère Digital France and LAWEBCO and (i) the minority shareholder and former Chief Executive Officer of LAWEBCO and (ii) LAWEBCO's former logistics and service providers who claim their contracts were prematurely terminated.

These claims are patently unreasonable.

Tax reassessments at Lagardère Duty Free and LS Travel Retail Italia

Lagardère Duty Free and LS Travel Retail Italia jointly received a tax reassessment notice in December 2015 relating to registration duties for an amount of €7.6 million, including late-payment interest, relating to the reclassification of the sale of an investment between the two parties as a sale of business assets (fonds de commerce). This amount had to be paid since there was no possibility of delaying payment without incurring a fine. The Group did not believe that this reclassification was legally founded and the reassessment was appealed before the courts, which handed down contradictory decisions in the first instance. The decisions have been appealed.

Governmental, legal or arbitration procedures

In addition to the procedures described above, the Group is involved in a number of other disputes in the normal course of its business, principally related to contractual performance. Adequate provisions are made, where considered necessary, to cover any risks that may arise from general or specific disputes.

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. Other than those described above, the Group is not aware of any dispute in process that concerns amounts which could have a significant impact on the consolidated financial statements.

NOTE 35 RELATED PARTIES

35.1 MANAGEMENT REMUNERATION

The total gross remuneration awarded to the members of Lagardère SCA's Executive Committee for 2016 amounted to €10.0 million, and €17.1 million including related charges. The figure with charges includes a provision recorded for the supplementary pension plan. The corresponding figures for 2015 were €11.9 million and €22.5 million, respectively.

In 2016, none of these beneficiaries received attendance fees from any Group company. They were awarded 88,000 rights to performance shares. In 2015, none of the beneficiaries received any attendance fees and they were awarded 115,000 rights to performance shares.

In 2016, severance for a total gross amount of €3.9 million (€4.7 million including related charges) was paid following the departure of a member of the Executive Committee.

35.2 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 2016 LC&M invoiced €26.0 million to the Group, compared with €27.1 million in 2015. 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 2016 undertaken in the normal course of business took place under arm's length conditions. In particular, Lagardère SCA has not identified any agreements, other than those relating to normal business operations and conducted under arm's length conditions, entered into in 2016 directly or via an intermediary, between (i) any of the Managing Partners, any members of the Supervisory Board or any shareholders of Lagardère SCA owning more than 10% of the voting rights and (ii) any subsidiaries more than 50%-owned by Lagardère SCA directly or indirectly.

NOTE 36 EVENTS AFTER THE REPORTING PERIOD

DISPOSAL BY LAGARDÈRE TRAVEL RETAIL OF ITS HUNGARIAN PRESS DISTRIBUTION OPERATIONS

On 7 February 2017 Lagardère Travel Retail completed the sale of its Distribution operations in Hungary as part of the sale of its French Distribution holding company Lagardère Services Distribution SAS to Adriatic Media Investors LLC.

The businesses covered by this divestment generated consolidated revenue of €138 million in 2016 and recurring operating profit of €4 million.

NOTE 37 FEES PAID TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

(in thousands of euros)	2016			
	Mazars	%	Ernst & Young et Autres	%
Statutory audit, certification, review of individual and consolidated financial statements	3,413	82.2	3,245	78.2
- Lagardère SCA	*169*	*4.1*	*176*	*4.2*
- Fully consolidated subsidiaries	*3,244*	*78.1*	*3,069*	*74.0*
Sub-total	**3,413**	**82.2**	**3,245**	**78.2**
Services other than statutory audit services	738	17.8	902	21.8
- Lagardère SCA	*73*	*1.8*	*46*	*1.1*
- Fully consolidated subsidiaries	*665*	*16.0*	*856*	*20.7*
Sub-total	**738**	**17.8**	**902**	**21.8**
Total	**4,151**	**100.0**	**4,147**	**100.0**

(in thousands of euros)	2015			
	Mazars	%	Ernst & Young et Autres	%
Statutory audit, certification, review of individual and consolidated financial statements	3,301	79.5	3,563	79.2
- Lagardère SCA	*173*	*4.2*	*169*	*3.8*
- Fully consolidated subsidiaries	*3,128*	*75.3*	*3,394*	*75.5*
Sub-total	**3,301**	**79.5**	**3,563**	**79.2**
Services other than statutory audit services	851	20.5	935	20.8
- Lagardère SCA	*83*	*2.0*	*42*	*0.9*
- Fully consolidated subsidiaries	*768*	*18.5*	*893*	*19.9*
Sub-total	**851**	**20.5**	**935**	**20.8**
Total	**4,152**	**100.0**	**4,498**	**100.0**

Other procedures and services directly related to the statutory audit mainly comprise engagements relating to acquisitions and the provision of comfort letters.

NOTE 38 LIST OF CONSOLIDATED COMPANIES

Companies controlled and fully consolidated at 31 December 2016:

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
LAGARDÈRE PUBLISHING				
HACHETTE LIVRE	58 rue Jean Bleuzen – 92170 VANVES	602 060 147	100.00	100.00
AUDIOLIB	21 rue du Montparnasse – 75006 PARIS	499 165 694	59.99	100.00
BIBLIO PARTICIPATIONS	58 rue Jean Bleuzen – 92170 VANVES	377 627 583	100.00	100.00
CALMANN LÉVY	21 rue du Montparnasse – 75006 PARIS	572 082 279	83.06	83.06
CENTRE DE TRAITEMENT DES RETOURS	137 route de Corbeil – 91160 LONGJUMEAU	381 737 519	100.00	100.00
CYBERTERRE	58 rue Jean Bleuzen – 92170 VANVES	434 661 419	50.00	100.00(*)
DIFFULIVRE	SAINT SULPICE (SWITZERLAND)		100.00	100.00
DILIBEL	ALLEUR (BELGIUM)		100.00	100.00
DUNOD ÉDITEUR	11 rue Paul Bert – 92240 MALAKOFF	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	58 rue Jean Bleuzen – 92170 VANVES	950 026 757	100.00	100.00
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 OUROZ	21 rue du Montparnasse – 75006 PARIS	539 540 237	100.00	100.00
ÉDITIONS STOCK	21 rue du Montparnasse – 75006 PARIS	612 035 659	100.00	100.00
ÉDUCATION MANAGEMENT	11 rue Paul Bert – 92240 MALAKOFF	582 057 816	100.00	100.00
FERNAND HAZAN ÉDITEUR	58 rue Jean Bleuzen – 92170 VANVES	562 030 221	99.94	100.00
GROUPE HATIER INTERNATIONAL	11 rue Paul Bert – 92240 MALAKOFF	572 079 093	100.00	100.00
GRUPO PATRIA CULTURAL	MEXICO (MEXICO)		100.00	100.00
HL 93	58 rue Jean Bleuzen – 92170 VANVES	390 674 133	99.99	100.00
HL FINANCES	11 rue Paul Bert – 92240 MALAKOFF	384 562 070	99.99	100.00
HACHETTE CANADA INC.	MONTREAL (CANADA)		100.00	100.00
HACHETTE COLLECTIONS	58 rue Jean Bleuzen – 92170 VANVES	395 291 644	100.00	100.00
HACHETTE COLLECTIONS JAPON	TOKYO (JAPAN)		100.00	100.00
HACHETTE COLLECTIONS RUSSIE	MOSCOW (RUSSIA)		99.90	100.00
HACHETTE FASCICOLI	MILAN (ITALY)		100.00	100.00
HACHETTE LIVRE ESPAÑA	MADRID (SPAIN)		100.00	100.00
HACHETTE LIVRE USA INC.	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
LAROUSSE	21 rue du Montparnasse – 75006 PARIS	401 457 213	100.00	100.00
LAROUSSE EDITORIAL	BARCELONA (SPAIN)		100.00	100.00
LE LIVRE DE PARIS	11 rue Paul Bert – 92240 MALAKOFF	542 042 114	100.00	100.00
LIBRAIRIE ARTHÈME FAYARD	13 rue du Montparnasse – 75006 PARIS	562 136 895	100.00	100.00
LIBRAIRIE GÉNÉRALE FRANÇAISE (LGF)	21 rue du Montparnasse – 75006 PARIS	542 086 749	59.99	59.99
MULTIMÉDIA ÉDUCATION RÉFÉRENCE	11 rue Paul Bert – 92240 MALAKOFF	484 213 954	100.00	100.00
PIKA ÉDITION	58 rue Jean Bleuzen – 92170 VANVES	428 902 704	66.67	66.67
SAMAS	11 rue Paul Bert – 92240 MALAKOFF	775 663 321	100.00	100.00
SOCIÉTÉ DES ÉDITIONS GRASSET ET FASQUELLE	61 rue des Saints Pères – 75006 PARIS	562 023 705	98.97	98.97
WATTS PUBLISHING GROUP LTD	LONDON (UNITED KINGDOM)		100.00	100.00

(*) The limited partnership confers control to Lagardère Publishing.

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
HATIER GROUP				
LES ÉDITIONS HATIER	8 rue d'Assas – 75006 PARIS	352 585 624	100.00	100.00
LES ÉDITIONS DIDIER	13 rue de l'Odéon – 75006 PARIS	313 042 541	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 SL	BARCELONA (SPAIN)		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
COMMERCIAL 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 SL	MADRID (SPAIN)		100.00	100.00
ORION GROUP				
ORION PUBLISHING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
CASSELL LTD	LONDON (UNITED KINGDOM)		100.00	100.00
CASSELL EDUCATIONAL LTD	LONDON (UNITED KINGDOM)		100.00	100.00
CASSELL PUBLISHERS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
GEORGE WEIDENFELD & NICOLSON LTD	LONDON (UNITED KINGDOM)		100.00	100.00
J.M.DENT & SONS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
LITTLEHAMPTON BOOK SERVICE LTD	LONDON (UNITED KINGDOM)		100.00	100.00
ORION BOOKS 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 PUBLISHING LTD	EDINBURGH (UNITED KINGDOM)		100.00	100.00
EDWARD ARNOLD (PUBLISHERS) LTD	LONDON (UNITED KINGDOM)		100.00	100.00
GALORE PARK PUBLISHING 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
HACHETTE SINGAPORE PRIVATE LTD	SINGAPORE (REPUBLIC OF SINGAPORE)		100.00	100.00
HACHETTE UK PENSION TRUST LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HEADLINE BOOK PUBLISHING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
H H ESOP LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HODDER & STOUGHTON LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HODDER & STOUGHTON EDUCATIONAL LTD	LONDON (UNITED KINGDOM)		100.00	100.00
JOHN MURRAY BOOKS LTD	LONDON (UNITED KINGDOM)		100.00	100.00

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
JOHN MURRAY PUBLISHER LTD	LONDON (UNITED KINGDOM)		100.00	100.00
NEW ENGLISH LIBRARY LTD	LONDON (UNITED KINGDOM)		100.00	100.00
NEON PLAY LTD	LONDON (UNITED KINGDOM)		51.00	51.00
NB LIMITED	LONDON (UNITED KINGDOM)		100.00	100.00
NB PUBLISHING INC.	BOSTON (UNITED STATES)		100.00	100.00
PHILIP ALLAN PUBLISHERS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
RISING STARS UK LTD	LONDON (UNITED KINGDOM)		100.00	100.00
ROBERT GIBSON & SONS GLASGOW LTD	GLASGOW (UNITED KINGDOM)		100.00	100.00
QUERCUS EDITIONS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
QUERCUS PUBLISHING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
UPDATES LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HACHETTE BOOK GROUP				
HACHETTE BOOK GROUP INC.	NEW YORK (UNITED STATES)		100.00	100.00
BELLWOOD BOOKS INC.	NEW YORK (UNITED STATES)		100.00	100.00
DIGITAL PUBLISHING INNOVATIONS LLC	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
PERSEUS BOOKS LLC	NEW YORK (UNITED STATES)		100.00	100.00
LITTLE, BROWN BOOK GROUP				
LITTLE. BROWN BOOK GROUP LTD	LONDON (UNITED KINGDOM)		100.00	100.00
CONSTABLE & ROBINSON	LONDON (UNITED KINGDOM)		100.00	100.00
FUTURA PUBLICATIONS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
LITTLE. BROWN & COMPANY LTD	LONDON (UNITED KINGDOM)		100.00	100.00
PIATKUS	LONDON (UNITED KINGDOM)		100.00	100.00
SPHERE BOOKS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
SWAPEQUAL LTD	LONDON (UNITED KINGDOM)		100.00	100.00
VIRAGO PRESS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
LAROUSSE GROUP MEXICO				
EDICÍONES LAROUSSE SA de CV	MEXICO (MEXICO)		100.00	100.00
DIFUSORA LAROUSSE MEXICO SA de CV	MEXICO (MEXICO)		100.00	100.00
OCTOPUS GROUP				
OCTOPUS PUBLISHING GROUP LTD	LONDON (UNITED KINGDOM)		100.00	100.00
CONRAN OCTOPUS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
DIGITAL OCTOPUS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
DIGITAL PROPERTY GUIDES LTD	LONDRES (ROYAUME-UNI)		100.00	100.00
FBB1 LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HAMLYN PUBLISHING GROUP LTD	LONDON (UNITED KINGDOM)		100.00	100.00
LONDON PROPERTY GUIDE LTD	LONDON (UNITED KINGDOM)		100.00	100.00
MITCHELL BEAZLEY LTD	LONDON (UNITED KINGDOM)		100.00	100.00
MITCHELL BEAZLEY INTERNATIONAL LTD	LONDON (UNITED KINGDOM)		100.00	100.00
MILLERS PUBLICATION LTD	LONDON (UNITED KINGDOM)		100.00	100.00
MAP PRODUCTIONS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
OCTOPUS BOOKS LTD	LONDON (UNITED KINGDOM)		100.00	100.00

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
SPRING BOOKS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
TLF LTD	LONDON (UNITED KINGDOM)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL				
LAGARDÈRE TRAVEL RETAIL	52 avenue Hoche – 75008 PARIS	330 814 732	100.00	100.00
AELIA NOUVELLE CALÉDONIE	40 rue de l'Alma – 98800 NOUMEA	103 551 800	59.43	66.00
AÉROBOUTIQUE FRANCE	Tour Prisma. 4-6 avenue d'Alsace 92400 COURBEVOIE	380 193 938	90.04	100.00
AÉROBOUTIQUE SALES GROUP	CASABLANCA (MOROCCO)		72.03	80.00
AMADEO PRAHA	PRAGUE (CZECH REPUBLIC)		100.00	100.00
BEST COFFEE	PRAGUE (CZECH REPUBLIC)		100.00	100.00
DFS AUSTRALIA	SYDNEY (AUSTRALIA)		100.00	100.00
DFS WELLINGTON	WELLINGTON (NEW ZEALAND)		100.00	100.00
DUTY FREE ASSOCIATES	Tour Prisma. 4-6 avenue d'Alsace 92400 COURBEVOIE	423 402 312	90.04	100.00
EURO-EXCELLENCE INC.	CANDIAC (CANADA)		100.00	100.00
HACHETTE DISTRIBUTION INC.	PENNSAUKEN (UNITED STATES)		100.00	100.00
HDS CANADA	MONTREAL (CANADA)		100.00	100.00
HDS DEUTSCHLAND GMBH	WIESBADEN (GERMANY)		100.00	100.00
HDS RETAIL NORTH AMERICA LP(*)	NEW YORK (UNITED STATES)		100.00	100.00
INFLIGHT SERVICE ESTONIA	TALLINN (ESTONIA)		100.00	100.00
INMEDIO SERVICES SP ZOO	WARSAW (POLAND)		100.00	100.00
LAGARDÈRE DUTY FREE	Tour Prisma. 4-6 avenue d'Alsace 92400 COURBEVOIE	380 253 518	90.04	90.04
LAGARDÈRE DUTY FREE SRO	PRAGUE (CZECH REPUBLIC)		95.02	100.00
LAGARDÈRE DUTY FREE SP ZOO	WARSAW (POLAND)		95.02	100.00
LAGARDÈRE INFLIGHT	Tour Prisma. 4-6 avenue d'Alsace 92400 COURBEVOIE	408 053 809	90.04	100.00
LAGARDÈRE SERVICES DISTRIBUTION	52 avenue Hoche – 75008 PARIS	451 344 220	100.00	100.00
LAGARDÈRE SERVICES TAIWAN LTD	TAIPEI CITY (TAIWAN)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL (SHANGHAI) CO LTD	SHANGHAI (CHINA)		65.00	65.00
LAGARDÈRE TRAVEL RETAIL CHINA (SHANGHAI) CO LTD	SHANGHAI (CHINA)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL AS	PRAGUE (CZECH REPUBLIC)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL EHF	REYKJAVIK (ICELAND)		60.00	60.00
LAGARDÈRE TRAVEL RETAIL FRANCE	55 rue Deguingand 92300 LEVALLOIS-PERRET	542 095 336	100.00	100.00
LAGARDÈRE TRAVEL RETAIL HONG KONG LTD	HONG KONG (CHINA)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL IMPORT BV	AMSTERDAM (NETHERLANDS)		90.04	100.00
LAGARDÈRE TRAVEL RETAIL LUXEMBOURG	LUXEMBOURG (LUXEMBOURG)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL NETHERLANDS HOLDING BV	AMSTERDAM (NETHERLANDS)		90.04	100.00
LAGARDÈRE TRAVEL RETAIL SCHIPHOL BV	AMSTERDAM (NETHERLANDS)		90.04	100.00
LAGARDÈRE TRAVEL RETAIL SINGAPORE PTE LTD	SINGAPORE (REPUBLIC OF SINGAPORE)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL SP ZOO	WARSAW (POLAND)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL SPAIN	MADRID (SPAIN)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL UK LTD	LONDON (UNITED KINGDOM)		90.04	100.00
LS AND PARTNERS AT JFK LLC	NEW YORK (UNITED STATES)		80.00	80.00

(*) Comprising 61 fully consolidated entities (including minority interests in each entity with different percentage interests).

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
LS ASIA PACIFIC PTY LTD	SYDNEY (AUSTRALIA)		100.00	100.00
LS DISTRIBUTION LOGISTICS INC.	MONTREAL (CANADA)		100.00	100.00
LS DISTRIBUTION NORTH AMERICA INC. CROSSINGS FRENCH FOOD	NEW YORK (UNITED STATES)		100.00	100.00
LS TR INTERNATIONAL	LE GRAND-SACONNEX (SWITZERLAND)		100.00	100.00
LS TR ITALIA	FIUMICINO (ITALY)		90.04	100.00
LS TR NORTH AMERICA INC.	TORONTO (CANADA)		100.00	100.00
LS TR ROMA	FIUMICINO (ITALY)		90.04	100.00
LS TRAVEL FOODSERVICES DEUTSCHLAND	WIESBADEN (GERMANY)		100.00	100.00
LS TRAVEL RETAIL BULGARIA	SOFIA (BULGARIA)		100.00	100.00
LS TRAVEL RETAIL DEUTSCHLAND	HUERTH HERMUELHEIM (GERMANY)		100.00	100.00
LS TRAVEL RETAIL MALAYSIA	KUALA LUMPUR (MALAYSIA)		97.00	97.00
LS TRAVEL RETAIL NEW ZEALAND	AUCKLAND (NEW ZEALAND)		100.00	100.00
LS TRAVEL RETAIL ROMANIA	BUCHAREST (ROMANIA)		100.00	100.00
LS TRAVEL SPECIALTY RETAIL DEUTSCHLAND	WIESBADEN (GERMANY)		100.00	100.00
M TRAFIK	PRAGUE (CZECH REPUBLIC)		100.00	100.00
MEDICOM SANTÉ	55 rue Deguingand 92300 LEVALLOIS-PERRET	451 199 947	51.00	51.00
MUSIC RAILWAY	55 rue Deguingand 92300 LEVALLOIS-PERRET	414 434 431	100.00	100.00
NEWSLINK	SYDNEY (AUSTRALIA)		100.00	100.00
PARADIES HOLDINGS LLC(*)	ATLANTA (UNITED STATES)		100.00	100.00
PARIS RAIL RETAIL	Tour Prisma. 4-6 avenue d'Alsace 92400 COURBEVOIE	824 339 543	100.00	100.00
R&B	55 rue Deguingand 92300 LEVALLOIS-PERRET	811 857 200	100.00	100.00
RM	55 rue Deguingand 92300 LEVALLOIS-PERRET	800 293 664	100.00	100.00
SCSC	55 rue Deguingand 92300 LEVALLOIS-PERRET	431 960 004	100.00	100.00
SORELT	55 rue Deguingand 92300 LEVALLOIS-PERRET	808 238 992	100.00	100.00
THE PURELY GROUP PTY LTD	SYDNEY (AUSTRALIA)		100.00	100.00
SGEL GROUP				
SIGMA	MADRID (SPAIN)		100.00	100.00
TOPCODI	MADRID (SPAIN)		100.00	100.00
LAPKER GROUP				
LAPKER ZRT	BUDAPEST (HUNGARY)		80.41	80.41
BUVIHIR ZRT	BUDAPEST (HUNGARY)		80.41	100.00
E-SZOLG ZRT	BUDAPEST (HUNGARY)		80.41	100.00
LDS DISZTRIBUTOR KTF	BUDAPEST (HUNGARY)		80.41	100.00
SPRINTER KFT	BUDAPEST (HUNGARY)		80.41	100.00
AIREST GROUP				
LS TR FOODSERVICES ITALIA SRL	VENISE (ITALY)		100.00	100.00
AIREST COLLEZIONI DUBLIN LTD	DUBLIN (IRELAND)		100.00	100.00
AIREST COLLEZIONI GLASGOW LTD	GLASGOW (UNITED KINGDOM)		100.00	100.00
AIREST COLLEZIONI US-1 LLC	PITTSBURGH (UNITED STATES)		100.00	100.00
AIREST COLLEZIONI US-2 LLC	PITTSBURGH (UNITED STATES)		100.00	100.00

(*) Comprising 76 fully consolidated entities (including minority interests in each entity with different percentage interests).

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
AIREST COLLEZIONI USA INC.	PITTSBURGH (UNITED STATES)		100.00	100.00
AIREST COLLEZIONI VENEZIA SRL	VENICE (ITALY)		50.00	100.00(*)
AIREST RESTAURANT MIDDLE EAST LLC	ABU DHABI (UNITED ARAB EMIRATES)		100.00	100.00
AIREST RETAIL BAPA SRL	VENICE (ITALY)		100.00	100.00
AIREST RETAIL SRL	VENICE (ITALY)		50.00	100.00(*)
AIREST VERY ITALIAN FOOD SRL	VENICE (ITALY)		100.00	100.00
LAGARDÈRE FOOD SERVICES AS	PRAGUE (CZECH REPUBLIC)		100.00	100.00
LAGARDÈRE FOOD SERVICES SRL	VENICE (ITALY)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL AUSTRIA GMBH	VIENNE (AUSTRIA)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL AUSTRIA HOLDING GMBH	VIENNE (AUSTRIA)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL TRGOVINA DOO	LJUBLJANA (SLOVENIA)		100.00	100.00
SHANGHAI AIREST CATERING LTD	SHANGHAI (CHINA)		100.00	100.00
LAGARDÈRE ACTIVE				
LAGARDÈRE ACTIVE	149-151 rue Anatole France 92300 LEVALLOIS-PERRET	433 443 124	100.00	100.00
909 PRODUCTION	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	432 861 334	94.92	95.00
123 BILLETS	68 rue de la Chaussée d'Antin – 75009 PARIS	411 105 117	100.00	100.00
AMAYA-TECHNISONOR	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	542 088 604	99.92	100.00
ATLANTIQUE PRODUCTIONS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	324 873 421	99.92	100.00
AUBES PRODUCTIONS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	429 138 019	99.92	100.00
CARSON PROD	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	438 557 282	99.92	100.00
CERT	SARREBRUCK (GERMANY)		99.73	99.81
DE PÈRE EN FILS PRODUCTIONS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	444 930 994	50.96	51.00
DEMD PRODUCTIONS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	377 608 377	99.92	100.00
DIFFA	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	808 646 368	50.06	50.10
DOCTIPHARMA	149 rue Anatole France 92300 LEVALLOIS-PERRET	794 411 561	98.04	98.04
DOCTISSIMO	149 rue Anatole France 92300 LEVALLOIS-PERRET	562 013 524	100.00	100.00
DOCTISSIMO LATAM	MEXICO (MEXICO)		100.00	100.00
ÉDITIONS MUSICALES FRANÇOIS 1er	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	381 649 771	99.92	100.00
ÉLECTRON LIBRE PRODUCTIONS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	449 448 372	99.92	100.00
EUROPE 1 IMMOBILIER	26 bis rue François 1er – 75008 PARIS	622 009 959	99.85	100.00
EUROPE 1 TÉLÉCOMPAGNIE	26 bis rue François 1er – 75008 PARIS	542 168 463	99.83	100.00
EUROPE 2 ENTREPRISES	26 bis rue François 1er – 75008 PARIS	352 819 577	99.92	100.00
EUROPE NEWS	26 bis rue François 1er – 75008 PARIS	343 508 750	99.83	100.00
FCUBE	149 rue Anatole France 92300 LEVALLOIS-PERRET	482 467 610	99.92	100.00
FENIPROD	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	391 464 633	99.92	100.00

(*) The shareholder agreement confers control to Lagardère Travel Retail.

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
GENAO PRODUCTIONS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	448 829 275	99.92	100.00
GMT PRODUCTIONS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	342 171 667	99.92	100.00
HACHETTE FILIPACCHI ASSOCIÉS	149 rue Anatole France 92300 LEVALLOIS-PERRET	324 286 319	99.97	100.00
HACHETTE FILIPACCHI PRESSE	149 rue Anatole France 92300 LEVALLOIS-PERRET	582 101 424	99.97	100.00
HACHETTE PREMIÈRE & CIE	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	334 805 686	99.92	100.00
IMAGE & COMPAGNIE	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	334 027 620	99.92	100.00
JEUNESSE TV (GULLI)	28 rue François 1er – 75008 PARIS	480 937 184	99.92	100.00
KEEWU PRODUCTION	DAKAR (SENEGAL)		74.94	75.00
LAGARDÈRE ACTIVE AGENCE	149 rue Anatole France 92300 LEVALLOIS-PERRET	508 963 402	100.00	100.00
LAGARDÈRE ACTIVE BROADCAST	1 rue Ténao – 98000 MONACO	775 751 779	99.92	99.92
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 TV	28 rue François 1er – 75008 PARIS	334 595 881	99.92	100.00
LAGARDÈRE ACTIVE WEBCO	9 place Marie Jeanne Bassot 92300 LEVALLOIS-PERRET	752 445 387	70.00	100.00
LAGARDÈRE DIGITAL FRANCE	149 rue Anatole France 92300 LEVALLOIS-PERRET	433 934 312	100.00	100.00
LAGARDÈRE GLOBAL ADVERTISING	10 rue Thierry Le Luron 92300 LEVALLOIS-PERRET	350 277 059	99.72	100.00
LAGARDÈRE NEWS	26 bis rue François 1er – 75008 PARIS	415 096 502	99.83	100.00
LAGARDÈRE PUBLICITÉ	10 rue Thierry Le Luron 92300 LEVALLOIS-PERRET	345 404 040	99.97	100.00
LAGARDÈRE STUDIOS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	309 001 477	99.92	100.00
LAGARDÈRE STUDIOS DISTRIBUTION	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	339 412 611	99.92	100.00
LAGARDÈRE THÉMATIQUES	26 bis rue François 1er – 75008 PARIS	350 787 594	99.92	100.00
LÉO VISION	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	383 160 942	99.92	100.00
LTI VOSTOK	MOSCOW (RUSSIA)		99.92	100.00
MAXIMAL NEWS TÉLÉVISION	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	384 316 907	99.92	100.00
MAXIMAL PRODUCTIONS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	432 608 313	99.92	100.00
MERLIN PRODUCTIONS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	451 099 402	99.92	100.00
MEZZO	28 rue François 1er – 75008 PARIS	418 141 685	59.95	60.00
MONDOCTEUR	149 rue Anatole France 92300 LEVALLOIS-PERRET	790 148 001	73.00	73.00
MONEYTAG	151 rue Anatole France 92300 LEVALLOIS-PERRET	823 738 919	100.00	100.00
NEWSWEB	151 rue Anatole France 92300 LEVALLOIS-PERRET	424 905 172	100.00	100.00
PARTNER PROD	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	429 513 153	99.92	100.00

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
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	99.83	100.00
QUILLET	149 rue Anatole France 92300 LEVALLOIS-PERRET	542 043 971	99.96	100.00
RFM ENTREPRISES	28 rue François 1er – 75008 PARIS	405 188 871	99.92	100.00
RFM RÉGIONS	28 rue François 1er – 75008 PARIS	382 002 509	99.92	100.00
SOCIÉTÉ DE PRESSE FÉMININE	149 rue Anatole France 92300 LEVALLOIS-PERRET	441 174 554	100.00	100.00
SOCIÉTÉ DE TRAITEMENT PRODUITS DE PRESSE	10 rue Thierry Le Luron 92300 LEVALLOIS-PERRET	732 053 491	99.97	100.00
THE BOX DISTRIBUTION	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	492 603 287	99.92	100.00
VIRGIN RADIO RÉGIONS	28 rue François 1er – 75008 PARIS	339 802 118	99.92	100.00
BOOMERANG GROUP				
BOOMERANG TV	MADRID (SPAIN)		81.93	82.00
BOOMERANG CHILE PRODUCCIONES	SANTIAGO (CHILE)		81.93	100.00
BOOMERANG PORTUGAL UNIPESSOAL	LISBON (PORTUGAL)		81.93	100.00
BOOMERANG TV ITALIA	ROME (ITALY)		81.93	100.00
CREATECNA XXI	MADRID (SPAIN)		81.93	100.00
DOBLE DIEZ CASTILLA LA MANCHA	TOLEDO (SPAIN)		81.93	100.00
DOBLE DIEZ COMUNICACION	LAS PALMAS (SPAIN)		81.93	100.00
DTV TECNOLOGIA Y PRODUCCION DIGITAL	ALCOBENDAS (SPAIN)		81.93	100.00
PORTOCABO TV	LA CORUÑA (SPAIN)		81.93	100.00
VERANDA TV	BARCELONA (SPAIN)		81.93	100.00
LARI GROUP				
LAGARDÈRE ACTIVE RADIO INTERNATIONAL	28 rue François 1er – 75008 PARIS	388 404 717	99.92	100.00
ADI CÔTE D'IVOIRE	ABIDJAN (CÔTE D'IVOIRE)		99.92	100.00
ADI SÉNÉGAL	DAKAR (SENEGAL)		49.96	100.00(*)
EDI ROMANIA	BUCHAREST (ROMANIA)		99.92	100.00
EUROPA 2 BRATISLAVA	BRATISLAVA (SLOVAKIA)		99.92	100.00
EUROPA 2 SLOVAKIA	BRATISLAVA (SLOVAKIA)		99.92	100.00
EUROPA 2 PRAGUE	PRAGUE (CZECH REPUBLIC)		99.92	100.00
EUROZET	WARSAW (POLAND)		99.92	100.00
EUROZET CONSULTING	WARSAW (POLAND)		99.92	100.00
EUROZET RADIO	WARSAW (POLAND)		99.92	100.00
FORWARD MEDIA	BRATISLAVA (SLOVAKIA)		99.92	100.00
FREKVENCE 1	PRAGUE (CZECH REPUBLIC)		99.92	100.00
INFINITIV	PRAGUE (CZECH REPUBLIC)		99.92	100.00
LAGARDÈRE ACTIVE CZECH REPUBLIC	PRAGUE (CZECH REPUBLIC)		99.92	100.00
RADIO BONTON	PRAGUE (CZECH REPUBLIC)		99.92	100.00
RADIO MERCHANDISING COMPANY	PRAGUE (CZECH REPUBLIC)		99.92	100.00
RADIO PLUS POLSKA	WARSAW (POLAND)		79.94	80.00
RADIO PLUS POLSKA CENTRUM	WARSAW (POLAND)		99.92	100.00
RADIO PLUS POLSKA ZACHOD	WARSAW (POLAND)		63.95	80.00
RADIO SALU - EURO RADIO SAAR	SARREBRUCK (GERMANY)		50.99	51.14
RADIO XXI	BUCHAREST (ROMANIA)		99.92	100.00
RRM BUCAREST	BUCHAREST (ROMANIA)		99.92	100.00

(*) The shareholder agreement confers control to Lagardère Active.

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
RRM PRAGUE	PRAGUE (CZECH REPUBLIC)		99.92	100.00
SHOPPING GUIDE GMBH	MUNICH (GERMANY)		100.00	100.00
SPOLKA PRODUCENCKA PLUS POLSKA	WARSAW (POLAND)		89.93	100.00
STUDIO ZET	WARSAW (POLAND)		99.92	100.00
RÉSERVOIR GROUP				
RÉSERVOIR HOLDING	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	799 890 108	69.94	70.00
GROUPE RÉSERVOIR	101-103 boulevard Murat – 75016 PARIS	395 221 286	69.94	100.00
RÉSERVOIR NET	101-103 boulevard Murat – 75016 PARIS	429 944 986	69.94	100.00
RÉSERVOIR PROD	101-103 boulevard Murat – 75016 PARIS	432 411 502	69.94	100.00
LAGARDÈRE SPORTS AND ENTERTAINMENT				
LAGARDÈRE SPORTS AND ENTERTAINMENT	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	453 759 078	100.00	100.00
IFAP SPORTS	16 avenue Hoche – 75008 PARIS	448 347 237	100.00	100.00
LAGARDÈRE SPORTS BRAZIL OPERACOES ESPORTIVAS E PARTICIPATOES	SAO PAULO (BRAZIL)		100.00	100.00
LAGARDÈRE SPORTS AND ENTERTAINMENT UK LTD	LONDON (UNITED KINGDOM)		100.00	100.00
LAGARDÈRE SPORT ENTERTAINMENT FINANCE	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	519 085 658	100.00	100.00
LAGARDÈRE SPORTS GROUP				
LAGARDÈRE SPORTS	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	873 803 456	100.00	100.00
AKZIO! GMBH	FRANKFURT (GERMANY)		100.00	100.00
EVENT 360	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	527 670 590	100.00	100.00
LAGARDÈRE SPORTS DENMARK ApS	BRONDBY (DENMARK)		100.00	100.00
LAGARDÈRE SPORTS GENEVA SA	GENEVA (SWITZERLAND)		100.00	100.00
LAGARDÈRE SPORTS GERMANY GMBH	HAMBURG (GERMANY)		100.00	100.00
LAGARDÈRE SPORTS HOLDING GERMANY GMBH	HAMBURG (GERMANY)		100.00	100.00
LAGARDÈRE SPORTS HUNGARY KFT	BUDAPEST (HUNGARY)		100.00	100.00
LAGARDÈRE SPORTS MEDIA SOLUTIONS	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	350 857 686	100.00	100.00
LAGARDÈRE SPORTS NETHERLANDS BV	AMSTERDAM (NETHERLANDS)		100.00	100.00
LAGARDÈRE SPORTS POLAND SP ZOO	WARSAW (POLAND)		100.00	100.00
LAGARDÈRE SPORTS SPAIN SL	MADRID (SPAIN)		100.00	100.00
LAGARDÈRE SPORTS UK LTD	LONDON (UNITED KINGDOM)		100.00	100.00
MULTIMEDIA GLOBAL FINANCE SA	LUXEMBOURG (LUXEMBOURG)		100.00	100.00
SPONSORSHIP 360	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	518 902 283	100.00	100.00
SPORTFIVE ASIA SDN BHD	KUALA LUMPUR (MALAYSIA)		100.00	100.00
SPORTFIVE MARKETING ESPORTIVO LTDA	RIO DE JANEIRO (BRAZIL)		100.00	100.00
SPORTFIVE SINGAPORE PTE LTD	SINGAPORE (REPUBLIC OF SINGAPORE)		100.00	100.00
SPORTFIVE SRL	TURIN (ITALY)		100.00	100.00
U! SPORTS GMBH	HAMBURG (GERMANY)		100.00	100.00
U! SPORTS POLAND SP ZOO	WARSAW (POLAND)		100.00	100.00
U! SPORTS SLOVAKIA SRO	BRATISLAVA (SLOVAKIA)		100.00	100.00

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
U! SPORTS VENTURES GMBH	COLOGNE (GERMANY)		100.00	100.00
VIP SPORTSTRAVEL AG	ZURICH (SWITZERLAND)		100.00	100.00
VIP SPORTSTRAVEL GMBH	BERLIN (GERMANY)		100.00	100.00
ZAECHEL GMBH	BERLIN (GERMANY)		100.00	100.00
PR EVENT GROUP				
PR EVENT I SVERIGE AB	GOTHENBURG (SWEDEN)		100.00	100.00
LAGARDÈRE SPORTS TENNIS & GOLF AB	GOTHENBURG (SWEDEN)		100.00	100.00
PR EVENT I BASTAD AB	GOTHENBURG (SWEDEN)		100.00	100.00
LAGARDÈRE SPORTS SCANDINAVIA GROUP				
LAGARDÈRE SPORTS SCANDINAVIA AB	STOCKHOLM (SWEDEN)		100.00	100.00
IEC IN SPORTS (SUISSE) SARL	LAUSANNE (SWITZERLAND)		100.00	100.00
IEC IN SPORTS ASIA PACIFIC LTD	HONG KONG (CHINA)		100.00	100.00
LAGARDÈRE SPORTS ARENA SWEDEN AB	SOLNA (SWEDEN)		100.00	100.00
GROUPE LAGARDÈRE SPORTS US				
LAGARDÈRE SPORTS US LLC	WILMINGTON (UNITED STATES)		100.00	100.00
LU BASEBALL LLC	WILMINGTON (UNITED STATES)		100.00	100.00
SPORTS MEDIA ADVISORS LLC	WASHINGTON (UNITED STATES)		100.00	100.00
TENNIS ADVISORS LLC	WASHINGTON (UNITED STATES)		100.00	100.00
WORLDWIDE FOOTBALL LLC	JERICHO (UNITED STATES)		100.00	100.00
LAGARDÈRE SPORTS INC. GROUP				
LAGARDÈRE SPORTS INC.	WILMINGTON (UNITED STATES)		100.00	100.00
JEFF SANDERS PROMOTION INC.	BEAVERTON (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
LAGARDÈRE UNLIMITED SSI LLC	ST SIMONS ISLAND (UNITED STATES)		100.00	100.00
LAGARDÈRE UNLIMITED UPSOLUT USAT LLC	WILMINGTON (UNITED STATES)		78.00	78.00
ROOFTOP2 PRODUCTIONS INC.	NEW YORK (UNITED STATES)		100.00	100.00
HORS SPORT GROUP				
CASINO DE PARIS	16 rue de Clichy – 75009 PARIS	582 047 957	100.00	100.00
COACH ACADÉMIE DE PARIS	8 rue de la Michodière – 75002 PARIS	494 528 193	60.00	100.00
LAGARDÈRE LIVE ENTERTAINMENT	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	441 268 380	100.00	100.00
LAGARDÈRE LIVE ENTERTAINMENT MUSIC	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	509 763 611	100.00	100.00
LAGARDÈRE PARIS RACING RESSOURCES	Chemin de la Croix Catelan – 75116 PARIS	433 565 819	100.00	100.00
LAGARDÈRE UNLIMITED TALENTS FRANCE	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	402 345 425	100.00	100.00
LP 1	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	808 265 235	70.00	70.00
LPR RESTAURATION	Chemin de la Croix Catelan – 75116 PARIS	808 264 758	100.00	100.00
SENSO	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	790 021 760	100.00	100.00
SIIS DEVELOPPEMENT	8 rue de la Michodière – 75002 PARIS	537 915 712	60.00	60.00
SIIS EUROPE SPRL	SAINT-GILLES (BELGIUM)		60.00	100.00

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
SOCIÉTÉ D'EXPLOITATION DES FOLIES BERGÈRE	32 rue Richer – 75009 PARIS	509 763 694	100.00	100.00
SOCIÉTÉ EXPLOITATION SPECTACLES BATACLAN	50 boulevard Voltaire – 75011 PARIS	702 012 931	70.00	100.00
LAGARDÈRE SPORTS ASIA GROUP				
LAGARDÈRE SPORTS ASIA INVESTMENTS LTD	TORTOLA (BRITISH VIRGIN ISLANDS)		78.60	78.60
LAGARDÈRE SPORTS ASIA HOLDINGS LTD	TORTOLA (BRITISH VIRGIN ISLANDS)		70.74	90.00
LAGARDÈRE SPORTS ASIA LTD	HONG KONG (CHINA)		70.74	100.00
LAGARDÈRE SPORTS ASIA PTE LTD	SINGAPORE (REPUBLIC OF SINGAPORE)		70.74	100.00
LAGARDÈRE SPORTS BEIJING LTD	BEIJING (CHINA)		70.74	100.00
LAGARDÈRE SPORTS EAST ASIA LTD	HONG KONG (CHINA)		70.74	100.00
LAGARDÈRE SPORTS FOOTBALL ASIA LTD	HONG KONG (CHINA)		70.74	100.00
LAGARDÈRE SPORTS MIDDLE EAST FZ LLC	DUBAI (UNITED ARAB EMIRATES)		70.74	100.00
WORLD SPORT GROUP INDIA LTD	MUMBAI (INDIA)		70.74	100.00
WORLD SPORT GROUP MAURITIUS LTD	PORT LOUIS (MAURITIUS)		70.74	100.00
WORLD SPORT GROUP PTY LTD	BROOKVALE (AUSTRALIA)		70.74	100.00
LAGARDÈRE SPORTS AUSTRALIA GROUP				
LAGARDÈRE SPORTS AUSTRALIA HOLDING PTY LTD	SYDNEY (AUSTRALIA)		100.00	100.00
JAVELIN AUSTRALIA PTY LTD	ST LEONARDS (AUSTRALIA)		100.00	100.00
LAGARDÈRE SPORTS AUSTRALIA PTY LTD	ST LEONARDS (AUSTRALIA)		100.00	100.00
SPORTS MARKETING & MANAGEMENT UK 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	100.00	100.00
DARIADE	42 rue Washington – 75008 PARIS	400 231 072	100.00	100.00
ÉCRINVEST 4	42 rue Washington – 75008 PARIS	434 211 793	100.00	100.00
ÉDIFINANCE PARTICIPATIONS	42 rue Washington – 75008 PARIS	440 143 741	100.00	100.00
HÉLIOS	42 rue Washington – 75008 PARIS	433 436 870	100.00	100.00
HOLPA	42 rue Washington – 75008 PARIS	572 011 526	100.00	100.00
LAGARDÈRE FINANCE	42 rue Washington – 75008 PARIS	409 882 883	100.00	100.00
LAGARDÈRE HOLDING TV	42 rue Washington – 75008 PARIS	428 705 537	100.00	100.00
LAGARDÈRE MEDIA	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 – 75008 PARIS	348 991 167	100.00	100.00
LAGARDÈRE UK LTD	LONDON (UNITED KINGDOM)		100.00	100.00
MATRA MANUFACTURING ET SERVICES	4 rue de Presbourg – 75116 PARIS	318 353 661	100.00	100.00
MNC	42 rue Washington – 75008 PARIS	345 078 927	100.00	100.00
PROMOTEC 5000 SL	MADRID (SPAIN)		100.00	100.00
SOFRIMO	42 rue Washington – 75008 PARIS	569 803 687	100.00	100.00
SOFRIMO IBERIA SL	MADRID (SPAIN)		100.00	100.00

Companies jointly controlled and accounted for under the equity method at 31 December 2016:

JOINT VENTURES	REGISTERED OFFICE	Registration number	% interest	% control
LAGARDÈRE PUBLISHING				
FRANCE LIGHTNING SOURCE	1 avenue Gutenberg – 78310 MAUREPAS	515 014 785	50.00	50.00
LAGARDÈRE TRAVEL RETAIL				
AEROPORTS DE LYON(LYON DUTY FREE)	Aéroport Lyon Saint Exupéry 69124 COLOMBIER-SAUGNIEU	493 425 136	45.02	50.00
C-STORE	55 rue Deguingand 92300 LEVALLOIS-PERRET	505 387 795	50.00	50.00
CZ PRESS	PRAGUE (CZECH REPUBLIC)		40.22	50.00
HUNGARO PRESS	BUDAPEST ((HUNGARY)		40.22	50.00
LAGARDÈRE CAPITAL LLC	ABU DHABI (UNITED ARAB EMIRATES)		50.00	50.00
LAREUNION	Aéroport Roland Garros 97438 SAINTE MARIE	538 210 147	44.84	50.00
RELAY ADP	55 rue Deguingand 92300 LEVALLOIS-PERRET	533 970 950	49.84	50.00
SDA CROATIE	ZAGREB (CROATIA)		45.02	50.00
SOCIÉTÉ DE DISTRIBUTION AÉROPORTUAIRE	114 avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE	552 016 628	45.02	50.00
SOCIÉTÉ DES COMMERCES EN GARES	55 rue Deguingand 92300 LEVALLOIS-PERRET	799 394 739	50.00	50.00
SUMO TRAVEL RETAIL PTY LTD	SURRY HILLS (AUSTRALIA)		50.00	50.00
TIMES NEWSLINK	SINGAPORE (REPUBLIC OF SINGAPORE)		50.00	50.00
LAGARDÈRE ACTIVE				
DISNEY HACHETTE PRESSE	10 rue Thierry Le Luron 92300 LEVALLOIS-PERRET	380 254 763	49.99	50.00
MULTIPARK MADRID	MADRID (SPAIN)		40.97	50.00
NOVA VERANDA 2010	BARCELONA (SPAIN)		40.97	50.00
RADIOHOUSE SRO	PRAGUE (CZECH REPUBLIC)		49.96	50.00
ZETRADIO SRO	PRAGUE (CZECH REPUBLIC)		49.96	50.00
LAGARDÈRE SPORTS AND ENTERTAINMENT				
LAGARDÈRE SPORTS BRASIL GROUP				
LU ARENA	SAO PAULO (BRAZIL)		50.00	50.00
LU CASTELAO	SAO PAULO (BRAZIL)		50.00	50.00
SPE INDEPENDENCIA	SAO PAULO (BRAZIL)		50.00	50.00
LAGARDÈRE SPORTS GROUP				
STADION FRANKFURT MANAGEMENT GMBH	FRANKFURT (GERMANY)		50.00	50.00
OTHER ACTIVITIES				
GLOBAL CAR SERVICES	98 boulevard Victor Hugo – CLICHY	304 233 406	50.00	50.00

ASSOCIATES	REGISTERED OFFICE	Registration number	% interest	% control
LAGARDÈRE PUBLISHING				
EDITIONS J'AI LU	87 quai Panhard et Levassor 75013 PARIS	582 039 673	35.33	35.33
YEN PRESS LLC	NEW YORK (UNITED STATES)		49.00	49.00
LAGARDÈRE TRAVEL RETAIL				
DUTYFLY SOLUTIONS	ZAC du Moulin. rue du Meunier 95700 ROISSY EN FRANCE	443 014 527	45.02	49.90
DUTYFLY SOLUTIONS ESPAÑA	MADRID (SPAIN)		45.02	49.90
DUTYFLY SOLUTIONS ITALIA	MILAN (ITALY)		45.02	49.90
DUTYFLY SOLUTIONS ROMANIA	BUCHAREST (ROMANIA)		45.02	49.90
DUTYFLY SOLUTIONS LUXEMBOURG	LUEMBOURG (LUXEMBOURG)		45.02	49.90
INMEDIO SP ZOO	WARSAW (POLAND)		49.00	49.00
LAGARDÈRE ACTIVE				
EUROPE REGIES OUEST	16 avenue Henry Fréville – 35200 RENNES	404 391 542	48.60	49.00
HOLDING EVELYNE PROUVOST	10 boulevard des Frères Voisin 92130 ISSY LES MOULINEAUX	383 953 601	41.99	42.00
LA PLACE MEDIA	43 boulevard Barbès – 75018 PARIS	753 186 337	24.67	24.68
LARI INTERNATIONAL GROUP				
107.8 ANTENNE AC GMBH	WÜRSELEN (GERMANY)		22.43	44.00
107.8 ANTENNE AC GMBH & CO KG	WÜRSELEN (GERMANY)		22.43	44.00
LVMG CO LTD	PHNOM PENH (CAMBODIA)		48.96	49.00
MAX LOYD	PRAGUE (CZECH REPUBLIC)		33.97	34.00
MEDIAMARK	RIVONIA (SOUTH AFRICA)		49.95	49.99
LAGARDÈRE SPORTS AND ENTERTAINMENT				
LAGARDÈRE SPORTS INC. GROUP				
SADDLEBROOK INTERNATIONAL SPORTS LLC	WESLEY CHAPEL (UNITED STATES)		30.00	30.00

NOTE 39 CONSOLIDATED FINANCIAL STATEMENTS FOR 2015 AND 2014

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 91 to 198 of the French Reference Document for 2015, filed with the AMF on 1 April 2016 under registration number D.16-0255.
- the consolidated financial statements and the related audit report on pages 85 to 194 of the French Reference Document for 2014, filed with the AMF on 1 April 2015 under registration number D.15-0269.

The non-incorporated parts of the above documents are either irrelevant for investors or covered in another part of this Reference Document.

6.4 PRESENTATION OF THE LAGARDÈRE SCA PARENT COMPANY FINANCIAL STATEMENTS AFR

Comments on the Lagardère SCA parent company financial statements at 31 December 2016

6.4.1. INCOME STATEMENT

The condensed income statements are as follows:

(in millions of euros)	2016	2015
Operating revenues	**59**	56
Operating loss	**(29)**	(29)
Net financial expense	**(7)**	(2)
Earnings (loss) before tax and exceptional items	**(36)**	(31)
Net exceptional income (expense)	**4**	(2)
Income tax benefit	**63**	74
Profit for the year	**31**	41

In 2016 and 2015, the Company reported an operating loss of €29 million. Operating income (loss) mainly represents the difference between the operating expenses of the holding company and the services billed to the Group's divisions. It includes a €3 million expense relating to payment of tax on the liquidation of Financière de Pichat.

Lagardère SCA is responsible for billing the Group's operating divisions for assistance provided by corporate departments. Lagardère SCA employs the nine people managing the corporate departments. These managers make use of Lagardère Ressources teams and resources, which the latter makes available to them. Lagardère Ressources continues to play a supervisory role in this respect.

In consideration for the services provided to it, Lagardère SCA pays Lagardère Ressources a fee intended to cover the costs directly or indirectly incurred by the latter. The annual amount of this fee is calculated based on the actual costs booked in the accounts.

Lagardère SCA also continues to directly handle expenses relating to certain services provided to it at its request by external consultants.

Financial income and expenses break down as follows:

(in millions of euros)	2016	2015
Interest income from marketable securities and other	**-**	-
Net interest income (expense) on loans to subsidiaries	**19**	-
Interest and expenses on borrowings	**(64)**	(45)
Finance costs, net	**(45)**	(45)
Dividends received or receivable	**32**	63
Net (additions to) reversals of provisions	**6**	(18)
Other	**-**	(2)
Net financial expense	**(7)**	(2)

In 2016 the Company reported net financial expense of €7 million, €5 million more than in 2015. The increase in net financial expense primarily reflects:

- A €19 million increase in financial expenses on borrowings, mainly attributable to the €10 million foreign exchange loss arising on refinancing the USD 530 million bridge loan in April 2016, and to the issue of a new €500 million bond paying interest at 2.75% and maturing in 2023.
- A €19 million increase in interest received on Group receivables, especially the loan granted to Lagardère North America for USD 530 million in connection with the Paradies acquisition in late 2015.
- A €31 million decrease in dividends received. In 2015, Lagardère SCA had collected a €30 million dividend from MNC (no dividends collected in 2016). In 2016, Lagardère Finance paid €32 million in dividends (€33 million in 2015).

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

- Net reversals of provisions representing €6 million at 31 December 2016, versus net additions to provisions totalling €18 million at 31 December 2015. In 2016, movements in provisions mainly reflect:
  - the reversal of the provisions for unrealised foreign exchange risks for €19 million, arising in 2015 on the translation into euros of the USD 530 million loan agreed in October 2015 to finance the acquisition of the Paradies group and repaid in April 2016;
  - impairment charged against Lagardère Ressources investments for €7 million, along with a reversal of impairment relating to Matra Nortel Communications for €3 million;
  - an addition to the provision for subsidiary risks relating to Matra Manufacturing Services for €9 million, and a provision reversal amounting to €6 million relating to Lagardère Ressources in connection with its recapitalisation at the end of 2016;
  - a €5 million addition attributable to the adjustment made to the carrying amount of treasury shares based on the reference share price at 31 December 2016 (€24.98).

In 2015, additions to provisions essentially concerned unrealized foreign exchange risks arising on the translation into euros of the USD 530 million loan agreed in October 2015 for €19 million, and shares in Matra Nortel Communications for €11 million. Reversals of provisions relate to the adjustment made to the carrying amount of treasury shares for €15 million.

Exceptional items represented income of €4 million in 2016 relating to reversals of provisions for risks. Exceptional items represented an expense of €2 million in 2015 and related to additions of provisions for risks.

The Company reported an income tax benefit of €63 million in 2016. This includes an expense of €5 million corresponding to the 3% tax contribution on dividends paid and income of €95 million arising on tax consolidation (taxes paid by subsidiaries in the tax group in excess of the tax due by the whole consolidated tax group). The corresponding figures for 2015 were an expense of €5 million and income of €86 million, respectively.

6.4.2 BALANCE SHEET AND CASH FLOWS

Assets

(in millions of euros)	31 Dec. 2016	31 Dec. 2015
Fixed assets	**5,134**	6,614
Trade receivables and other	**74**	126
Cash and cash equivalents	**5**	5
Total assets	**5,213**	6,745

Liabilities and shareholders' equity

(in millions of euros)	31 Dec. 2016	31 Dec. 2015
Shareholders' equity	**2,918**	3,063
Provisions for risks and liabilities	**23**	41
Borrowings	**2,184**	3,570
Short-term bank loans	**-**	-
Other liabilities	**88**	71
Total liabilities and shareholders' equity	**5,213**	6,745

Cash flows

(in millions of euros)	2016	2015
Cash from operating activities	**40**	54
Cash from (used in) investing activities	**1,477**	(496)
Cash from (used in) operating and investing activities	**1,517**	(442)
Cash from (used in) financing activities	**(1,517)**	443
Change in cash and cash equivalents	**-**	1
Cash and cash equivalents at beginning of year	**5**	4
Cash and cash equivalents at end of year	**5**	5

In 2016, cash from operating activities amounted to €40 million.

Net cash from investing activities came to €1,477 million, including €1,385 million from transactions arising on the Lagardère Finance share capital reduction via the repayment of the Lagardère Finance current account with Lagardère SCA, and payment of an issue premium by Lagardère Finance, as well as the liquidation of Financière de Pichat representing an inflow of €111 million. These cash flows were partly offset by subscription to the capital increase carried out at Lagardère Ressources (€9 million), by the payment to FCP Idinvest (€3 million) and by trading in treasury shares within the scope of the liquidity agreement.

Financing activities generated a net cash outflow of €1,517 million and reflected:

- a €168 million cash outflow due to payment of the dividend;
- repayments on the USD bridge loan (€487 million outflow) and on a short-term credit line (€75 million outflow), as well as the decrease in outstanding commercial paper (€187 million outflow);
- issuance of a new bond (€500 million inflow);
- a decrease in amounts borrowed from Lagardère Finance (€1,119 million outflow).

Net debt – which corresponds to cash and cash equivalents less borrowings – was as follows at 31 December 2016 and 2015:

(in millions of euros)	31 Dec. 2016	31 Dec. 2015
Net debt	**(2,179)**	(3,565)

Net debt fell €1,386 million in 2016 due mainly to the repayment of €1,385 million by Lagardère Finance in connection with its share capital reduction and the payment of issue premiums in December 2016.

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 2016 are due within 30 days.

6.5 LAGARDÈRE SCA PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2016

AFR

Parent company balance sheet

Assets (in millions of euros)	31 Dec. 2016 Gross	31 Dec. 2016 Depreciation, amortisation and impairment	31 Dec. 2016 Net	31 Dec. 2015 Net
Tangible assets	-	-	**-**	-
Long-term investments:				
- Investments in subsidiaries and affiliates	*4,776*	*215*	***4,561***	*6,052*
- Loans and advances to subsidiaries and affiliates	*513*		***513***	*488*
- Other investment securities	*68*	*8*	***60***	*74*
- Loans	-	-	**-**	-
- Other long-term investments	-	-	**-**	-
Fixed assets	**5,357**	**223**	**5,134**	6,614
Trade receivables	9	-	**9**	11
Other receivables	60	-	**60**	90
Marketable securities	-	-	**-**	4
Cash and cash equivalents	5	-	**5**	1
Prepaid expenses	3	-	**3**	5
Current assets	**77**	**-**	**77**	111
Deferred charges	2	-	**2**	1
Translation adjustment	-	-	**-**	19
Total assets	**5,436**	**223**	**5,213**	6,745

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. 2016** Amount	31 Dec. 2015 Amount
Share capital	**800**	800
Share and other premiums	**221**	229
Reserves:		
- Legal reserve	***87***	*87*
- Reserves	**-**	-
- Other reserves	***1,532***	*1,532*
Retained earnings	**247**	374
Profit for the year	**31**	41
Interim dividend to be allocated	**-**	-
Shareholders' equity	**2,918**	3,063
Provisions for risks and liabilities	**23**	41
Borrowings subject to specific conditions	**-**	-
Borrowings:		
- Bonds	***1,516***	*1,006*
- Bank loans	***216***	*962*
- Loans from subsidiaries and affiliates	***452***	*1,602*
Trade payables	**8**	12
Other payables	**46**	40
Accrued expenses and deferred income	**-**	-
Translation adjustment	**34**	19
Total liabilities and shareholders' equity	**5,213**	6,745

Parent company income statement

(in millions of euros)	2016	2015
Operating revenues	**59**	56
Operating expenses	**(88)**	(85)
Operating loss	**(29)**	(29)
Financial income	**57**	65
Financial expenses	**(70)**	(49)
Net (additions to) reversals from provisions	**6**	(18)
Net financial expense	**(7)**	(2)
Earnings (loss) before tax and exceptional items	**(36)**	(31)
Net exceptional income (expense)	**4**	(2)
Income tax benefit	**63**	74
Profit for the year	**31**	41

Parent company statement of cash flows

(in millions of euros)	2016	2015
Profit for the year	**31**	41
Depreciation, amortisation and provision expense (reversal)	**(8)**	21
Net loss on sale of fixed assets	**-**	(1)
Changes in working capital	**17**	(7)
Cash from operating activities	**40**	54
Acquisitions of long-term investments	**1,462**	(514)
Proceeds from disposals of long-term investments	**15**	18
Decrease in loans and receivables	**-**	-
Cash from (used in) investing activities	**1,477**	(496)
Cash from (used in) operating and investing activities	**1,517**	(442)
Dividends paid	**(168)**	(167)
Decrease in borrowings and financial liabilities	**(730)**	-
Proceeds from new borrowings	**500**	626
Change in Group current accounts	**(1,119)**	(16)
Cash from (used in) financing activities	**(1,517)**	443
Translation adjustments	**-**	-
Change in cash and cash equivalents	**-**	1
Cash and cash equivalents at beginning of year	**5**	**4**
Cash and cash equivalents at end of year	**5**	5

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2016

(All figures are expressed in millions of euros unless otherwise specified)

PRELIMINARY INFORMATION

Lagardère SCA – the parent company of the Lagardère group, whose registered office is located at 4 rue de Presbourg in Paris 16 (registration number 32036644600013) – is a holding company, and as such its balance sheet items principally comprise investments and the Group's financing resources.

Since 1 January 2014, Lagardère SCA has been directly responsible for billing the Group's operating divisions for assistance provided by corporate departments, instead and in place of its subsidiary, Lagardère Ressources. This led to the following organisational changes:

- Lagardère SCA, which previously had no employees, now employs nine people managing the corporate departments. These managers make use of Lagardère Ressources teams and resources, which the latter makes available to them. Lagardère Ressources continues to play a supervisory role in this respect;
- in consideration for the services provided to it, Lagardère SCA pays Lagardère Ressources a fee intended to cover the costs directly or indirectly incurred by the latter. The annual amount of this fee is calculated based on the actual costs booked in the accounts.

As in the past, Lagardère SCA continues to directly handle expenses relating to certain services provided to it on its request by parties outside the Group.

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 2016-07 issued by the French Accounting Standards Committee (*Autorité des Normes Comptables* – ANC).

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 first-in-first out (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. 2016	Increase	Decrease	31 Dec. 2016
Tangible assets	-	-	-	-
Long-term investments				
Investments in subsidiaries and affiliates and other investment securities(*)	6,397	23	1,576	4,844
Loans and advances to subsidiaries and affiliates	488	25	-	513
Other long-term investments	-	-	-	-
Total	**6,885**	**48**	**1,576**	**5,357**

(*) This item includes the Company's investment in the FPCI Idinvest fund amounting to €11 million. €7 million had been subscribed at 31 December 2016, of which €3 million in 2016.

Investments in subsidiaries and affiliates amounted to €4,844 million at 31 December 2016. The €23 million increase in this item in 2016 is attributable to:

- purchases of treasury shares €14 million;
- subscription to Lagardère Ressources' share capital increase €9 million.

The €1,576 million decrease in this item stems mainly from:

- cancellation of Financière de Pichat shares further to its liquidation €165 million;
- the Lagardère Finance share capital reduction by means of a decrease in the par value of its shares (€1,260 million) via repayment of Lagardère Finance's current account with Lagardère SCA, and payment of share and other premiums (€125 million) €1,385 million;
- sale of treasury shares under the liquidity agreement €15 million;
- cancellation of the gross amount of treasury shares by means of a capital reduction €11 million.

Loans and advances to subsidiaries and affiliates mainly comprise the US dollar loan granted to Lagardère North America to finance the acquisition of the Paradies group. The €25 million increase relates primarily to foreign currency translation at the closing exchange rate for €16 million and to outstanding interest due for €6 million.

Changes in depreciation, amortisation and impairment can be analysed as follows:

	1 Jan. 2016	Increase	Decrease	31 Dec. 2016
Long-term investments:				
Investments in subsidiaries and affiliates and other investment securities	271	12	60	223
Loans and advances to subsidiaries and affiliates	-	-	-	-
Total	**271**	**12**	**60**	**223**

Increases in this item during the year are attributable to impairment losses taken against treasury shares for €5 million and against Lagardère Ressources shares for €7 million.

Decreases in this item during the year consist of reversals relating to Financière de Pichat for €55 million and to Matra Nortel Communications shares for €3 million, and the cancellation of provisions for treasury shares for €3 million, offset against the share capital reduction.

2. RECEIVABLES

At 31 December 2016, the maturity of receivables was as follows:

	Gross	Due within one year	Due beyond one year
Long-term receivables	513	10	503
Short-term receivables	69	69	
Total	**582**	**79**	**503**

Long-term receivables mainly correspond to the loan granted to Lagardère North America.

Short-term receivables include:

- €9 million in Group trade receivables;
- €11 million in tax receivables (including €8 million in tax credits and €3 million in refundable VAT);
- €13 million attributable to the Lagardère Finance USD current account;
- €36 million in intercompany receivables arising on tax consolidation.

3. MARKETABLE SECURITIES

	31 Dec. 2016	31 Dec. 2015
At cost	-	4
Impairment	-	-
Carrying amount	**-**	**4**
Market value	-	4
Unrealised gains	**-**	**-**

4. CHANGES IN SHAREHOLDERS' EQUITY

Changes in shareholders' equity are analysed below:

	Share capital	Share premiums and reserves	Retained earnings	Profit (loss) for the year	Interim dividend to be allocated	Total
Shareholders' equity at 31 December 2015	**800**	**1,848**	**374**	**41**	**-**	**3,063**
Capital reduction	(2)	(8)	-	-	-	(10)
Capital increase	2	-	-	-	-	2
Appropriation of profit for 2015	-	-	41	(41)	-	-
Dividends paid(*)	-	-	(168)		-	(168)
Profit for the year	-	-	-	31	-	31
Shareholders' equity at 31 December 2016	**800**	**1,840**	**247**	**31**	**-**	**2,918**

(*) Including the portion of profit paid to the General Partners.

At 31 December 2016, 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 2016, the Group carried out a number of capital reductions by cancelling 340,887 treasury shares for an amount of €2 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:

- on 26 June 2016 to non-French tax residents who are beneficiaries under the 25 June 2012 plan;
- on 23 December 2016 to French tax residents who are beneficiaries under the 22 December 2014 plan.

5. TREASURY SHARES

Changes in the number of treasury shares held by Lagardère SCA break down as follows for 2016:

	2016
Number of treasury shares held at 1 January	**2,324,157**
Purchases of treasury shares under the liquidity agreement(*)	**626,955**
Sales of treasury shares under the liquidity agreement(*)	**(657,650)**
Purchases (for treasury shares awarded to employees)	**-**
Awards	**-**
Capital reduction by cancellation of treasury shares	**(340,887)**
Number of treasury shares held at 31 December	**1,952,575**

(*) Liquidity agreement entered into in 2008 with Crédit Agricole Cheuvreux for market-making purposes.

6. BONDS

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 2016 amounted to €21 million.

On 10 September 2014, Lagardère SCA undertook a **€500 million bond issue** settled on 19 September 2014, which is **redeemable at maturity on 19 September 2019** and pays interest at a fixed rate of 2.00%. The interest expense for 2016 amounted to €10 million.

On 6 April 2016, Lagardère SCA undertook a **€500 million bond issue** settled on 13 April 2016, which is **redeemable at maturity on 13 April 2023** and pays interest at a fixed rate of 2.75%. The interest expense for 2016 amounted to €10 million.

7. MATURITIES OF LIABILITIES

	31 Dec. 2016	Due within one year	Due between one and five years	Due beyond five years
Bonds	**1,516**	516	500	500
Commercial paper	**212**	212	-	-
Other borrowings	**456**	4	-	452
Trade and other payables	**54**	54	-	-
Total	**2,238**	**786**	**500**	**952**

Other borrowings relate mainly to the current account with Lagardère Finance for €452 million.

8. PROVISIONS AND IMPAIRMENT

Type of provision and impairment	1 Jan. 2016	Additions	Reversals	31 Dec. 2016
Provisions for risks and liabilities	**41**	13	31(*)	**23**
Impairment				
- long-term investments	***271***	*12(**)*	*60(**)*	*223*
- other	**-**	-	-	-
Impairment sub-total	**271**	12	60	**223**
Total	**312**	25	91	**246**
Including additions and reversals:				
- relating to financial items	**-**	*23*	*85*	-
- relating to exceptional items	**-**	*2*	*6*	-

(*) Including reversals from the provision for currency risks for €19 million, and reversals from the provision for risks relating to Lagardère Ressources for €6 million.
(**) Details are provided in note 1, Fixed assets.

9. TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES (NET VALUES) – BALANCE SHEET

Assets		Liabilities	
Long-term investments	5,128	Borrowings	452
Short-term receivables	58	Trade and other payables	43
Other	-	Other	-

Long-term investments include shares in Lagardère Media, Lagardère Finance, and MNC, along with the loan granted to Lagardère North America.

Borrowings comprise the current account with Lagardère Finance.

Short-term receivables and trade payables include tax consolidation current accounts.

10. TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES – INCOME STATEMENT

Expenses		Revenues	
Operating(*)	73	Operating(**)	59
Financial(***)	21	Financial(****)	61
Exceptional(*****)	111	Exceptional(*****)	111

(*) General services provided by Lagardère Ressources.
(**) Including services provided for €1 million, brand royalties for €8 million, and fees for assistance provided to divisions for €50 million.
(***) Including provisions for investments in subsidiaries and affiliates amounting to €12 million and provisions for risks and liabilities totalling €9 million.
(****) Including dividends totalling €32 million, interest on loans for €19 million, and reversals from the provision for risks relating to Lagardère Ressources in an amount of €6 million.
(*****) Liquidation of Financière de Pichat.

11. ACCRUED INCOME AND EXPENSES

Accrued income included in the following balance sheet items:		Accrued expenses included in the following balance sheet items:	
Long-term investments	9	Borrowings	24
Short-term receivables	10	Trade and other payables	8
Cash and cash equivalents	-		-
Total	**19**	**Total**	**32**

12. PREPAID EXPENSES AND DEFERRED INCOME

Amount		Amount	
Prepaid expenses(*)	3	Deferred income	-

(*) This chiefly relates to the cost of the interest rate pre-hedge on the €500 million bond issued in September 2014. This cost is amortised over the term of the bond.

13. NET FINANCIAL EXPENSE

	2016	2015
Financial income	**85**	80
Financial income from investments in subsidiaries and affiliates	**51**	63
Income from other investment securities and long-term receivables	**-**	2
Other interest and similar income	**4**	-
Net income from marketable securities	**-**	-
Reversals of provisions and expense transfers	**28**	15
Foreign exchange gains	**2**	-
Financial expenses	**(92)**	(82)
Interest and similar expenses	**(59)**	(49)
Additions to provisions	**(22)**	(33)
Foreign exchange losses	**(11)**	-
Net financial expense	**(7)**	(2)

14. EXCEPTIONAL ITEMS

	2016	2015
Net gains on disposals of assets	**-**	-
Net (additions to) reversals of provisions	**4**	(1)
Other exceptional income and expenses	**-**	(1)
Net exceptional income (expense)	**4**	(2)

15. INCOME TAX BENEFIT

The €63 million income tax benefit recorded in 2016 included a tax expense of €28 million corresponding to the tax consolidation group and an expense of €5 million relating to the 3% levy on dividends paid. The balance relates to the €95 million gain 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 2016, the tax group comprising Lagardère SCA and its subsidiaries had unused tax loss carryforwards of some €354 million.

16. OFF-BALANCE SHEET COMMITMENTS

Commitments given	Amount	Commitments received	Amount
Guarantees given on behalf of subsidiaries to cover contract-related financial commitments	-		
Rent guarantees given to subsidiaries	-	Confirmed, unused lines of credit	1,250
Guarantees given to third parties	-	Counter-guarantees received from third parties	-
Cross currency swap EUR/USD	239	Cross currency swap EUR/USD	237
Bank interest on long-term loans (including interest on cross currency swaps)	203	Interest receivable on cross currency swaps	29

Commitments in relation to currency and interest rate risk

As part of the management of currency and interest rate risks generated by external financing or intragroup loans and borrowings in foreign currency, the Company may enter into hedging agreements with leading banks.

Cover for the share purchase plan

There were no longer any share options outstanding at 31 December 2016. The 14 December 2006 share plan expired on 14 December 2016. The 1,895,336 options remaining under the plan were cancelled. No Lagardère SCA share purchase options were exercised in 2016.

Free share award plans

From 2013 to 2016, the Group set up plans to award free shares to employees, the Co-Managing Partners and members of the Enlarged Committee (the Lagardère Media Operating Committee up to May 2016).

	Number of free shares awarded at inception	Number of outstanding rights at 31 December 2016
26 December 2013 plans	712,950	431,155
22 December 2014 plans	306,120	89,000
1 April 2015 plans	444,440	444,440
9 May 2016 plans	829,660	828,860

For Group employees who are beneficiaries of the 2013 and 2014 plans, these plans do not include any performance conditions and the shares only vest after a two-year period, provided the employee beneficiaries tax-resident in France 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 senior executives of the Group who are beneficiaries of the 1 April 2015 plan, the shares will only vest if the beneficiaries are still with the Group in three years and if certain performance conditions are met, based on Group recurring operating profit and consolidated net cash flows from operating activities. The shares will fully vest in three years for beneficiaries who are French tax residents, and in four years for beneficiaries who are not French tax residents.

For Group employees who are beneficiaries of the 9 May 2016 plan, the plan does not include any performance conditions. The shares vest only after a three-year period, provided the employee beneficiaries tax-resident in France 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 three years.

For the Group's Co-Managing Partners and the members of the Enlarged Committee, who are beneficiaries of the 26 December 2013, 1 April 2015 and 9 May 2016 plans, the shares will only vest subject to:

- the beneficiaries remaining with the Group until at least 31 December 2016, 31 March 2018, and 9 May 2019 under the 2013, 2015 and 2016 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.

Subsidiaries and affiliates at 31 December 2016

(in thousands of euros)	Share capital	Reserves (excl. retained earnings)	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%)				
HOLPA (immeuble Monceau - 42, rue Washington - 75008 Paris)	536	3,034	100.00	
LAGARDÈRE FINANCE (immeuble Monceau - 42, rue Washington - 75008 Paris)	1,540	167,473	100.00	
LAGARDÈRE MEDIA (4, rue de Presbourg - 75116 Paris)	879,611	367,986	100.00	
LAGARDÈRE PARTICIPATIONS (4, rue de Presbourg - 75116 Paris)	15,250	2,381	100.00	
LAGARDÈRE RESSOURCES (immeuble Monceau - 42, rue Washington - 75008 Paris)	2,000	262	100.00	
MATRA MANUFACTURING & SERVICES (4, rue de Presbourg - 75116 Paris)	13,528	(24,860)	100.00	
M N C (immeuble Monceau - 42, rue Washington - 75008 Paris)	89,865	11,911	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: Lagardère UK				
B - Affiliates not included in paragraph B above				
- Other subsidiaries				
C - Investments not included in paragraph C above				
- Other subsidiaries				

	Carrying amount of shares held		Outstanding loans and advances granted by the Company	Guarantees given by the Company	Revenue for the last financial year	Profit (loss) for the last financial year	Dividends received by the Company during the year
	Gross	Net					
	16,938	3,439				(131)	
	1,695,000	1,695,000				27,491	32,480
	2,730,374	2,730,374			2,720	182,366	
	25,445	25,445				84	
	101,332	2,356			77,581	94	
	94,035	0			3,580	(1,857)	
	112,732	104,301				2,525	
	452	452					

Investment portfolio at 31 December 2016

(Article 6 of the French law of 1 March 1986)

I. Investments in subsidiaries and affiliates (in thousands of euros)		
A. Investments in French companies		
Book value over €15,000		4,560,915
Number of shares held:		
107,284	Holpa	3,439
280,000,000	Lagardère Finance	1,695,000
54,974,977	Lagardère Media	2,730,374
999,991	Lagardère Participations	25,445
200,000	Lagardère Ressources	2,356
845,474	Matra Manufacturing & Services	0
7,848,480	MNC	104,301
Book value below €15,000		0
Total investments in French companies		**4,560,915**
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		**4,561,367**
II. Other long-term investments (in thousands of euros)		
C. Investment funds		
	FCPR IDINVEST	6,556
Total investment funds		**6,556**
D. Treasury shares		**48,769**
Total treasury shares		**48,769**
Total other long-term investments		**55,325**
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		**0**
Number of shares held:		
Total short-term investments (book value)		**0**

Lagardère SCA – Five-year financial summary

(Articles R. 225-83 and R. 225-102 of the French Commercial Code)

	Type of indications	2012	2013	2014	2015	**2016**
I	**Share capital at 31 December (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)	Revenue	7,054	7,239	52,028	56,327	**59,453**
b)	Earnings before tax, depreciation, amortisation and provisions	(65,638)	1,976,989	(75,353)	(13,960)	**(40,470)**
c)	Income tax(*)	88,276	23,410	43,467	74,308	**63,132**
d)	Earnings after tax, depreciation, amortisation and provisions	53,952	2,006,615	(57,052)	41,082	**31,440**
e)	Total dividends	166,247	2,100,928	166,783	168,088	(**)
III	**Earnings per share (in euros)**					
a)	Earnings per share after tax, but before depreciation, amortisation and provisions	0.17	15.25	(0.91)	(0.67)	**0.17**
b)	Earnings per share after tax, depreciation, amortisation and provisions	0.41	15.30	(0.44)	0.31	**0.24**
c)	Dividend per share	1.30	16.30	1.30	1.30	(**)
IV	**Staff**					
a)	Average employee headcount	-	-	9	9	**9**
b)	Total wages and salaries	-	-	3,178,984	2,509,884	**2,944,590**
c)	Total employee benefit expense	-	-	1,837,379	1,038,059	**1,025,805**

(*) Mainly the tax benefit resulting from tax consolidation.
(**) The Annual General Meeting on 4 May 2017 will be asked to approve a dividend of €1.30 per share.

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 2016, 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 2016 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 "Long-term investments" part of "Accounting policies" 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.

French language original signed at Paris - La Défense
and Courbevoie, on 31 March 2017

The Statutory Auditors

ERNST & YOUNG et Autres	**MAZARS**
Bruno Bizet	Thierry Blanchetier

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

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 2016, 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 intangible fixed assets of the Lagardère Sports and Entertainment division.

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 2016.

Regarding the assets of the Lagardère Sports and Entertainment division, the achievement of the assumptions used by management 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.

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 management 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.

French language original signed at Courbevoie
and Paris - La Défense, on 31 March 2017

The Statutory Auditors

MAZARS	**ERNST & YOUNG et Autres**
Thierry Blanchetier	Bruno Bizet

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

6.8 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS AFR

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 authorised 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 already approved during previous years and applicable during the past year

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:

AGREEMENTS WITH LAGARDÈRE CAPITAL & MANAGEMENT, SHAREHOLDER OF THE COMPANY

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 2016, 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 2016, the amount billed by Lagardère Capital & Management in accordance with those agreements amounted to 26.0 million euros, compared to 27.1 million euros in 2015.

French language original signed at Paris - La Défense and Courbevoie, on 31 March 2017

The Statutory Auditors

ERNST & YOUNG et Autres	**MAZARS**
Bruno Bizet	Thierry Blanchetier

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

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, and 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 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 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 some French joint-stock corporations are criticised, between the role of the Chairman of the Board of Directors (*Président du Conseil d'Administration*) and the role of the Chief Executive Officer (*Directeur Général*).

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

7.2.1 GENERAL PARTNERS

Arnaud Lagardère

4 rue de Presbourg – 75116 Paris, France

Arjil Commanditée-Arco

A French joint-stock corporation with share capital of €40,000

4 rue de Presbourg – 75116 Paris, France

7.2.2 MANAGING PARTNERS

At 31 December 2016, 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, France

Date of birth: 18 March 1961

Number of Lagardère SCA shares held directly and indirectly at 31 December 2016 (see section 8.1.8.1.): 10,026,836.

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.

Arnaud Lagardère was appointed Managing Partner in March 2003 and the Supervisory Board approved the General Partners' proposals to renew his appointment on 11 March 2009 and 11 March 2015 for successive six-year terms, the latest expiring on 25 March 2021.

Arnaud Lagardère controls and is the Chairman of Lagardère (SAS) and Lagardère Capital & Management (SAS), with which he holds a 7.65% stake in Lagardère SCA at 31 December 2016 (see section 8.1.8.1).

A) PRINCIPAL POSITIONS (AT 31 DECEMBER 2016)

Managing Partner of Lagardère SCA

Chairman and Chief Executive Officer, Arjil Commanditée-Arco SA, Managing Partner of Lagardère SCA

B) DIRECTORSHIPS AND OTHER POSITIONS HELD IN THE GROUP (AT 31 DECEMBER 2016)

Chairman and Chief Executive Officer and Chairman of the Board of Directors, Lagardère Media SAS

Director, Hachette Livre SA

Chairman of the Supervisory Board, Lagardère Travel Retail SAS

Chairman of the Supervisory Board, Lagardère Active SAS

Chairman of the Executive Committee, Lagardère Sports and Entertainment SAS

Director, Lagardère Ressources SAS

Chairman, Lagardère Sports US Inc.

Chairman, Sports Investment Company LLC

Member of the Board of Directors, Lagardère Sports Asia Investments Ltd

Member of the Board of Directors, Lagardère Sports Asia Holdings Ltd

Chairman, Fondation Jean-Luc Lagardère

Chairman, Lagardère Paris Racing Ressources sports association (not-for-profit organisation)

Chairman, Lagardère Paris Racing sports association (not-for-profit organisation)

C) DIRECTORSHIPS AND OTHER POSITIONS HELD OUTSIDE THE GROUP (AT 31 DECEMBER 2016)

Chairman, Lagardère SAS

Chairman, Lagardère Capital & Management SAS

D) DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

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*)

Chairman and Director, Sogeade Gérance SAS (*until October 2013*)

Permanent representative, Lagardère Unlimited Inc., Managing Member, Lagardère Unlimited LLC (*until September 2014*)

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

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, France

Represented by Arnaud Lagardère, Pierre Leroy and Thierry Funck-Brentano.

Arjil Commanditée-Arco was appointed as a Managing Partner on 17 March 1998 and the Supervisory Board approved the General Partners' proposals to re-appoint it as Managing Partner on 12 March 2004, 10 March 2010 and 9 March 2016 for successive six-year terms, with the latest term expiring on 17 March 2022.

Arjil Commanditée-Arco does not hold any directorships or other positions.

At the time of the most recent re-appointment of Arjil Commanditée-Arco on 9 March 2016, in application of the provisions of article 14-2 of the Articles of Association and based on a recommendation of the General Partners, the Supervisory Board re-appointed, within Arjil Commanditée-Arco:

- Arnaud Lagardère as Chairman and Chief Executive Officer;
- Pierre Leroy, as Deputy Chairman and Chief Operating Officer;
- Thierry Funck-Brentano, as Chief Operating Officer.

As legal representatives of Arjil Commanditée-Arco, Managing Partner of Lagardère SCA, Pierre Leroy and Thierry Funck-Brentano act as "Co-Managing Partners" of Lagardère SCA and are, along with Arnaud Lagardère, executive corporate officers.

Positions held by the legal representatives of Arjil Commanditée-Arco in other companies (at 31 December 2016):

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 at 31 December 2016: 67,292

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.

He was appointed Co-Managing Partner of Lagardère SCA in March 2004.

A) PRINCIPAL POSITIONS (AT 31 DECEMBER 2016)

Co-Managing Partner of Lagardère SCA

Secretary General of the Lagardère group

B) DIRECTORSHIPS AND OTHER POSITIONS HELD IN THE GROUP (AT 31 DECEMBER 2016)

Director, Deputy Chairman and Chief Operating Officer, Lagardère Media SAS

Director, Hachette Livre SA

Member of the Supervisory Board, Lagardère Travel Retail SAS

Member of the Supervisory Board, Lagardère Active SAS

Chairman of the Board of Directors, Lagardère Ressources SAS

Director, Lagardère Active Broadcast (a Monaco-based joint-stock corporation)

Chairman of the Supervisory Board, Société d'Exploitation des Folies Bergère SAS

Chairman, Lagardère Participations SAS

Chairman, Lagardère Expression SAS

Chairman, Dariade SAS

Chairman, Sofrimo SAS

Chairman, Holpa SAS

Representative, Lagardère Participations, Chairman, Hélios SAS

Director, Ecrinvest 4 SA

Director, Fondation Jean-Luc Lagardère

Chairman and Chief Executive Officer, Lagardère Paris Racing Ressources SASP

Member of the Board of Directors, Lagardère UK Ltd

C) DIRECTORSHIPS AND OTHER POSITIONS HELD OUTSIDE THE GROUP (AT 31 DECEMBER 2016)

Director, Lagardère Capital & Management SAS

Chairman, IMEC (*Institut Mémoires de l'Édition Contemporaine*)

Chairman, Mémoire de la Création Contemporaine Endowment Fund

Chairman of the jury for the *Prix des Prix* literary awards

Chairman of the jury for the *prix de la littérature arabe* literary awards

Director, Bibliothèque Nationale de France Endowment Fund

D) DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Director, Lagardère Entertainment SAS (*until June 2012*)

Chairman, Désirade SAS (*until April 2013*)

Director, Sogeade Gérance SAS (*until April 2013*)

Manager, Financière de Pichat & Compagnie SCA (*until August 2014*)

Representative of Lagardère Participations, Legal Manager of Matpar 4 SCA (*until December 2014*)

Permanent representative of Lagardère Participations to the Board of Directors, Galice SA (*until January 2015*)

Manager, Team Lagardère SNC (*until January 2016*)

Liquidator, Financière de Pichat & Compagnie SCA (*until May 2016*)

THIERRY FUNCK-BRENTANO

4 rue de Presbourg – 75116 Paris, France

Date of birth: 2 May 1947

Number of Lagardère SCA shares held at 31 December 2016: 103,631

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.

He was appointed Co-Managing Partner of Lagardère SCA in March 2010.

(1) See section 8.2.4 of the individual financial statements of Arjil Commanditée-Arco.

A) PRINCIPAL POSITIONS (AT 31 DECEMBER 2016)

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 (AT 31 DECEMBER 2016)

Director and Chief Operating Officer, Lagardère Media SAS

Permanent representative of Lagardère Media SAS to the Board of Directors, Hachette Livre SA

Member of the Supervisory Board, Lagardère Active SAS

Member of the Supervisory Board, Lagardère Travel Retail SAS

Chairman and member of the Executive Committee, Lagardère Sports and Entertainment SAS

Director, Lagardère Ressources SAS

Director, Lagardère Active Broadcast (a Monaco-based joint-stock corporation)

Member of the Board of Directors, Lagardère Sports Asia Holdings Ltd

Member of the Board of Directors, Lagardère Sports Asia Investments Ltd

Representative, Lagardère Sports and Entertainment, Chairman, Lagardère Unlimited Stadium Solutions SAS

Member of the Supervisory Board, Société d'Exploitation des Folies Bergère SAS

Chairman of the Supervisory Board, Matra Manufacturing & Services SAS

Director, Ecrinvest 4 SA

Director, Fondation Jean-Luc Lagardère

Director, Secretary General and Treasurer, Lagardère Paris Racing Ressources sports association (not-for-profit organisation)

Secretary General and member of the steering committee, Lagardère Paris Racing sports association

C) DIRECTORSHIPS AND OTHER POSITIONS HELD OUTSIDE THE GROUP (AT 31 DECEMBER 2016)

Director, Lagardère Capital & Management SAS

D) DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Director, SGEL (Sociedad General Española de Libreria) (*until July 2012*)

Director, Université Paris-Dauphine (*until 2012*)

Director, Fondation Paris-Dauphine (*until 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 2016

		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)	6 May 2014	2018 OGM(*)
Member of the Board Member of the Audit Committee	**Nathalie Andrieux** Independent member of the Board(1)	3 May 2016	2020 OGM(*)
Member of the Board	**Martine Chêne** Independent member of the Board(1)	6 May 2014	2017 OGM(*)
Member of the Board Member of the Appointments, Remuneration and Governance Committee	**Georges Chodron de Courcel** Independent member of the Board(1)	3 May 2016	2019 OGM(*)
Member of the Board Member of the Audit Committee Chairman of the Appointments, Remuneration and Governance Committee	**François David** Independent member of the Board(1)	6 May 2014	2017 OGM(*)
Member of the Board	**Yves Guillemot** Independent member of the Board(1)	6 May 2014	2018 OGM(*)
Member of the Board Member of the Appointments, Remuneration and Governance Committee	**Pierre Lescure** Independent member of the Board(1)	3 May 2016	2019 OGM(*)
Member of the Board	**Jean-Claude Magendie** Independent member of the Board(1)	6 May 2014	2018 OGM(*)
Member of the Board Member of the Appointments, Remuneration and Governance Committee	**Soumia Belaidi Malinbaum** Independent member of the Board(1)	3 May 2013	2017 OGM(*)
Member of the Board Member of the Appointments, Remuneration and Governance Committee	**Hélène Molinari** Independent member of the Board(1)	3 May 2016	2020 OGM(*)
Member of the Board	**Javier Monzón** Independent member of the Board(1)	6 May 2014	2017 OGM(*)
Member of the Board	**François Roussely** Independent member of the Board(1)	3 May 2016	2019 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)	5 May 2015	2019 OGM(*)
Member of the Board Member of the Audit Committee	**Patrick Valroff** Independent member of the Board(1)	6 May 2014	2018 OGM(*)
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.

XAVIER DE SARRAU

4 rue de Presbourg – 75116 Paris, France

Date of birth: 11 December 1950

Nationality: Swiss

First appointed: 10 March 2010(1)

Date of re-appointment: 6 May 2014

End of current term of office: 2018 OGM(2)

Number of Lagardère SCA shares held: 600

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(3)

Chairman of the Audit Committee and Ethics Committee, JC Decaux(3)

Outside France:

Chairman of the Board, Thala SA (Switzerland)

Director, Verny Capital (Kazakhstan)

Director, Gordon S. Blair (Monaco)

General and Managing Partner of SCS Sarrau et Cie (Monaco)

Directorships and other positions held during the last five years

Director, Oredon Associates (UK)

Member of the Board, Dombes SA (Switzerland)

Director, IRR SA (Switzerland)

Member of the Board, FCI Holding SA

Member of the Supervisory Board, Bernardaud SA

Member of the Supervisory Board, Continental Motors Inns SA (Luxembourg)

NATHALIE ANDRIEUX

171 rue de l'Université – 75007 Paris, France

Date of birth: 27 July 1965

Nationality: French

First appointed: 3 May 2012

Date of re-appointment: 3 May 2016

End of current term of office: 2020 OGM(2)

Number of Lagardère SCA shares held: 600

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 and led its European expansion starting in 2008.

Appointed Chair of Mediapost in 2009, Nathalie Andrieux was responsible for Mediapost's 2010-2013 strategic plan and expanded its media services offering with the creation of Mediapost Publicité and the acquisitions of Sogec (a leader in promotional marketing), Mediaprism (a communications and customer knowledge agency), Adverline (an internet media operator), Cabestan (a leading company in digital marketing platforms and customer relationship management solutions).

She was appointed Chair of Mediapost Communication at the time of its creation in September 2011.

In addition to holding this position, in September 2012, she was appointed Executive Vice President in charge of expanding the digital services of the La Poste Group.

On 18 January 2013, she became a member of the French Digital Council (*Conseil national du numérique*) and joined the Mines-Telecom Institute's Scientific Advisory Board (*Conseil Scientifique de l'Institut Mines-Telecom*) in September 2013.

In April 2014, under the "La Poste 2020: Conquering the Future" strategic plan, Nathalie Andrieux became the head of the Group's new digital division.

In November 2014, she became a member of the Supervisory Board of XAnge Private Equity. She left the La Poste group in March 2015.

Directorships and other positions held in other companies

In France:

Chair of the Board of Directors, ENSCI – Les Ateliers

Member of the Scientific Advisory Board, Institut Mines-Télécom

Member of the Board of Directors and Remuneration Committee, Casino Guichard(3)

Member of the Strategy Committee, Groupe Open(3)

Member of the Strategy Committee, Geolid

Directorships and other positions held during the last five years

Member of the French Digital Council

Member of the Investment Committee, XAnge Capital 2

Member of the Supervisory Board, XAnge Private Equity

Chair, Mediapost Holding

Member of the Steering Committee, Matching

Member of the Steering Committee, Media Prisme

Director, 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

(1) Co-opted by the Supervisory Board on 10 March 2010, ratified by the General Meeting of 27 April 2010.
(2) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the preceding year.
(3) Listed company.

Director, Mix Commerce

Member of the Strategic Committee, Idenum

Director, Docapost

Director, Mediapost SGPS (Portugal)

Director, Mediapost Spain

Member of the Supervisory Board, La Banque Postale

Member of the Strategic Committee, La Banque Postale

Director, Mediapost Hit Mail (Romania)

Member of the Steering Committee, Neopress

Chair, Mediapost

Chair, Mediapost Publicité

Chair, SMP

Chair, Financière Adverline

Chair, Adverline, Permanent representative, Financière Adverline

Chair, Cabestan

Chair of the Board of Directors, Mix Commerce

Chair, Mediapost Multicanal

Committee member, Mediapost Multicanal

Chair and Chief Executive Officer, Mediapost

Chair of the Board of Directors, Mediapost

Chair of the Board of Directors, Adverline

Chair of the Board of Directors, Mediapost Hit Mail (Romania)

Chair of the Board of Directors, Mediapost SGPS (Portugal)

Chair of the Board of Directors, Mediapost Spain

Chair, Financière Sogec Marketing, Permanent representative of SMP

Chair, MDP 1

Chair, Media Prisme

Chair, Matching

MARTINE CHÊNE

64 rue du Parc – 34980 Saint-Gély-du-Fesc, France

Date of birth: 12 May 1950

Nationality: French

First appointed: 29 April 2008

Date of re-appointment: 6 May 2014

End of current term of office: 2017 OGM(1)

Number of Lagardère SCA shares held: 400

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 holds 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, France

Date of birth: 20 May 1950

Nationality: French

First appointed: 19 May 1998

Date of re-appointment: 3 May 2016

End of current term of office: 2019 OGM(1)

Number of Lagardère SCA shares held: 600

Member of the Appointments, Remuneration and Governance 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 held a number of management positions before becoming Chief Operating Officer in 1996. He was made Head of Corporate and Investment Banking at BNP Paribas from 1999 to 2003 and was Chief Operating Officer between June 2003 and June 2014.

Directorships and other positions held in other companies

In France:

Chairman of the Board of Directors, Nexans SA(2)

Director, FFP SA (Société Foncière, Financière et de Participations)(2)

Chairman, GCC Associés SAS

Outside France:

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

Director, Erbé SA (Belgium)

Director, Bouygues SA

Director, GBL – Groupe Bruxelles Lambert (Belgium)

Director, Alstom SA

Director, Verner Investissements SAS

Board Advisor (*censeur*), Exane SA

Chairman, BNP Paribas SA (Switzerland)

Deputy Chairman, Fortis Bank SA/NV (Belgium)

Director, CNP (Compagnie Nationale à Portefeuille – Belgium)

FRANÇOIS DAVID

6 rue Auguste Bartholdi – 75015 Paris

Date of birth: 5 December 1941

Nationality: French

First appointed: 29 April 2008

Date of re-appointment: 6 May 2014

End of current term of office: 2017 OGM(1)

Number of Lagardère SCA shares held: 600

Member of the Audit Committee of Lagardère SCA.

Chairman of the Appointments, Remuneration and Governance Committee of Lagardère SCA.

François David is a graduate of the Institut d'Études Politiques de Paris and École Nationale d'Administration, and holds a degree

(1) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the preceding year.
(2) Listed company.

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, before becoming Senior Advisor to Moelis & Company.

Directorships and other positions held in other companies

In France:

Honorary Chairman, Coface group[1]

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, Rexel

Member of the Supervisory Board, Areva

Member of the Board of Directors, Natixis Coficine

Director, Vinci

Chairman of the Board of Directors, Coface Services

Chairman, OR Informatique

Chairman of the Supervisory Board, Coface Kreditversicherung AG (Germany)

Chairman of the Board of Directors, Coface Assicurazioni (Italy)

YVES GUILLEMOT

28 rue Armand Carrel – 93100 Montreuil, France

Date of birth: 21 July 1960

Nationality: French

First appointed: 6 May 2014

End of current term of office: 2018 OGM[2]

Number of Lagardère SCA shares held: 600

Yves Guillemot is a graduate of the Institut de Petites et Moyennes Entreprises. He co-founded Ubisoft along with his four brothers in 1986, before becoming Chairman. Ubisoft expanded rapidly in France as well as on the main international markets. Yves Guillemot, now Chairman and Chief Executive Officer of the company, led Ubisoft to become one of the world's biggest video game publishers. Ubisoft employs 11,600 talented people across 31 countries, who create and sell video games published by Ubisoft and its partners in more than 55 countries around the globe.

In 2009, Yves Guillemot was named “Entrepreneur of the Year” by audit firm Ernst & Young. He also won the “Franco-Québécois Company Manager of the Year Award” in France in 2012, the “Personality Award” at the European Games Awards in Germany in 2011 and the "Grand Prix" at the MCV Awards in the UK in 2011.

Directorships and other positions held in other companies

In France:

President and Chief Executive Officer and Director, Ubisoft Entertainment SA[1]

Deputy Chief Executive Officer, Guillemot Corporation SA[1]

Director, Rémy Cointreau AMA SA[1]

Outside France:

Director and Deputy Chief Executive Officer, Guillemot Brothers SE (UK)

Director, Playwing Ltd (United Kingdom)

Yves Guillemot also holds the following positions within the Ubisoft, Guillemot Corporation and Guillemot Brothers SE groups, both in France and abroad:

In France:

Chairman of Ubisoft Annecy SAS, Ubisoft Emea SAS, Ubisoft France SAS, Ubisoft International SAS, Ubisoft Montpellier SAS, Ubisoft Motion Pictures Rabbids SAS, Ubisoft Motion Pictures Assassin's Creed SAS, Ubisoft Motion Pictures Splinter Cell SAS, Ubisoft Paris SAS, Ubisoft Production Internationale SAS, Nadéo SAS, Owlient SAS, Ubisoft Création SAS, Ivory Tower SAS, Ketchapp SAS

Chief Executive Officer, Guillemot Brothers SAS

General Manager of Ubisoft Learning & Development SARL, Ubisoft Motion Pictures SARL, Script Movie SARL, Ubisoft Mobile Games SARL, Ubisoft Paris – Mobile SARL, Ivory Art & Design SARL

Outside France:

General Manager of Blue Byte GmbH (Germany), Ubisoft GmbH (Germany), Ubisoft EooD (Bulgaria), Ubisoft Studios Srl (Italy), Ubisoft Entertainment SARL (Luxembourg), Ubisoft Sarl (Morocco)

Chairman and Director of Ubisoft Divertissements Inc. (Canada), Ubisoft Editions Musique Inc. (Canada), Hybride Technologies Inc. (Canada), Ubisoft Toronto Inc. (Canada), Ubisoft Nordic A/S (Denmark), Ubisoft Entertainment India Private Ltd (India), Ubi Games SA (Switzerland), Red Storm Entertainment Inc. (United States), Ubisoft CRC Ltd (United Kingdom), Ubisoft L.A. Inc. (United States)

Vice-Chairman and Director of Ubisoft Inc. (United States)

Chief Executive Officer and Director of Ubisoft Emirates FZ LLC (United Arab Emirates)

Executive Director of Shanghai Ubi Computer Software Co. Ltd (China), Chengdu Ubi Computer Software Co. Ltd (China)

Director of Ubisoft Pty Ltd (Australia), Ubisoft SA (Spain), Ubi Studios SL (Spain), Ubisoft Barcelona Mobile SL (Spain), Ubisoft Ltd (Hong Kong), Ubisoft SpA (Italy), Ubisoft KK (Japan), Ubisoft Osaka KK (Japan), Ubisoft BV (Netherlands), Ubisoft Srl (Romania), Ubisoft Ltd (United Kingdom), Ubisoft Reflections Ltd (United Kingdom), Red Storm Entertainment Ltd (United Kingdom), Future Games of London Ltd (United Kingdom), Ubisoft Singapore Pte Ltd (Singapore), Ubisoft Entertainment Sweden A/B (Sweden), RedLynx Oy (Finland), Malmö Fastighetseden 1 AB (Sweden), Ubisoft DOO Beograd (Serbia), Guillemot Inc. (Canada), Guillemot Inc. (United States), Guillemot Ltd (United Kingdom)

Yves Guillemot has also held the following positions within the Ubisoft, Gameloft, Guillemot Corporation and Guillemot Brothers groups, both in France and abroad, over the last five years:

In France:

Chairman of Ubisoft Motion Pictures Far Cry SAS, Ubisoft Motion Pictures Ghost Recon SAS

Executive Vice President and Director of Guillemot Brothers SE, Gameloft SE

Director of Guillemot Corporation SA

Managing Partner of Ubisoft Emea SARL

(1) Listed company.
(2) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the preceding year.

Outside France:

Chairman and Director of Technologies Quazal Inc. (Canada), Ubisoft Vancouver (Canada), Ubisoft Canada Inc. (Canada), L'Atelier Ubi Inc. (Canada), Ubisoft Musique Inc. (Canada), 9275-8309 Québec Inc. (Canada), Studio Ubisoft Saint-Antoine Inc. (Canada), Ubisoft Holdings Inc. (United States)

Chairman of Ubisoft LLC (United States)

General Manager of Spieleentwiclungskombinat GmbH (Germany), Related Designs Software GmbH (Germany)

Director of Ubisoft Sweden A/B (Sweden)

Director of Gameloft Divertissements Inc. (Canada), Gameloft Live Développements Inc. (Canada)

PIERRE LESCURE

38 rue Guynemer – 75006 Paris, France

Date of birth: 2 July 1945

Nationality: French

First appointed: 22 March 2000

Date of re-appointment: 3 May 2016

End of current term of office: 2019 OGM(1)

Number of Lagardère SCA shares held: 150

Member of the Appointments, Remuneration and Governance Committee of Lagardère SCA.

After graduating from the Centre de Formation des Journalistes in Paris, Pierre Lescure started his career as a radio journalist. He then moved into television, where he held a number of different positions. In 1984, he participated in the launch of France's first private TV channel, Canal+, becoming Chief Executive Officer in 1986. In 1994 he was appointed Chairman and Chief Executive Officer of the Canal+ group and, in 2001, Chief Operating Officer of Vivendi Universal. He left Vivendi Universal and the Canal+ group in April 2002. In November of the same year he was elected to the Board of Directors of Thomson Multimedia, before stepping down from the role in 2009. In June 2008, he was appointed director of the Theatre Marigny where he served until July 2013.

In 2013, at the request of the French government, he led a study on digital content and cultural policy in the digital era. He submitted his report *Acte II de l'exception culturelle à l'ère du numérique* (Act II of the cultural exception in the digital era) in May 2013.

He has been President of the Cannes Film Festival since July 2014.

Directorships and other positions held in other companies

In France:

Chairman, AnnaRose Productions SAS

Deputy Chairman, Molotov

Outside France:

Member of the Board of Directors of Kudelski(2) (Switzerland)

Directorships and other positions held during the last five years

Member of the Executive Commission, Prisa TV (Spain) and Digital+ (Spain)

Director, Théâtre Marigny

Director, Havas

JEAN-CLAUDE MAGENDIE

19 rue Raynouard – 75016 Paris, France

Date of birth: 24 May 1945

Nationality: French

First appointed: 27 April 2010

Date of re-appointment: 6 May 2014

End of current term of office: 2018 OGM(1)

Number of Lagardère SCA shares held: 600

Jean-Claude Magendie is a former magistrate. He started out as an examining judge (1970-1975) before becoming deputy general secretary to the First President of the Paris Court of Cassation, referendary at the same court, President of the Chamber at Rouen Court of Appeal, then Versailles Court of Appeal, President of the Créteil magistrates' court then the Paris magistrates' court (*Tribunal de grande instance de Créteil/Paris*), and finally First President of the Paris Court of Appeal.

Jean-Claude Magendie has written a number of reports on civil law procedure and mediation, and was Secretary General for the study commission on Europe and the legal professions.

He was also a Member of the Commission for analysis on prevention of conflicts of interest in public life.

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

President, European College for Conflict Resolution

Chairman, Association médiation entreprises

Arbitrator and mediator

Editor of the law section of the *Nouvel Économiste* newspaper

Directorships and other positions held during the last five years

Consultant for the French Union of Manufacturers (Unifab)

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

17 rue des Acacias – 75017 Paris, France

Date of birth: 8 April 1962

Nationality: French

First appointed: 3 May 2013

End of current term of office: 2017 OGM(1)

Number of Lagardère SCA shares held: 650

Member of the Appointments, Remuneration and Governance Committee of Lagardère SCA.

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

(1) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the preceding year.
(2) Listed company.

Association of Diversity Managers and founder of the French equivalent (AFMD).

Directorships and other positions held in other companies

Director and member of the Remuneration and Appointments Committee, Nexity(1)

Directorships and other positions held during the last five years

Member of the Board of Directors, Université Paris Dauphine

Director and Chair of the Audit Committee, FMM (France Médias Monde)

Member of the Educational Board, HEC Paris

Member of the Board of Directors, Institut du Monde Arabe (IMA)

HÉLÈNE MOLINARI

19 bis, rue des Poissonniers – 92200 Neuilly sur Seine, France

Date of birth: 1 March 1963

Nationality: French

First appointed: 3 May 2012

Date of re-appointment: 3 May 2016

End of current term of office: 2020 OGM(2)

Number of Lagardère SCA shares held: 600

Member of the Appointments, Remuneration and Governance Committee of Lagardère SCA.

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 social activities. She also supervised a number of support functions including the Corporate Secretary's department, and contributed to the drafting of the Afep-Medef Corporate Governance Code. 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.

In 2014, she became an executive corporate officer of AHM Conseil, a company specialising in the organisation of cultural events.

Directorships and other positions held in other companies

Member of the Strategy Committee, Be-Bound

Director and Chair of the Appointments Committee, Amundi(1)

Member of the Steering Committee, *Tout le monde chante contre le cancer* (cancer charity)

Member of the Steering Committee, *Prix de la femme d'influence*

Directorships and other positions held during the last five years

Vice President, Be-Bound

Member of the Board of Directors, NQT (*Nos quartiers ont des talents*)

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

Segre 16 – 2008 Madrid, Spain

Date of birth: 29 March 1956

Nationality: Spanish

First appointed: 29 April 2008

Date of re-appointment: 6 May 2014

End of current term of office: 2017 OGM(2)

Number of Lagardère SCA shares held: 600

Javier Monzón is an economist whose professional career has centred around finance and managing large corporations, including working for ten years at a major financial company in Spain. He became Chief Financial Officer and subsequently Executive Vice Chairman of Telefónica, responsible for corporate development, before taking up the position of Chairman of Telefónica International, gaining a wealth of practical experience in Latin America.

Between 1993 and 2015 he served as Chairman and Chief Executive Officer of Indra, Spain's largest IT company, with operations in more than 100 countries and more than 40 international subsidiaries. The company has a strong presence in Latin America, Europe, the Middle East, Asia and the United States.

He is currently Senior Advisor to the Santander Group as well as an investor and advisor to US- and Europe-based tech companies.

In addition to his corporate management roles, Javier Monzón has also been deeply involved in assisting non-profit organisations that aim to promote education, innovation and entrepreneurship.

Directorships and other positions held in other companies

Outside France:

Member of the Board and Chairman of the Compensation Committee, Ferroglobe(1) (United Kingdom)

Member of the Board of Banco Santander(1) and Senior Advisor to the Executive Chairman of Santander Group (Spain)

Member of the Board, ACS Servicios y Concesiones (Spain)

Member of the Advisory Board, Chemo Group (Spain)

Member of the Advisory Council of Trident Cybersecurity (United States)

Chairman of the Executive Committee, Knowledge and Development Foundation (Fundación CyD) (Spain)

Member of the Board, Endeavor (Spain)

Member of the Brookings International Advisory Council (United States)

Directorships and other positions held during the last five years

Chairman and Chief Executive Officer, Indra (Spain)

Member of the Board, ACS Group (Spain)

Member of the Board of Directors, YPF SA (Argentina)

Vice-President, Carlos III University (Spain)

(1) Listed company.
(2) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the preceding year.

FRANÇOIS ROUSSELY

73 rue de Miromesnil – 75008 Paris, France

Date of birth: 9 January 1945

Nationality: French

First appointed: 11 May 2004

Date of re-appointment: 3 May 2016

End of current term of office: 2019 OGM(1)

Number of Lagardère SCA shares held: 600

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 for 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 from 2009 until 2015.

In October 2015, he joined the investment banking firm Messier Maris et Associés.

Directorships and other positions held in other companies

Honorary senior advisor, French National Audit Office (*Cour des Comptes*)

Honorary Chairman, EDF

Directorships and other positions held during the last five years

Deputy Chairman, Crédit Suisse Europe

Deputy Chairman, Fondation du Collège de France

Chairman, Budé Committee (Collège de France)

Chairman and Chief Executive Officer, Crédit Suisse France

Chairman, Crédit Suisse Banque d'Investissement France

Member of the Board of Directors, Imagine Institute of Genetic Diseases

ALINE SYLLA-WALBAUM

Kingscliffe, Antrim road – London NW3 4XS, United Kingdom

Date of birth: 12 June 1972

Nationality: French

First appointed: 3 May 2013

End of current term of office: 2017 OGM(1)

Number of Lagardère SCA shares held: 610

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 was appointed International Managing Director (Luxury) of Christie's in September 2014. Before joining Christie's in 2012 as Managing Director of Christie's France, the world's leading art business, 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

Aline Sylla-Walbaum holds no positions in any other companies.

Directorships and other positions held during the last five years

Member of the Board of Directors, Musée d'Orsay

Vice-Chair of the Board of Directors, Orchestre de Paris

Member of the Board of Directors, Louvre-Lens museum

SUSAN M. TOLSON

3319 Prospect St. NW,

Washington, DC 20007, USA

Date of birth: 7 March 1962

Nationality: American

First appointed: 10 May 2011

Date of re-appointment: 5 May 2015

End of current term of office: 2019 OGM(1)

Number of Lagardère SCA shares held: 600

Susan M. Tolson graduated from Smith College in 1984 with a BA 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:

Director, WorldLine E-Payment Services(2) and Member of the Audit, Governance and Remuneration Committees

Honorary Chair, American Friends of The Musée d'Orsay

Outside France:

Director, the American Cinémathèque

Director, Terra Alpha LLC

Director, Outfront Media(2), Chair of the Governance and Appointments Committee and member of the Audit Committee

Director, Take-Two Interactive(2), member of the Audit Committee

Member of the Los Angeles World Affairs Council, the Paley Center For Media and the Los Angeles Society of Financial Analysts

Directorships and other positions held during the last five years

Director, America Media, Inc.

Member of the Board of Trustees, American University of Paris

Honorary Chair, American Women's Group in Paris

Director, Fulbright Commission

(1) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the preceding year.
(2) Listed company.

PATRICK VALROFF

26 rue de Clichy – 75009 Paris, France

Date of birth: 3 January 1949

Nationality: French

First appointed: 27 April 2010

Date of re-appointment: 6 May 2014

End of current term of office: 2018 OGM[1]

Number of Lagardère SCA shares held: 600

Member of the Audit Committee of Lagardère SCA.

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[2]

Member of the Financial Committee of the International Chamber of Commerce

Directorships and other positions held during the last five years

Patrick Valroff has not held any other directorships or other positions in the last five years.

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 A 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 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 interests 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 interests 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 and regulations in force or in the Confidentiality and Market Ethics Charter Applicable to Lagardère group Associates;
  - the mandatory holding period for performance share awards, pursuant to the rules set by the General Meeting and the Supervisory Board in accordance with the French Commercial Code (*Code de commerce*) and the recommendations of the Afep-Medef Corporate Governance Code (see the Special Report of the Managing Partners in section 7.3.5).

(1) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the preceding year.
(2) Listed company.

7.3 REMUNERATION AND BENEFITS AFR

7.3.1 MANAGING PARTNERS AND MEMBERS OF THE EXECUTIVE COMMITTEE

The Executive Committee, chaired by Arnaud Lagardère as Managing Partner of Lagardère SCA, holds meetings with the heads of the major central management functions of the Group. At 31 December 2016, two of them were, along with Arnaud Lagardère, Managing Partners and executive corporate officers.

At 31 December 2016, the members of the Executive Committee were as follows:

Arnaud Lagardère,	General and Managing Partner, Committee Chairman	Managing Partners
Pierre Leroy,	Secretary General, Co-Managing Partner	
Thierry Funck-Brentano,	Chief Human Relations, Communications and Sustainable Development Officer, Co-Managing Partner	
Ramzi Khiroun	Spokesman for Lagardère SCA, Chief External Relations Officer	

Remuneration paid to the members of the Executive Committee for their positions and duties within the Lagardère group and described below are entirely borne by their employer, Lagardère Capital & Management, and account for most of the management fees charged by Lagardère Capital & Management to Lagardère Ressources under the Service Agreement between the two companies. The purpose of this Service Agreement, which is described in more detail in sections 6.8 and 7.5.1 of this Reference Document, is to provide the Lagardère group with a series of specific management capabilities for its development. The Service Agreement was duly authorised and approved under legal rules governing related party agreements and in this respect is reviewed each year by the Audit Committee, Supervisory Board and the Statutory Auditors of Lagardère SCA.

Dominique D'Hinnin, previously Chief Financial Officer, Co-Managing Partner and member of the Executive Committee, left the Lagardère group in 2016. Details of remuneration paid to Dominique D'Hinnin in 2016 are included in this section, while the financial terms and conditions of his departure are set out in section 7.3.1.4 below.

7.3.1.1 REMUNERATION POLICY

The principles governing the remuneration policy of the members of the Executive Committee of Lagardère SCA were mainly determined in 2003 upon Arnaud Lagardère's appointment as General and Managing Partner. They have been applied consistently since that date, subject to changes in accordance with the recommendations of the Afep-Medef Corporate Governance Code which the Company uses as its corporate governance framework, so as to remain consistent with the Group's strategy, objectives and performance.

The aim of the remuneration policy is to achieve an equitable balance – through various vehicles – both individually and collectively, commensurate with the work performed and the level of responsibility, between a "fixed" portion (fixed portion of annual cash remuneration), and a "variable" portion directly linked to the Group's results, corporate life and development (variable portion of annual cash remuneration and performance share awards). Within the variable portion, a balance must also be sought between the portion based on short-term objectives (variable portion of annual cash remuneration based on inputs for the year concerned) and the portion based on long-term objectives (performance shares contingent on meeting specific performance targets over a minimum period of three consecutive years).

The objectives used to determine the variable portion of cash remuneration and the vesting of performance shares are mainly financial and are related to two indicators deemed essential to the Group's health: (i) recurring operating profit of fully consolidated companies, and (ii) the amount of net cash from operating activities of fully consolidated companies, which represents the cash flows generated by the Group's activities. These internal criteria were also selected in view of the specific situation of Lagardère SCA, which does not have any suitable market comparables in view of the diversity of its businesses.

With the exception of Arnaud Lagardère, the variable portion of cash remuneration also includes a portion dependent on non-financial criteria, which are used in a qualitative assessment of the performance of Executive Committee members, based on a set of specific priority targets assigned to them each year.

As conditions for the vesting of free shares, the financial targets described above are assessed over a period of at least three consecutive years. The vested shares only become available and freely transferable after a holding period of at least two years (i.e., five years after the granting of the potential rights). Additional lock-up conditions have been set for the Company's executive corporate officers, which relate to the holding of a minimum Lagardère SCA share portfolio for a quarter of these vested shares and the termination of the executive corporate officer's duties for another quarter of the shares. In view of the conditions of vesting and liquidity of the shares, this is a long-term remuneration plan, the final value of which is mainly based on changes in the Company's share price and the Group's results over a minimum period of five years.

Bonuses can also be granted, in very exceptional circumstances, in connection with one-off transactions requiring extensive involvement of Executive Committee members, particularly when the impacts of such transactions, despite being hugely significant for the Group, cannot be taken into account in determining the variable portion of remuneration.

The members of the Executive Committee have a conditional right to receive a supplementary pension in addition to benefits under the basic pension system. To be entitled to this supplementary pension, the beneficiary must still be with the Company at retirement age, barring exceptional cases. In addition, to receive the full amount, which cannot exceed 35% of the benchmark remuneration, itself limited to 50 times the annual limit defined by the French social security system, the beneficiary must have at least 20 years' seniority on the Executive Committee.

In light of all these elements, the members of the Executive Committee do not receive:

- multi-annual variable remuneration;
- attendance fees within the Group;
- benefits linked to taking up or terminating office;
- benefits linked to non-competition agreements.

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

Furthermore, Arnaud Lagardère, who is a major shareholder in the Company, has not received any share options or free share awards since he has been a Managing Partner.

The remuneration level is reviewed on a regular basis compared to the practices of other issuers for the purpose of identifying benchmarks and calibrating both processes and amounts.

The system establishes a strong correlation between the remuneration of senior management and the interests of shareholders, those of the Company and more generally its stakeholders, in line with the Group's strategy and objectives. It is applied in a fully transparent manner as shown by the information provided below.

7.3.1.2 COMPONENTS OF REMUNERATION

A) ANNUAL CASH REMUNERATION (FIXED PORTION)

Fixed remuneration is paid in 12 equal monthly instalments over the year. Arnaud Lagardère's fixed remuneration has not changed since 2009, while the fixed remuneration of the executive corporate officers has not changed since 2011.

Fixed remuneration is reviewed at relatively long intervals in accordance with the recommendations of the Afep-Medef Corporate Governance Code.

B) ANNUAL CASH REMUNERATION (VARIABLE PORTION)

Based on the benchmark amounts determined for each member of the Executive Committee, the variable portion of annual cash remuneration is calculated using both quantitative and qualitative criteria, except in the case of Arnaud Lagardère, whose variable remuneration is based solely on quantitative targets.

Benchmark amounts and ceilings

Since Arnaud Lagardère receives neither variable remuneration based on qualitative criteria nor share options or performance shares, his variable remuneration is based on a benchmark amount of €1,400,000. The quantitative criteria described below are then applied to this benchmark amount to determine a variable portion, which may not exceed 150% of his annual fixed remuneration.

For the other members of the Executive Committee, the benchmark quantitative and qualitative portions are equal. For the two executive corporate officers, the benchmark amounts are €300,000 each, representing an aggregate benchmark amount of €600,000 used as a basis for calculating their annual variable remuneration. The total annual variable remuneration for each executive corporate officer may not exceed 75% of annual fixed remuneration, and the portion based on qualitative criteria is capped at 33% of the annual fixed remuneration. Consequently, the qualitative portion for each executive corporate officer may not represent more than 44% of the maximum annual variable remuneration.

Overall, the benchmark amounts represent 62% of the fixed remuneration of members of the Executive Committee.

Quantitative portion

The quantitative portion of variable remuneration is linked directly to Group performance based on the benchmark amount in relation to the arithmetic average of the following two inputs, which represent key indicators of the Group's health:

- the difference between the target growth rate for recurring operating profit of fully consolidated companies communicated as market guidance at the beginning of the year (or the mid-point of a range of values if the growth rate was expressed as a range of values in the market guidance), and the growth rate in recurring operating profit actually achieved for the year concerned, calculated based on rules set out in the market guidance. This difference is applied on a directly proportional basis in the event of a negative change and at a rate of 10% per percentage point difference in the event of a positive change; an underperformance therefore has a greater impact than an outperformance;
- the percentage difference between the amount of net cash from operating activities of fully consolidated companies as forecast in the budget for the year/Group consolidated statement of cash flows for the year concerned, and the amount of net cash from operating activities of fully consolidated companies actually achieved for the year concerned; the differential is applied on a directly proportional basis.

The result calculated by applying the average of these two inputs may be impacted (downwards only) in the event of a negative change in recurring operating profit of fully consolidated companies for the year concerned in relation to the previous year, by directly multiplying the quantitative variable portion determined based on the two previous criteria by the negative change percentage.

For 2016, the relevant input-based formula detailed below results in the application of a factor of 1.37 to the quantitative benchmark amounts (versus 1.47975 in 2015 and 0.903 in 2014), leading to a quantitative variable portion of €1,711,093 for Arnaud Lagardère (after applying the relevant cap), and €411,000 for Pierre Leroy and Thierry Funck-Brentano.

	Recurring operating profit of fully consolidated companies	Net cash from operating activities	Average
2016 guidance	+10.00%		
2016 budget		€329.2 million	
2016 achievement	+13.5%	€457.9 million	
Difference	+3.5 points	+€128.7 million	
Impact	+35%	+39.09%	
Applicable factor	1.35	1.39	1.37
Change vs. 2015 recurring operating profit of fully consolidated companies			Positive
Final factor			1.37

Qualitative portion

The variable remuneration of the members of the Executive Committee (with the exception of Arnaud Lagardère) also includes a qualitative portion based on a series of specific priority targets related to the following three areas:

- rollout of the Group's strategic plan;
- quality of governance and management;
- implementation of the Group's CSR policy.

The performance levels achieved in these three areas, each of which has been given an equal weighting in determining the qualitative portion, are directly assessed by Arnaud Lagardère in his capacity as Managing Partner. His assessment is based in particular on reports prepared by the technical departments concerned (Human Resources, Compliance, etc.) and, for the objectives relating to the implementation of the Group's CSR policy, on a detailed report issued by the Sustainable Development Department.

The level of the qualitative performance can increase or decrease the benchmark amount set for each member of the Executive Committee, though the resulting amount may not under any circumstances exceed 33% of the individual's fixed salary for the year concerned.

In light of the achievements described below, Arnaud Lagardère deemed that the performance achieved by members of the Executive Committee in 2016 was either good or very good depending on the area assessed and that overall, the targets assigned had largely been met with solid input from members of the Executive Committee. In view of this assessment, Arnaud Lagardère decided to award Pierre Leroy and Thierry Funck-Brentano variable remuneration based on qualitative criteria of €349,800 each, corresponding to a factor of 1.166 applied to their qualitative benchmark amount (versus 1.083 in 2015 and 1 in 2014).

Rollout of the Group's strategic plan

In 2016, the Group's strategic transformation was based on the following three priorities:

1. withdrawing from declining businesses;
2. adapting existing activities and strengthening growth drivers;
3. investing in high-growth activities.

In terms of the first priority, the Group continued to divest its Distribution and Integrated Retail businesses, with sales of its operations in Belgium and Canada. The LeGuide.com group was also sold in 2016.

Regarding the second strategic priority, the Group continued to develop radio activities in Asia and Africa, to invest in e-Health, and to broaden Lagardère Sports expertise, notably with the design, construction and operation of the main fan zone during the UEFA Euro 2016 Championship, which picked up the Sporsora trophy in 2017.

In implementing its third strategic priority in 2016, the Group acquired the US publisher Perseus Books and several digital start-ups (Neon Play, Brainbow), thereby combining the eponymous expertise of Lagardère Publishing with pure player expertise in the fast-growing digital platform sector. Fast-paced development also continued in Travel Retail, with several successful major tender bids in the United States, Europe, Middle East and Asia-Pacific.

Quality of governance and management

The priority targets assigned to the members of the Executive Committee in this second area were related to:

1. defining and gradually rolling out an organisational action plan to meet the Group's growth imperatives;
2. safeguarding the Group's reputation and assets by implementing Compliance programmes.

Regarding the first target, the Executive Committee's work in 2016 focused primarily on the Group's corporate departments, which underwent considerable organisational changes, with more streamlined hierarchical reporting lines and clearer organisation charts and related functions. The foundations of the associated cost cutting plan were also successfully put in place.

These organisational changes also led to the appointment of several women and young managers to executive positions, and chimes with the Group's labour policy in terms of promoting diversity and a broad lineup of talent and putting in place talent mentoring structures.

In 2016, management succession plans for the four divisions were also reviewed by the Executive Committee.

Regarding the second target, under the impetus of the Managing Partners, Compliance accelerated the roll-out of various programs and developed new tools and procedures to improve program efficiency.

In the fight against corruption, a series of checks were put in place to ensure that the program has been duly rolled out in the four operating divisions (audit performed by the Internal Audit Department, more detailed internal control questionnaires). The program also began to be updated to reflect new legal requirements under the Sapin II law in France, which are expected to be deployed during 2017.

Besides the Compliance program focusing on international economic sanctions, the Group's four divisions have subscribed to a consolidated external database that references all "restrictive" measures and therefore enables systematic checks to be performed on partners.

Management of Compliance risks has also been strengthened, particularly as regards the procedure for reviewing cases submitted to the Financial Committee. The Group has also developed a procedure for managing potential incidents (flagging up and dealing with incidents, etc.) applicable to all Compliance programs.

The first Compliance risk map was also drawn up during the year. This exercise will be repeated yearly and will help define action plans in tune with the specific operating characteristics of each division. In 2016, Group Compliance also attended the annual risk and internal control review meeting organised with all of the divisions.

Lastly, the Group launched the personal data management program which is to be rolled out in 2017 and 2018, ahead of the entry into force of the EU Regulation on data protection ("GDPR").

Implementation of the Group's CSR policy

The Group continued to pursue the five priority targets it had defined in 2015 in relation to its CSR policy (described in section 5.3.1 of this Reference Document). Particular note was taken of the following achievements during the year:

1. **Representing diversity and supporting community initiatives**

   Training on decisional bias caused by stereotypes was rolled out to a first group of executives during the year, representing around 70 top managers. In 2015, this training helped raise awareness of these issues among members of Executive Committees within the divisions.

   Similarly, after the first review of recruitment procedures in 2015, followed by feedback and training in all divisions, a new review launched in September 2016 will enable the Group to gauge the progress accomplished.

   Support for female employees in accessing top management positions took shape in 2016 with a rise in the number of women executives, up from 36% in 2011 to 42% in 2016. The Managing Partners also encouraged the creation of a network to promote diversity, which is expected to be rolled out across the Group in 2017.

The Managing Partners also considered the sensitive topic of religion at work. The Code of Conduct was amended to reiterate the Group's position on this issue and a seminar was organised for the Group's entire HR function raising awareness in this area.

In terms of support for employees involved in community initiatives, available funding was doubled and employees were given the opportunity of selecting the organisations to be supported by means of an online vote on the Group's intranet page.

2. **Ensuring responsible digital management**

Measures implemented in 2015 to raise awareness among Group employees of data security issues were continued in 2016.

The new Group Innovation Network (GIN), set up in 2016 to support innovation within the divisions also helped raise employees' awareness of key innovation trends.

Lastly, the Managing Partners sharpened their focus on personal data protection ahead of the May 2018 application of the General Data Protection Regulation (GDPR). A task force was set up to look specifically at these issues and a data protection officer identified at Group level. A special new Compliance program is also being developed.

3. **Encouraging responsibility in the media**

After a year dominated by the COP21 Climate Conference in 2015, education was a priority focus for the Group's initiatives and commitments in 2016. The Jean-Luc Lagardère Foundation extensively promoted reading during the year, particularly through its partnership with the Institut du Monde Arabe, with which it awarded its fourth *prix de la littérature arabe* for Arab literature. It also began a monthly reading cycle in 2017.

All Lagardère Active media were also extensively involved in various events on major social issues, including women in society (especially via the Elle Active forum, during which a Co-Managing Partner took part in a mentoring workshop), promoting innovation (through the *Trophées de l'Avenir* awards organised by Europe 1) and the European project (with the "2016 Paris €-Day: ideas for reinventing tomorrow's Europe", organised by the *Journal du Dimanche* with Université Paris Dauphine).

4. **Fighting climate change**

In order to identify the biggest sources of greenhouse gas emissions related to its operations and the potential ways of reducing them, a first carbon audit® was carried out of the entire Group.

Efforts to reduce the Group's carbon footprint continued in the divisions. Lagardère Sports and Entertainment obtained ISO 20121 certification in connection with the design, creation and operation of the Eiffel Tower fan zone during the UEFA Euro 2016 Championship in Paris.

5. **Improving the Group's CSR performance**

The Group continued to be listed on the four sustainability indices (Vigéo Europe 120, Vigéo Eurozone 120, Stoxx Global ESG Leaders and MSCI Global Sustainability). It also continues to feature in the RobecoSAM ranking as a 2016 Sustainability Leader in the media industry.

To better identify the biggest CSR challenges, in late 2016 the Managing Partners launched a large-scale consultation programme involving internal and external stakeholders.

Lastly, the partnership signed with Ecovadis, which provides a supplier sustainability assessment platform, was strengthened by the launch of a CSR risk map relating to procurement activities. This should further improve the Group's focus on responsibility in the supply chain.

Components of variable remuneration granted for 2016

Based on the quantitative and qualitative criteria described above, the variable remuneration granted for 2016 is set out below.

Since variable remuneration can only be calculated after the year end, it will only be paid in 2017.

(in euros)	Minimum amount	Benchmark amount	Maximum amount (% of fixed remuneration)	Achievement rate applied to the benchmark amount	Variable remuneration	
					Amount to be paid	(% of fixed remuneration)
Arnaud Lagardère						
Quantitative	0	1,400,000	150%	1.37	1,711,093	150%
Qualitative	N/A	N/A	N/A	N/A	N/A	N/A
Total			**150%**		**1,711,093**	**150%**
Pierre Leroy						
Quantitative	0	300,000		1.37	411,000	27.88%
Qualitative	0	300,000	33%	1.166	349,800	23.73%
Total			**75%**		**760,800**	**51.61%**
Thierry Funck-Brentano						
Quantitative	0	300,000		1.37	411,000	34.08%
Qualitative	0	300,000	33%	1.166	349,800	29%
Total			**75%**		**760,800**	**63.08%**

C) EXTRAORDINARY REMUNERATION

The members of the Executive Committee did not receive any extraordinary remuneration for 2016.

D) DEFERRED VARIABLE REMUNERATION

The members of the Executive Committee do not receive any deferred variable remuneration.

E) MULTI-ANNUAL VARIABLE REMUNERATION

The members of the Executive Committee do not receive any multi-annual variable remuneration.

F) ATTENDANCE FEES

The members of the Executive Committee do not receive any attendance fees for their duties within the Lagardère group.

G) AWARD OF SHARE OPTIONS AND/OR PERFORMANCE SHARES

The members of the Executive Committee have not received share options since 2006. The last share option plan awarded in 2006 expired in 2016, with no options exercised.

Executive Committee members may, however, be awarded performance share rights by Arnaud Lagardère in his capacity as Managing Partner.

The performance share rights awarded to the executive corporate officers are also overseen by the Appointments, Remuneration and Governance Committee and the Supervisory Board which, in accordance with the recommendations of the Afep-Medef Corporate Governance Code decided that (i) the maximum value of the performance share rights awarded each year to an executive corporate officer would be set at one-third of that officer's total remuneration for the previous year, and (ii) the overall number of performance share rights awarded to all executive corporate officers could not represent more than 20% of the total performance share awards authorised by the shareholders.

Pursuant to the authorisation given by the shareholders, the performance share rights awarded each year to each of the executive corporate officers may also not exceed 0.025% of the number of shares comprising the Company's share capital.

Performance share rights have been awarded annually since 2009. Since 2015 these awards, which were previously made at the end of the year, have been decided during the first half of the year after publication of full-year results for the prior year.

Based on the four plans completed to date and their measurement in accordance with IFRS, the initial rights granted to the executive corporate officers represented 33% of the total remuneration received overall. The average aggregate ratio of the initial awards actually confirmed was 86.58% and the average number of shares vested to each executive corporate officer represented 0.019% of the share capital per year.

On 9 May 2016, under the new authorisation granted by shareholders at the 2016 General Meeting, the members of the Executive Committee were awarded a total of 88,000 performance share rights (representing 0.067% of the total number of shares comprising the share capital and a carrying amount of €1,635,040 under IFRS).

This award was made under the new conditions determining performance share awards, as approved by the Supervisory Board at its meeting of 9 March 2016 and presented to shareholders at the General Meeting on 3 May 2016. The new conditions described below significantly increase management's incentive to adopt a long-term view in which their interests are closely aligned with those of the Company and its shareholders.

- **Vesting period:** the shares awarded will not vest until 10 May 2019 subject to the fulfilment by that date of the presence and performance conditions.
- **Presence condition:** in order for the shares to vest, each executive corporate officer must still be an executive corporate officer of Lagardère SCA three years after the award, i.e., at midnight on 9 May 2019; however, this condition will still be deemed met in the event of forced termination for reasons other than misconduct. For the other Executive Committee members, the shares will only vest on the condition that at midnight on 9 May 2019, the beneficiaries have neither resigned nor been terminated and/or dismissed for serious or gross misconduct.
- **Performance conditions:** all free share rights awards are subject to the following performance conditions:
  - *Objective relating to growth in Group recurring operating profit*
    Vesting for 50% of the shares awarded is subject to the average annual growth rate for Group recurring operating profit over the 2016-2018 period being equal to or more than 7.79% (representing an increase of at least 33% compared with the average rate for 2013-2015).
  - *Objective relating to net cash from operating activities of fully consolidated companies*
    Vesting for 50% of the shares awarded is subject to the average annual amount of Group net cash from operating activities of fully consolidated companies over the 2016-2018 period being equal to or more than €475 million (representing an increase of at least 33% compared with the average amount for 2013-2015).

  For each of these two objectives, a minimum performance level has been set, corresponding to a 66% achievement rate for the objective (i.e., 5.14% for the Group recurring operating profit target and €313 million for the net cash from operating activities of fully consolidated companies target). If this minimum level is not reached, all of the performance share rights contingent on that objective will be forfeited. If the performance level for an objective is equal to or higher than this 66% threshold, the shares actually allocated will be calculated on a linear proportional basis (ranging from 0% to 100% of the shares concerned). Similarly, no additional shares will vest if the achievement rate is above 100%. Accordingly, there is no possibility of offset between the two objectives.
- **Holding of shares:** although no longer required by law, a standard holding period for all vested shares has been maintained at two years, running from 10 May 2019 to 10 May 2021 inclusive. On top of the standard holding period, each executive corporate officer would be required to keep in a registered share account (*nominatif pur*) (i) 25% of the fully vested shares until such time as he ceases to be an executive corporate officer of Lagardère SCA, and (ii) an additional 25% of the fully vested shares until such time as the value of the Lagardère SCA shares held by the executive corporate officer concerned equals at least one year's worth of his gross fixed and variable salary (calculated each year based on a) the average share price for the month of December of the previous year and b) the executive corporate officer's fixed and variable salary for the past year, with the maximum potential amount used for the variable portion). At the close of the mandatory holding periods, the corresponding shares will become transferable and can be traded under the terms and conditions established by law and regulations and in accordance with the black-out periods established by Lagardère SCA in its Confidentiality and Market Ethics Charter.

Pursuant to the recommendations of the Afep-Medef Corporate Governance Code, each executive corporate officer has formally agreed not to enter into transactions to hedge risks associated on their performance shares during the holding period.

H) BENEFITS LINKED TO TAKING UP OR TERMINATING OFFICE

No commitments or promises have been made to grant benefits linked to taking up or terminating office to the members of the Executive Committee.

Dominique D'Hinnin received severance benefits following his dismissal in 2016. Details of these benefits and of other financial conditions applicable to his departure are provided in section 7.3.1.4 below.

I) BENEFITS LINKED TO NON-COMPETITION AGREEMENTS

No commitments have been made to grant benefits linked to non-competition agreements to members of the Executive Committee.

J) SUPPLEMENTARY PENSION PLAN

A supplementary pension plan was set up by Lagardère Capital & Management on 1 July 2005 for members of the Executive Committee. This is a defined supplementary benefit plan as provided for in article L. 137-11 of the French social security code (*Code de la sécurité sociale*) and article 39 of the French Tax Code (*Code général des impôts*).

Only employees or senior managers of Lagardère Capital & Management who are members of the Executive Committee are eligible for this plan.

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 (i) termination (other than for serious misconduct) after the age of 55 providing the beneficiary does not take up another post, (ii) long-term disability, and (iii) early retirement. In addition, beneficiaries are required to have been members of the Executive Committee for at least five years at the date that they retire.

In the event of the beneficiary's death, 60% of the pension is transferable to the surviving spouse.

The beneficiaries of this plan acquire supplementary pension entitlements equivalent to 1.75% of the benchmark remuneration per year of seniority in the plan.

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). It cannot exceed 50 times the annual limit defined by the French social security system, i.e., a maximum amount of €1,930,800 in 2016.

Since the years of seniority used to calculate the benefit entitlements are capped at 20 years, the income replacement rate of the supplementary pension is capped at 35% of the benchmark remuneration, i.e., a maximum amount of €675,780 in 2016.

The entitlements are fully borne by the company and this benefit is taken into account in determining the overall remuneration of the members of the Executive Committee.

The characteristics described above fully comply with the recommendations of the Afep-Medef Corporate Governance Code.

At 31 December 2016, the estimated amounts of annual benefits payable to each of the executive corporate officers, in accordance with the provisions of article D. 225-104-1 II of the French Commercial Code, are €675,780 for Arnaud Lagardère and Pierre Leroy, and €644,205 for Thierry Funck-Brentano.

Under current social security laws (article L.137-11 of the French Commercial Code), the company is required to pay a contribution equal to 32% of the amount of the benefits, at the time that such benefits are paid.

In addition to the tax and social security contributions applicable to pensions (levied at a rate of 8.4%, of which 4.2% is tax-deductible), under current tax and social security laws, the annual benefits paid to the beneficiaries are also subject to a specific, non-tax-deductible contribution of 14%, before income tax and any surtaxes on high incomes.

K) BENEFITS IN KIND – BUSINESS EXPENSES

Travel and entertainment expenses incurred by the members of the Executive Committee in the course of their duties are borne by the Group.

Benefits in kind generally take the form of any potential personal use of a company car.

7.3.1.3 REMUNERATION AND BENEFITS OF MEMBERS OF THE EXECUTIVE COMMITTEE

A) GROSS REMUNERATION AWARDED (BEFORE DEDUCTING SOCIAL SECURITY CONTRIBUTIONS)

	2014	2015	**2016**
	(1)	(1)	(2)
Fixed remuneration	5,866,729	6,022,729	**5,724,579**
Variable portion due	3,357,500	4,530,484	**4,239,893**
Extraordinary compensation	4,400,000	550,000	**-**
Attendance fees	-	-	**-**
Total	13,624,229	11,103,213	**9,964,472**

(1) Arnaud Lagardère, Pierre Leroy, Dominique D'Hinnin, Thierry Funck-Brentano and Ramzi Khiroun (full-time).
(2) Arnaud Lagardère, Pierre Leroy, Thierry Funck-Brentano, Ramzi Khiroun (full-time) and Dominique D'Hinnin up to 1 October 2016.

B) SHARE OPTIONS

Date of plan/ AGM authorisation	No. of options originally granted	Exercise price	No. of beneficiaries	Options exercised in 2016	Options forfeited at end-2016	Options outstanding at end-2016	Exercise period
Subscription options							
None							
Purchase options							
Plans expired:							
18 Dec. 2003 23 May 2000	178,000	€51.45	5	0	178,000	0	18 Dec. 2005 to 18 Dec. 2013
20 Nov. 2004 11 May 2004	178,000	€41.64(*)	5	0	186,604(*)	0	20 Nov. 2006 to 20 Nov. 2014
20 Nov. 2005 11 May 2004	240,000	€45.69(*)	5	0	286,911(*)	0	21 Nov. 2007 to 21 Nov. 2015
14 Dec. 2006 11 May 2004	242,000	€44.78(*)	5	0	289,424(*)	0	14 Dec. 2008 to 14 Dec. 2016
Plans in force:							
None							

(*) After the adjustment of 20 June 2014.

C) FREE SHARE AWARDS

Date of plan/AGM authorisation	No. of shares awarded	No. of beneficiaries	No. of shares vested at end-2016	No. of shares forfeited at end-2016	No. of shares outstanding at end-2016	Vesting date
Plans expired:						
28 Dec. 2007	107,000	7	0(*)	107,000	0(*)	29 Dec. 2009
1 Oct. 2009 31 Dec. 2009	126,000	6	21,155	7,690	0	2 Oct. 2011(**) 2 April 2012(***)
17 Dec. 2010	126,000	5	69,547	56,453	0	18 Dec. 2012 2 April 2013(***)
29 Dec. 2011	119,000	5	72,054	31,946	0	30 Dec. 2013 2 April 2014(***)
25 June 2012	111,000	4	122,225(****)	10,764(****)	0	26 June 2014 1 April 2015(***)
Plans in force						
26 Dec. 2013	115,000	4	0	0	137,781(****)	1 April 2017
1 April 2015	116,000	4	0	0	116,000	1 April 2018
9 May 2016	88,000	3	0	0	88,000	10 May 2019

(*) No shares vested under this plan as the stock market performance condition was not met at 29 December 2009.
(**) 3 October 2013 for beneficiaries who are not French tax residents and 2 April 2014 for the executive corporate officer who is not a French tax resident.
(***) For the executive corporate officers.
(****) After the adjustment of 20 June 2014.

7.3.1.4 REMUNERATION AND BENEFITS OF THE MANAGING PARTNERS

Arnaud Lagardère

Summary of gross remuneration and benefits granted for the year (before deducting social security contributions)	2015		2016	
	Amounts receivable	Amounts received	Amounts receivable	Amounts received
Fixed remuneration	1,140,729	1,140,729	**1,140,729**	**1,140,729**
Variable remuneration	1,711,093(1)	1,264,200	**1,711,093(1)**	**1,711,093**
Extraordinary remuneration	-	-	**-**	**-**
Attendance fees	-	-	**-**	**-**
Benefits in kind	20,028	20,028	**18,616**	**18,616**
Total	2,871,850	2,424,957	**2,870,438**	**2,870,438**

(1) Since the variable portion of annual remuneration 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 share rights granted during the year: none.
- Performance shares that became available during the year: none.

Total remuneration and benefits, share options and performance shares granted	2015	2016
Remuneration and benefits receivable for the year (details in previous table)	2,871,850	**2,870,438**
Value of share options granted during the year	None	**None**
Value of performance share rights granted during the year	None	**None**
Total	2,871,850	**2,870,438**

Pierre Leroy

Summary of gross remuneration and benefits granted for the year (before deducting social security contributions)				
	2015		**2016**	
	Amounts receivable	Amounts received	Amounts receivable	Amounts received
Fixed remuneration	1,474,000	1,474,000	**1,474,000**	**1,474,000**
Variable remuneration	768,925(1)	570,900	**760,800(1)**	**768,925**
Extraordinary remuneration	-	-	**-**	**-**
Attendance fees	-	-	**-**	**-**
Benefits in kind	11,026	11,026	**16,281**	**16,281**
Total	2,253,951	2,055,926	**2,251,081**	**2,259,206**

(1) Since the variable portion of annual remuneration can only be calculated after the year-end, it is paid during the following year.

- Share options granted during the year: none.
- Share options exercised during the year: none.
- Performance share rights granted during the year: 32,000.

Performance share rights granted in 2016						
Authorisation of AGM	Date of the plan	No. of share rights awarded	Carrying amount under IFRS	Vesting date	Date of availability	Performance conditions
3 May 2016	9 May 2016	32,000	594,560	10 May 2019	11 May 2021(1)	(2)

(1) Applicable to 50% of the vested shares. The shares corresponding to the remaining 50% are subject to additional lock-up conditions (see section 7.3.1.2.G above).
(2) For further details, see section 7.3.1.2.G above.

- Performance shares that became available during the year: 12,008.

The mandatory holding period for the 24,018 performance shares which vested to Pierre Leroy on 2 April 2014 under the 29 December 2011 plan ended on 2 April 2016. According to the holding rules defined by the Supervisory Board in accordance with the applicable laws and with the recommendations of the Afep-Medef Corporate Governance Code, half of these shares are still subject to holding periods based on the valuation of Pierre Leroy's share portfolio and the termination of his duties.

- Performance shares that fully vested during the year: none.

Total remuneration and benefits, share options and performance shares granted		
	2015	**2016**
Remuneration and benefits receivable for the year (details in previous table)	2,253,951	**2,251,081**
Value of share options granted during the year	None	**None**
Value of performance share rights granted during the year	731,200	**594,560**
Total	2,985,151	**2,845,641**

Thierry Funck-Brentano

Summary of gross remuneration and benefits granted for the year (before deducting social security contributions)				
	2015		**2016**	
	Amounts receivable	Amounts received	Amounts receivable	Amounts received
Fixed remuneration	1,206,000	1,206,000	**1,206,000**	**1,206,000**
Variable remuneration	768,925(1)	570,900	**760,800(1)**	**768,925**
Extraordinary remuneration	-	-	**-**	**-**
Attendance fees	-	-	**-**	**-**
Benefits in kind	13,151	13,151	**13,644**	**13,644**
Total	1,988,076	1,790,051	**1,980,444**	**1,988,569**

(1) Since the variable portion of annual remuneration can only be calculated after the year-end, it is paid during the following year.

- Share options granted during the year: none.
- Share options exercised during the year: none.
- Performance share rights granted during the year: 32,000.

Performance share rights granted in 2016						
Authorisation of AGM	Date of the plan	No. of share rights awarded	Carrying amount under IFRS	Vesting date	Date of availability	Performance conditions
3 May 2016	9 May 2016	32,000	594,560	10 May 2019	11 May 2021(1)	(2)

(1) Applicable to 50% of the vested shares. The shares corresponding to the remaining 50% are subject to additional lock-up conditions (see section 7.3.1.2.G above).
(2) For further details, see section 7.3.1.2.G above.

- Performance shares that became available during the year: 18,013.

The mandatory holding period for the 24,018 performance shares which vested to Thierry Funck-Brentano on 2 April 2014 under the 29 December 2011 plan ended on 2 April 2016. According to the holding rules defined by the Supervisory Board in accordance with the applicable laws, a quarter of these shares are still subject to a holding period until the termination of Thierry Funck-Brentano's duties. Since the valuation of Thierry Funck-Brentano's share portfolio is higher than one year of his fixed and variable remuneration, the holding period established in accordance with the recommendations of the Afep-Medef Corporate Governance Code and applicable to a quarter of the shares, no longer applies.

- Performance shares that fully vested during the year: none.

Total remuneration and benefits, share options and performance shares granted		
	2015	**2016**
Remuneration and benefits receivable for the year (details in previous table)	1,988,076	**1,980,444**
Value of share options granted during the year	None	**None**
Value of performance shares granted during the year	731,200	**594,560**
Total	2,719,276	**2,575,004**

Dominique D'Hinnin

Dominique D'Hinnin left the Group in 2016, after his role as Co-Managing Partner was not renewed and he was dismissed. His employment contract with Lagardère Capital & Management expired on 1 October 2016, at the end of the statutory notice period.

Dominique D'Hinnin received the following payments for 2016 and in respect of his dismissal:

- annual gross fixed remuneration of €1,206,000, unchanged since 2011, calculated on a pro rata basis up to 1 October 2016, representing a total gross amount of €907,850;
- statutory remuneration for paid leave, representing a total gross amount of €163,774;
- gross variable remuneration of €500,000, based on the arithmetic average of his annual variable remuneration for the years 2014 and 2015 (€669,912), calculated on a pro rata basis up to 1 October 2016 and rounded down;
- gross severance pay totalling €3,744,799, within the limit of two years' fixed and variable remuneration recommended in the Afep-Medef Corporate Governance Code, corresponding to:
  - a statutory and conventional termination benefit of €2,812,199,
  - a settlement payment of €932,600 made pursuant to the terms of an agreement entered into after several weeks of negotiations between the opposing parties, putting a definite end to a serious ongoing dispute with Dominique D'Hinnin regarding the circumstances of his dismissal. The consequences of prolonging this dispute would have been extremely harmful for the Company;
- maintenance of all of the performance shares awarded under the 26 December 2013 and 1 April 2015 plans (i.e., a total of 70,339 performance shares), pursuant to the terms of these plans. The shares continue to be contingent on meeting the initial performance conditions, vesting periods, and holding requirements set;
- maintenance of rights to the defined benefit supplementary pension plan set up by Lagardère Capital & Management on condition that Dominique D'Hinnin does not take up any other position until he is entitled to his full state pension. His pension rights would then entitle him to benefits of €571,105 per year.

Summary of gross remuneration and benefits granted for the year (before deducting social security contributions)				
	2015		**2016**	
	Amounts receivable	Amounts received	Amounts receivable	Amounts received
Fixed remuneration	1,206,000	1,206,000	**907,850**	**907,850**
Variable remuneration	768,925[1]	570,900	**500,000**	**1,268,925**
Extraordinary remuneration	-	-	**-**	**-**
Attendance fees	-	-	**-**	**-**
Benefits in kind	10,120	10,120	**7,646**	**7,646**
Total	1,985,045	1,787,020	**1,415,496**	**2,184,421**

(1) Since the variable portion of annual remuneration can only be calculated after the year-end, it is paid during the following year.

These amounts are increased by the statutory and conventional benefits and the settlement payments for a total gross amount of €3,744,799, along with gross statutory compensation for paid leave totalling €163,774 described above and paid upon the departure of Dominique D'Hinnin from the Group.

- Share options exercised during the year: none.
- Performance share rights granted during the year: none.
- Performance shares that became available during the year: 28,981.

The mandatory holding period for the 24,018 performance shares which vested to Dominique D'Hinnin on 2 April 2014 under the 29 December 2011 plan expired on 2 April 2016. Following the termination of Dominique D'Hinnin's duties as executive corporate officer of Lagardère SCA, the specific holding requirements defined by the Supervisory Board in compliance with the applicable laws and with the recommendations of the Afep-Medef Corporate Governance Code, and which were still valid for the shares awarded in 2010 and vested in 2013, no longer apply.

- Performance shares that fully vested during the year: none.

Total remuneration and benefits, share options and performance shares granted		
	2015	**2016**
Remuneration and benefits receivable for the year (details in previous table)	1,985,045	**1,415,496**
Value of share options granted during the year	None	**None**
Value of performance share rights granted during the year	731,200	**None**
Total	2,716,245	**1,415,496**

Share options[1]

	Plans expired					
	2001 Plan	2002 Plan	2003 Plan	2004 Plan	2005 Plan	2006 Plan
Date of AGM	23 May 2000		23 May 2000 and 13 May 2003	11 May 2004		2 May 2006
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(*)	1,577,677(***)	1,736,769(**)	1,919,029(**)
O/w 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	50,433	62,345	62,350
Philippe Camus	20,224	20,222	30,333	30,336	50,000	50,000
Dominique D'Hinnin	30,336	30,333	40,444	50,433	62,345	62,350
Thierry Funck-Brentano	30,336	30,333	40,444	50,433	62,345	62,350
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(*)	€41.64(***)	€45.69(**)	€44.78(**)
Number of shares vested at 28 February 2017	30,336[2]	-	-	-	-	-
Total number of share options cancelled or forfeited:						
Arnaud Lagardère	50,560	50,554	-	-	-	-
Pierre Leroy		30,333	40,444	50,433	62,345	62,350
Philippe Camus	20,224	20,222	30,333	30,336	50,000	50,000
Dominique D'Hinnin	30,336	30,333	40,444	50,433	62,345	62,350
Thierry Funck-Brentano	30,336	30,333	40,444	50,433	62,345	62,350
Share options[1] outstanding at end-2016:						
Arnaud Lagardère	0	0	-	-	-	-
Pierre Leroy	0	0	0	0	0	0
Philippe Camus	0	0	0	0	0	0
Dominique D'Hinnin	0	0	0	0	0	0
Thierry Funck-Brentano	0	0	0	0	0	0

(1) Share purchase plans only.
(2) Exercised by Pierre Leroy on 20 December 2005.
(*) After adjustment on 6 July 2005.
(**) After adjustment on 20 June 2014.
(***) After adjustments on 6 July 2005 and 20 June 2014.

No options have been exercised under the 2005 and 2006 plans in view of Lagardère SCA share price trends.

Historical information on performance share awards

	Plan 1	Plan 2	Plan 3	Plan 4	Plan 5	Plan 6	Plan 7
Date of AGM	28 April 2009	28 April 2009	28 April 2009	28 April 2009	3 May 2013	3 May 2013	3 May 2016
Date of grant(*)	31 Dec. 2009	17 Dec. 2010	29 Dec. 2011	25 June 2012	26 Dec. 2013	1 April 2015	9 May 2016
Total number of free shares granted(**)	50,000	116,000	104,000	115,017	115,017	96,000	64,000
Of which granted to:							
Arnaud Lagardère(***)	-	-	-	-	-	-	-
Pierre Leroy	25,000	29,000	26,000	38,339	38,339	32,000	32,000
Philippe Camus	25,000	29,000	26,000	-	-	-	-
Dominique D'Hinnin	-	29,000	26,000	38,339	38,339	32,000	-
Thierry Funck-Brentano	-	29,000	26,000	38,339	38,339	32,000	32,000
Vesting date	2 April 2012 2 April 2014	2 April 2013	2 April 2014	1 April 2015	1 April 2017	1 April 2018	10 May 2019
End of holding period(****)	2 April 2014	2 April 2015	2 April 2016	1 April 2017	1 April 2019	1 April 2020	10 May 2021
Performance conditions	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of shares vested at 28 February 2017	42,310	59,547	72,054	104,253	0	0	0
Total number of shares cancelled or forfeited	7,690	56,453	31,946	10,764	0	0	0
Arnaud Lagardère	-	-	-	-	-	-	-
Pierre Leroy	3,845	9,151	1,982	3,588	0	0	0
Philippe Camus	3,845	29,000	26,000	-	-	-	-
Dominique D'Hinnin	-	9,151	1,982	3,588	0	0	-
Thierry Funck-Brentano	-	9,151	1,982	3,588	0	0	0
Performance shares outstanding at end-2016(**)	0	0	0	0	115,017	96,000	64,000
Arnaud Lagardère	-	-	-	-	-	-	-
Pierre Leroy	0	0	0	0	38,339	32,000	32,000
Philippe Camus	0	0	0	-	-	-	-
Dominique D'Hinnin	-	0	0	0	38,339	32,000	-
Thierry Funck-Brentano	-	0	0	0	38,339	32,000	32,000

(*) Since Lagardère SCA is a French partnership limited by shares, performance share awards are the responsibility of the Managing Partners and are only coordinated by the Supervisory Board.
(**) After adjustment on 20 June 2014.
(***) Arnaud Lagardère, Managing Partner, does not receive any performance shares.
(****) Applicable to 50% of the vested shares. The shares corresponding to the remaining 50% are subject to additional lock-up conditions (see section 7.3.1.2.G above).

Other information

Executive corporate officers	Employment contract[1]		Supplementary pension plan		Indemnities or benefits receivable or likely to be receivable due to a termination or change of function		Indemnities receivable 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 11 March 2015 for a six-year period		X	X[2]			X		X
Pierre Leroy Position:[a] Date of appointment: End of term of office:	NA[1]		X[2]			X		X
Thierry Funck-Brentano: Position:[b] Date of appointment: End of term of office:	NA[1]		X[2]			X		X
Dominique D'Hinnin: Position:[c] Date of appointment: End of term of office:	NA[1]		X[2]		X[3]			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 9 March 2016 for a six-year period.
(b) Chief Operating Officer of Arjil Commanditée-Arco, appointed in that capacity on 10 March 2010 for a six-year period and on 9 March 2016 for a further six-year period.
(c) Chief Operating Officer of Arjil Commanditée-Arco, appointed in that capacity on 10 March 2010 for a six-year period and not reappointed.
(1) The Afep-Medef Corporate Governance Code recommendations that company officers should not hold employment contracts with the company only apply to the following persons: Chairman of the Board of Directors, 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 Partners of French partnerships limited by shares (SCA).
(2) See section 7.3.1.2.J above.
(3) See section 7.3.1.4 above.

7.3.2 SUPERVISORY BOARD

7.3.2.1 REMUNERATION

At the Ordinary and Extraordinary General Meeting of 10 May 2011, the Company's shareholders raised the aggregate amount of annual attendance fees payable to Supervisory Board members 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 and the Appointments, Remuneration and Governance Committee (twice the basic portion) and the Chairman of the Supervisory Board and the Committee Chairmen (one basic portion).

The basic portion of attendance fees is equal to the total attendance fees divided by the total number of portions to which Board members are entitled.

In addition, the variable portion of these fees, which is determined based on attendance, represents 60% of these fees.

Attendance fees due to members of the Supervisory Board were as follows in 2015, 2016 and 2017 (in euros):

	2015 for 2014	2016 for 2015	2017 for 2016
Nathalie Andrieux	63,636.36	57,931.03	51,578.95
Martine Chêne	22,727.27	19,310.34	18,421.05
Georges Chodron de Courcel	42,727.27	53,103.45	52,500
François David	101,818.18	103,310.34	106,842.11
Xavier de Sarrau	113,636.36(1)	96,551.72(1)	92,105.26
Yves Guillemot	15,454.55	19,310.34	18,421.05
Pierre Lescure	45,454.55	50,206.90	43,657.89
Jean-Claude Magendie	22,727.27	19,310.34	18,421.05
Soumia Malinbaum	22,727.27	48,275.86	55,263.16
Hélène Molinari	22,727.27	48,275.86	55,263.16
Javier Monzón	17,272.73(1)	16,413.79(1)	18,421.05
François Roussely	22,727.27	19,310.34	15,657.89
Aline Sylla-Walbaum	59,090.91(1)	52,137.93(1)	51,578.95
Susan M.Tolson	22,727.27(1)	19,310.34(1)	15,657.89
Patrick Valroff	68,181.82	57,931.03	55,263.16
Total attendance fees paid	**663,636.35(1)**	**680,689.66**	**669,052.62**

(1) Less withholding tax.

Raymond Levy received €74,840.76 in retirement benefits for 2016, as provided for in his original employment contract.

Following the recommendation by the Appointments, Remuneration and Governance Committee, the Supervisory Board proposed that the Managing Partners should arrange for Xavier de Sarrau to receive an amount in addition to his attendance fees, in recognition of the many specific services he provides in connection with his office as Chairman of the Board. This remuneration is not a salary and was set at €240,000 per year with effect from 27 April 2010 when Xavier de Sarrau became Chairman of the Board.

7.3.2.2 SHARE OPTIONS

None.

7.3.2.3 RIGHTS TO FREE SHARES

None.

This page is left intentionally blank.

1 2 3 4 5 6 7 8 9 10 11

7.3.3 CONSULTATION OF SHAREHOLDERS ON THE COMPONENTS OF REMUNERATION PAYABLE OR GRANTED TO THE EXECUTIVE CORPORATE OFFICERS AND THE CHAIRMAN OF THE SUPERVISORY BOARD IN RESPECT OF 2016

In application of the recommendation set out in the Afep-Medef Corporate Governance Code to which the Company refers as its corporate governance framework, shareholders are invited to issue their opinion on the components of remuneration payable or granted in respect of 2016 to each of the Company's 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 and Thierry Funck-Brentano, in their capacity as Chief Operating Officers of Arjil Commanditée Arco, Managing Partner of Lagardère SCA;
- Dominique D'Hinnin, whose term of office as Chief Operating Officer of Arjil Commanditée-Arco, Managing Partner of Lagardère SCA, ended in 2016;
- Xavier de Sarrau, in his capacity as Chairman of the Supervisory Board of Lagardère SCA, which gives him the status of a non-executive corporate officer within the meaning of the November 2016 revised version of the Afep-Medef Corporate Governance Code.

The shareholders' opinion is sought regarding the components of remuneration, payable or granted to these persons in respect of 2016, taken as a whole. These components are described in detail in the preceding sections, and are summarised below in the format recommended in the guidelines of the Afep-Medef Corporate Governance Code.

ARNAUD LAGARDÈRE

Components of remuneration payable or granted for 2016	Gross amount or accounting value	Comments
Annual fixed remuneration	€1,140,729	▸ The gross amount of Arnaud Lagardère's annual fixed remuneration has not changed since 2009.
Annual variable remuneration	€1,711,093	▸ Arnaud Lagardère's annual variable remuneration is based solely on quantitative criteria related to the Group's performance in 2016 (growth rate for Group recurring operating profit compared with the target growth rate for Group recurring operating profit communicated as market guidance, and net cash from operating activities of fully consolidated companies compared with the budget prepared at the start of the year. The average figures calculated based on these two criteria may be reduced, where appropriate, by applying the ratio between Group recurring operating profit in 2016 and that generated in 2015 (see section 7.3.1 of the Reference Document). ▸ The achievement rate for the above criteria is applied to a benchmark amount of €1,400,000. ▸ Arnaud Lagardère's annual variable remuneration may not exceed 150% of his annual fixed remuneration. ▸ In light of the achievement rate attained in 2016 (1.37 versus 1.47975 in 2015 and 0.903 in 2014), Arnaud Lagardère's annual variable remuneration amounted to 150% of his annual fixed remuneration in 2016 (after applying the relevant cap).
Multi-annual cash-settled variable remuneration	N/A	▸ Arnaud Lagardère does not receive any multi-annual cash-settled variable remuneration.
Share options, performance shares and other grants of securities	N/A	▸ Arnaud Lagardère has not received any share options, performance shares, or other grants of securities since his appointment as Managing Partner in 2003.
Extraordinary remuneration	N/A	▸ Arnaud Lagardère did not receive any extraordinary remuneration for 2016.
Attendance fees	N/A	▸ Arnaud Lagardère was not entitled to and did not receive any attendance fees for 2016.
Benefits in kind	€18,616	▸ This corresponds to Arnaud Lagardère's potential personal use of his company car.
Benefits linked to taking up or terminating office	N/A	▸ Arnaud Lagardère is not entitled to any benefits of this nature.
Benefits linked to non-competition agreements	N/A	▸ Arnaud Lagardère is not entitled to any benefits of this nature.
Supplementary pension plan	€0	▸ Arnaud Lagardère is a beneficiary of the defined benefit supplementary pension plan set up by Lagardère Capital & Management for members of the Executive Committee. ▸ 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 (i) termination (other than for serious misconduct) after the age of 55 if the beneficiary does not take up another post, (ii) long-term disability, or (iii) early retirement. ▸ Arnaud Lagardère's pension benefit entitlements vest at a rate of 1.75% of the Benchmark Remuneration per year of membership of the plan. ▸ The Benchmark Remuneration corresponds to the average gross annual remuneration over the last five years (fixed and 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 (corresponding to a maximum of €1,930,800 in 2016). ▸ As the number of years of plan membership used to calculate the benefit entitlements is capped at 20, the supplementary pension cannot exceed 35% of the Benchmark Remuneration, i.e., a maximum amount of €675,780 in 2016. ▸ At 31 December 2016, the estimated amount of Arnaud Lagardère's annuity, calculated in accordance with the applicable regulations, would represent approximately 23.70% of his total gross remuneration (fixed and variable) paid in 2016. ▸ No benefits were due or paid to Arnaud Lagardère under this plan for 2016.

PIERRE LEROY

Components of remuneration payable or granted for 2016	Gross amount or accounting value	Comments
Annual fixed remuneration	€1,474,000	▶ The gross amount of Pierre Leroy's annual fixed remuneration has not changed since 2011.
Annual variable remuneration	€760,800	▶ Pierre Leroy's annual variable remuneration includes: – a portion based on quantitative criteria, determined by reference to the Group's performance in 2016 (growth rate for Group recurring operating profit compared with the target growth rate for Group recurring operating profit communicated as market guidance, and net cash from operating activities of fully consolidated companies compared with the budget prepared at the start of the year. The average of the figures calculated based on these two criteria may be reduced, where appropriate, by applying the ratio between Group recurring operating profit in 2016 and that generated in 2015 (see section 7.3.1 of the Reference Document); – a portion based on qualitative criteria, corresponding to a set of priority targets related to three domains, each of which are given an equal weighting: the rollout of the Group's strategic plan, the quality of governance and management, and the implementation of the Group's CSR policy (see section 7.3.1 of the Reference Document). ▶ The achievement rates for the above objectives are applied to a total benchmark amount of €600,000 (€300,000 for the qualitative portion and €300,000 for the quantitative portion). ▶ Pierre Leroy's annual variable remuneration may not exceed 75% of his annual fixed remuneration, and the amount of the qualitative portion is capped at 33% of his annual fixed remuneration. Consequently, the qualitative portion may not represent more than 44% of his maximum annual variable remuneration. ▶ In light of the achievement rates for these objectives in 2016 (1.37 for the quantitative objectives versus 1.47975 in 2015 and 0.903 in 2014; and 1.166 for the qualitative objectives versus 1.083 in 2015 and 1 in 2014), Pierre Leroy's annual variable remuneration amounted to 51.61% of his annual fixed remuneration in 2016.
Multi-annual cash-settled variable remuneration	N/A	▶ Pierre Leroy does not receive any multi-annual cash-settled variable remuneration.
Share options, performance shares and other grants of securities	€594,560	▶ In 2016, Pierre Leroy was awarded 32,000 rights to performance shares, representing 0.024% of the Company's share capital. ▶ These performance shares will vest after three years, in 2019, provided that (i) Pierre Leroy is still an executive corporate officer of the Company on the vesting date, and (ii) the following performance conditions have been met for the period from 2016-2018: – for 50% of the shares, the average annual growth rate for Group recurring operating profit must be equal to or more than 7.79% (representing an increase of at least 33% compared with the average rate for 2013-2015); – for 50% of the shares, the average annual amount of consolidated net cash from operating activities must be equal to or more than €475 million (representing an increase of at least 33% compared with the average amount for 2013-2015). ▶ For each of these two objectives a minimum performance level has been set corresponding to a 66% achievement rate for the objective. If this minimum level is not reached, all of the rights to performance shares contingent on that objective will be forfeited. If the performance level for an objective is equal to or higher than this 66% threshold, the shares actually allocated will be calculated on a linear proportional basis (ranging from 0% to 100% of the shares concerned). ▶ Vested performance shares must be held for at least two years. Subsequently, a quarter of the shares must be held until Pierre Leroy has constituted a portfolio of Lagardère shares whose value is at least equal to one year's worth of his remuneration, and another quarter must be held until he leaves his position within the Group. ▶ This performance share grant – which complied with the framework set by the Supervisory Board on 9 March 2016 – was carried out by the Managing Partners on 9 May 2016 using the authorisation given at the 3 May 2016 Annual General Meeting (12th resolution). ▶ Pierre Leroy did not receive any share options in 2016 and was not granted any securities other than the above-described performance shares.
Extraordinary remuneration	N/A	▶ Pierre Leroy did not receive any extraordinary remuneration for 2016.
Attendance fees	N/A	▶ Pierre Leroy was not entitled to and did not receive any attendance fees for 2016.
Benefits in kind	€16,281	▶ This corresponds to Pierre Leroy's potential personal use of his company car.

Components of remuneration payable or granted for 2016	Gross amount or accounting value	Comments
Benefits linked to taking up or terminating office	N/A	▶ Pierre Leroy is not entitled to any benefits of this nature.
Benefits linked to non-competition agreements	N/A	▶ Pierre Leroy is not entitled to any benefits of this nature.
Supplementary pension plan	€0	▶ Pierre Leroy is a beneficiary of the defined benefit supplementary pension plan set up by Lagardère Capital & Management for members of the Executive Committee. ▶ 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 (i) termination (other than for serious misconduct) after the age of 55 if the beneficiary does not take up another post, (ii) long-term disability, or (iii) early retirement. ▶ Pierre Leroy's pension benefit entitlements vest at a rate of 1.75% of the Benchmark Remuneration per year of membership of the plan. ▶ The Benchmark Remuneration corresponds to the average gross annual remuneration over the last five years (fixed and variable) and cannot exceed 50 times the annual ceiling used to calculate social security contributions (corresponding to a maximum of €1,930,800 in 2016). ▶ As the number of years of plan membership used to calculate the benefit entitlements is capped at 20, the supplementary pension cannot exceed 35% of the Benchmark Remuneration, i.e., a maximum amount of €675,780 in 2016. ▶ At 31 December 2016, the estimated amount of Pierre Leroy's annuity, calculated in accordance with the applicable regulations, would represent approximately 30.13% of his total gross remuneration (fixed and variable) paid in 2016. ▶ No benefits were due or paid to Pierre Leroy under this plan for 2016.

THIERRY FUNCK-BRENTANO

Components of remuneration payable or granted for 2016	Gross amount or accounting value	Comments
Annual fixed remuneration	€1,206,000	▸ The gross amount of Thierry Funck-Brentano's annual fixed remuneration has not changed since 2011.
Annual variable remuneration	€760,800	▸ Thierry Funck-Brentano's annual variable remuneration includes: – a portion based on quantitative criteria, determined by reference to the Group's performance in 2016 (growth rate for Group recurring operating profit compared with the target growth rate for Group recurring operating profit communicated as market guidance, and net cash from operating activities of fully consolidated companies compared with the budget prepared at the start of the year. The average of the figures calculated based on these two criteria may be reduced, where appropriate, by applying the ratio between Group recurring operating profit in 2016 and that generated in 2015 (see section 7.3.1 of the Reference Document); – a portion based on qualitative criteria, corresponding to a set of priority targets related to three domains, each of which are given an equal weighting: the rollout of the Group's strategic plan, the quality of governance and management, and the implementation of the Group's CSR policy (see section 7.3.1 of the Reference Document). ▸ The achievement rates for the above objectives are applied to a total benchmark amount of €600,000 (€300,000 for the qualitative portion and €300,000 for the quantitative portion). ▸ Thierry Funck-Brentano's annual variable remuneration may not exceed 75% of his annual fixed remuneration, and the amount of the qualitative portion is capped at 33% of his annual fixed remuneration. Consequently, the qualitative portion may not represent more than 44% of his maximum annual variable remuneration. ▸ In light of the achievement rates for these objectives in 2016 (1.37 for the quantitative objectives versus 1.47975 in 2015 and 0.903 in 2014; and 1.166 for the qualitative objectives versus 1.083 in 2015 and 1 in 2014), Thierry Funck-Brentano's variable remuneration amounted to 63.08% of his annual fixed remuneration in 2016.
Multi-annual cash-settled variable remuneration	N/A	▸ Thierry Funck-Brentano does not receive any multi-annual cash-settled variable remuneration.
Share options, performance shares and other grants of securities	€594,560	▸ In 2016, Thierry Funck-Brentano was awarded 32,000 rights to performance shares, representing 0.024% of the Company's share capital. ▸ These performance shares will vest after three years, in 2019, provided that (i) Thierry Funck-Brentano is still an executive corporate officer of the Company on the vesting date, and (ii) the following performance conditions have been met for the period from 2016 to 2018: – for 50% of the shares, the average annual growth rate for Group recurring operating profit must be equal to or more than 7.79% (representing an increase of at least 33% compared with the average rate for 2013-2015); – for 50% of the shares, the average annual amount of consolidated net cash from operating activities must be equal to or more than €475 million (representing an increase of at least 33% compared with the average amount for 2013-2015). ▸ For each of these two objectives a minimum performance level has been set corresponding to a 66% achievement rate for the objective. If this minimum level is not reached, all of the rights to performance shares contingent on that objective will be forfeited. If the performance level for an objective is equal to or higher than this 66% threshold, the shares actually allocated will be calculated on a linear proportional basis (ranging from 0% to 100% of the shares concerned). ▸ Vested performance shares must be held for at least two years. Subsequently, a quarter of the shares must be held until Thierry Funck-Brentano has constituted a portfolio of Lagardère shares whose value is at least equal to one year's worth of his remuneration, and another quarter must be held until he leaves his position within the Group. ▸ This performance share grant – which complied with the framework set by the Supervisory Board on 9 March 2016 – was carried out by the Managing Partners on 9 May 2016 using the authorisation given at the 3 May 2016 Annual General Meeting (12th resolution). ▸ Thierry Funck-Brentano did not receive any share options in 2016 and was not granted any securities other than the above-described performance shares.
Extraordinary remuneration	N/A	▸ Thierry Funck-Brentano did not receive any extraordinary remuneration for 2016.
Attendance fees	N/A	▸ Thierry Funck-Brentano was not entitled to and did not receive any attendance fees for 2016.
Benefits in kind	€13,644	▸ This corresponds to Thierry Funck-Brentano's potential personal use of his company car.

Components of remuneration payable or granted for 2016	Gross amount or accounting value	Comments
Benefits linked to taking up or terminating office	N/A	▸ Thierry Funck-Brentano is not entitled to any benefits of this nature.
Benefits linked to non-competition agreements	N/A	▸ Thierry Funck-Brentano is not entitled to any benefits of this nature.
Supplementary pension plan	€0	▸ Thierry Funck-Brentano is a beneficiary of the defined benefit supplementary pension plan set up by Lagardère Capital & Management for members of the Executive Committee. ▸ 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 (i) termination (other than for serious misconduct) after the age of 55 if the beneficiary does not take up another post, (ii) long-term disability, or (iii) early retirement. ▸ Thierry Funck-Brentano's pension benefit entitlements vest at a rate of 1.75% of the Benchmark Remuneration per year of membership of the plan. ▸ The Benchmark Remuneration corresponds to the average gross annual remuneration over the last five years (fixed and variable) and cannot exceed 50 times the annual ceiling used to calculate social security contributions (corresponding to a maximum of €1,930,800 in 2016). ▸ As the number of years of plan membership used to calculate the benefit entitlements is capped at 20, the supplementary pension cannot exceed 35% of the Benchmark Remuneration, i.e., a maximum amount of €675,780 in 2016. ▸ At 31 December 2016, the estimated amount of Thierry Funck-Brentano's annuity, calculated in accordance with the applicable regulations, would represent approximately 32.62% of his total gross remuneration (fixed and variable) paid in 2016. ▸ No benefits were due or paid to Thierry Funck-Brentano under this plan for 2016.

DOMINIQUE D'HINNIN

Components of remuneration payable or granted for 2016	Gross amount or accounting value	Comments
Annual fixed remuneration	€907,850	▸ This amount corresponds to the portion of Dominique D'Hinnin's annual fixed remuneration due for the period from 1 January to 1 October 2016, the date on which his employment contract was terminated. The total annual fixed remuneration used as the basis for this calculation was €1,206,000 (unchanged since 2011).
Annual variable remuneration	€500,000	▸ This amount corresponds to the proportion of Dominique D'Hinnin's annual variable remuneration due for the period from 1 January to 1 October 2016. It was calculated based on the average of his annual variable remuneration for 2014 and 2015 (€669,912), rounded down.
Multi-annual cash-settled variable remuneration	N/A	▸ Dominique D'Hinnin did not receive any multi-annual cash-settled variable remuneration.
Share options, performance shares and other grants of securities	N/A	▸ Dominique D'Hinnin did not receive any share options, performance shares, or other grants of securities in 2016.
Extraordinary remuneration	N/A	▸ Dominique D'Hinnin did not receive any extraordinary remuneration for 2016.
Attendance fees	N/A	▸ Dominique D'Hinnin was not entitled to and did not receive any attendance fees for 2016.
Benefits in kind	€7,646	▸ This corresponds to Dominique D'Hinnin's potential personal use of his company car until 1 October 2016.
Benefits linked to taking up or terminating office	€3,744,799	▸ This amount – which was paid at the end of Dominique D'Hinnin's employment contract on 1 October 2016 – corresponds to the following benefits: – a statutory and conventional termination allowance (€2,812,199); – a settlement payment (€932,600). The total amount of Dominique D'Hinnin's termination payment is below the ceiling of two years' worth of fixed and variable remuneration recommended in the Afep-Medef Corporate Governance Code.
Benefits linked to non-competition agreements	N/A	▸ Dominique D'Hinnin is not entitled to any benefits of this nature.
Supplementary pension plan	€0	▸ In accordance with the terms and conditions of the defined benefit supplementary pension plan set up by Lagardère Capital & Management for members of the Executive Committee, Dominique D'Hinnin will continue to be a beneficiary under the plan provided that he does not exercise any professional activity until the date on which he becomes entitled to receive a state pension. ▸ 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 (i) termination (other than for serious misconduct) after the age of 55 if the beneficiary does not take up another post, (ii) long-term disability, and (iii) early retirement. ▸ Dominique D'Hinnin's pension benefit entitlements vested at a rate of 1.75% of the Benchmark Remuneration per year of membership of the plan. ▸ The Benchmark Remuneration corresponds to the average gross annual remuneration over the last five years (fixed and variable) and cannot exceed 50 times the annual ceiling used to calculate social security contributions (corresponding to a maximum of €1,930,800 in 2016). ▸ As the number of years of plan membership used to calculate the benefit entitlements is capped at 20, the supplementary pension cannot exceed 35% of the Benchmark Remuneration, i.e., a maximum amount of €675,780 in 2016. ▸ In accordance with the above terms and conditions, the amount of the annuity for which Dominique D'Hinnin could be eligible provided that he does not exercise any other professional activity until the date on which he becomes entitled to receive a state pension corresponds to €571,105. ▸ No benefits were paid to Dominique D'Hinnin under this plan for 2016.
Other components of remuneration	€163,774	▸ This amount corresponds to the statutory compensation for paid leave due on termination of Dominique D'Hinnin's employment contract.

XAVIER DE SARRAU

Components of remuneration payable or granted for 2016	Gross amount or accounting value	Comments
Annual fixed remuneration	€240,000	▸ This remuneration – which does not constitute a salary – is awarded to Xavier de Sarrau on the recommendation of the Appointments, Remuneration and Governance Committee in return for the numerous specific tasks that he carries out in addition to and in connection with his duties as Chairman of the Board. ▸ The amount of this remuneration has not changed since Xavier de Sarrau took up office on 27 April 2010.
Annual variable remuneration	N/A	▸ Xavier de Sarrau does not receive any annual variable remuneration.
Multi-annual cash-settled variable remuneration	N/A	▸ Xavier de Sarrau does not receive any multi-annual cash-settled variable remuneration.
Share options, performance shares and other grants of securities	N/A	▸ Xavier de Sarrau does not receive any share options, performance shares or grants of other securities.
Extraordinary remuneration	N/A	▸ Xavier de Sarrau has not received any extraordinary remuneration since he took up office on 27 April 2010.
Attendance fees	€92,105.26	▸ This amount – which is subject to withholding tax – corresponds to the attendance fees due to Xavier de Sarrau in 2017 for the duties he performed as Chairman of the Supervisory Board and the Audit Committee in 2016. ▸ The aggregate amount of attendance fees allocated among Supervisory Board members was set by the shareholders at €700,000 at the Annual General Meeting of 10 May 2011. 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 Board Committees (twice the basic portion) and the Chairman of the Supervisory Board and the Committee Chairmen (one basic portion). The basic portion of attendance fees is equal to the total attendance fees divided by the total number of portions to which Board members are entitled. The variable portion of the fees, which is determined based on actual attendance at meetings, represents 60% of the total amount received. ▸ The amount due to Xavier de Sarrau for 2016 corresponds to five basic portions of attendance fees with an attendance rate of 100%.
Benefits in kind	N/A	▸ Xavier de Sarrau does not receive any benefits in kind.
Benefits linked to taking up or terminating office	N/A	▸ Xavier de Sarrau is not entitled to any benefits of this nature.
Benefits linked to non-competition agreements	N/A	▸ Xavier de Sarrau is not entitled to any benefits of this nature.
Supplementary pension plan	N/A	▸ Xavier de Sarrau is not a member of a supplementary pension plan.

7.3.4 TRANSACTIONS IN LAGARDÈRE SCA SHARES BY THE CORPORATE OFFICERS AND MEMBERS OF THE SUPERVISORY BOARD AND THEIR RELATIVES DURING 2016

7.3.4.1 MANAGING PARTNERS

Pursuant to article L. 621-18-2 of the French Monetary and Financial Code (*Code monétaire et financier*), the transactions in the Company's shares carried out in 2016, as set out below, were disclosed by the Managing Partners or the parties related to them:

LAGARDÈRE CAPITAL & MANAGEMENT

Lagardère Capital & Management, a legal entity related to Arnaud Lagardère, sold 411,389 Lagardère SCA shares for a total gross amount of €10,011,975.55 between 7 January 2016 and 6 April 2016.

PIERRE LEROY

Pierre Leroy, Co-Managing Partner, sold 22,508 shares for a total gross amount of €501,281.08 on 12 September 2016 and 13 September 2016.

7.3.4.2 MEMBERS OF THE SUPERVISORY BOARD

None.

***

To the best of the Company's knowledge, no other transactions in the Company's shares were carried out in 2016 by any executive or non-executive corporate officer or any parties related to them.

7.3.5 FREE SHARE AWARDS GRANTED BY LAGARDÈRE SCA OR ITS RELATED ENTITIES

SPECIAL REPORT OF THE MANAGING PARTNERS ON FREE SHARE AWARDS

Dear Shareholders,

Pursuant to the provisions of article L. 225-197-4 of the French Commercial Code (*Code de commerce*), please find below the required information related to transactions in free share awards carried out in 2016.

***

The policy on the award of free shares is intended to give the Lagardère group's executives worldwide a stake in the Group's growth and consequent rise in value.

It also offers a means of singling out executives who have made a notable contribution to the Group's results through their positive action.

In addition, it instils loyalty among those whom the Company wishes to retain for many years, specifically young executives with strong potential for professional growth, through whose efforts the Group will secure its growth as part of an established long-term strategy.

For Lagardère SCA's executive corporate officers, the members of the Enlarged Committee and the Group's executives, free share awards – which are all subject to performance conditions – are also an important way of incentivising and providing long-term compensation.

GENERAL INFORMATION

Free share awards granted by the Company

1. Vesting of free shares in 2016

In the course of 2016, 340,887 free shares vested. All of these shares were issued following a share capital increase carried out by capitalising reserves, and resulted in a share capital reduction by cancelling the same number of treasury shares, as part of the Company's share buyback programme.

- For employees residing overseas for tax purposes who are beneficiaries of the 25 June 2012 plan, 139,467 shares vested on 26 June 2016.
- For a first tranche of beneficiaries of the 22 December 2014 plan, 201,420 shares vested on 23 December 2016.

2. Rights to free shares awarded in 2016

Based on the authorisations given by the General Meeting of 3 May 2016 (12th and 13th resolutions), on 9 May 2016, the Managing Partners of the Company carried out the following awards:

- 362,340 rights to free shares (representing 0.28% of the total number of shares comprising the share capital) to 406 beneficiaries, employees and executive corporate officers of entities related to the Company;
- 467,320 rights to performance shares (representing 0.36% of the total number of shares comprising the share capital) to 45 beneficiaries, employees and executive corporate officers of entities related to the Company.

The performance conditions for the second plan are as follows:

- *Objective relating to growth in Group recurring operating profit:*

  Vesting for 50% of the shares awarded is subject to the average annual growth rate for Group recurring operating profit over the 2016-2018 period being equal to or more than 7.79% (representing an increase of at least 33% compared with the average annual growth rate for 2013-2015).

  No shares will vest in the event that the average annual growth rate for Group recurring operating profit over the 2016-2018 period is less than 5.14% (representing less than 66% of the objective relating to growth in Group recurring operating profit).

  Shares will vest proportionally on a linear basis (from 0% to 100% of the shares awarded) in the event that the average annual growth rate for Group recurring operating profit over the 2016-2018 period is between 5.14% and 7.79% (representing between 66% and 100% of the objective relating to growth in Group recurring operating profit).

- *Objective relating to net cash from operating activities of fully consolidated companies:*

  Vesting for 50% of the shares awarded is subject to the average annual amount of Group net cash from operating activities of fully consolidated companies over the 2016-2018 period being equal to or more than €475 million (representing an increase of at least 33% compared with the average annual amount for 2013-2015).

  No shares will vest in the event that the average annual amount of Group net cash from operating activities of fully consolidated companies over the 2016-2018 period is less than €313 million (representing less than 66% of the objective relating to Group net cash from operating activities of fully consolidated companies).

  Shares will vest proportionally on a linear basis (from 0% to 100% of the shares awarded) in the event that the average annual amount of Group net cash from operating activities of fully consolidated companies over the 2016-2018 period is between €313 million and €475 million (representing between 66% and 100% of the objective relating to Group net cash from operating activities of fully consolidated companies).

The shared characteristics of these two free share plans are as follows:

- *Three-year presence condition:*

  The shares will only vest on the condition that at midnight on 9 May 2019, the beneficiaries have neither resigned nor been terminated or dismissed for serious or gross misconduct.

  Similarly, the executive corporate officers of the three divisional holding companies of Lagardère Publishing, Lagardère Active and Lagardère Travel Retail who are members of the Enlarged Committee must still be in their positions at midnight on 9 May 2019, except in cases of forced termination for reasons other than misconduct.

  For information regarding Lagardère SCA's executive corporate officers, please see the relevant section below.

- *Vesting periods:*

  For beneficiaries residing in France for tax purposes at 9 May 2016, the shares will vest on 10 May 2019 following a three-year vesting period.

For beneficiaries residing overseas for tax purposes at 9 May 2016, the shares will vest on 10 May 2020 following a four-year vesting period.

– *Holding periods:*

For beneficiaries residing in France for tax purposes at 9 May 2016, the holding period has been set at two years (i.e., the shares must be kept in a registered account until 10 May 2021 inclusive).

Beneficiaries residing overseas for tax purposes at 9 May 2016 are not subject to a holding period once their shares are vested.

At the close of the mandatory holding periods, the shares will become transferable and can be traded under the terms and conditions established by law and regulations and in accordance with the black-out periods established by Lagardère SCA in its Confidentiality and Market Ethics Charter.

For information regarding the additional lock-up conditions applicable to Lagardère SCA's executive corporate officers pursuant to the applicable laws and the recommendations in the Afep-Medef Corporate Governance Code, please see the relevant section below.

– *Death or disability of a beneficiary:*

In the event that a beneficiary is deemed to have a disability that falls within the second or third categories provided for by article L. 341-4 of the French Social Security code (*Code de la sécurité sociale*) during the vesting period, or in the event of death, the beneficiary, or the representatives or heirs of such beneficiary depending on the circumstances, may request that the shares be vested in accordance with the terms and conditions provided for in the applicable laws and regulations.

The shares of a beneficiary who dies or is deemed to have a disability will become immediately transferable.

– *Value of the shares awarded:*

The value of the free shares awarded was €22.01 per share at the opening of trading on the Paris stock exchange on 9 May 2016. In accordance with IFRS, this same value was €18.58 per share for the shares vesting on 10 May 2019, and €17.45 per share for the shares vesting on 10 May 2020.

3. Free share award plans in force in 2016.

The main characteristics of all of the free share award plans which expired in 2016 or were in force as of 31 December 2016 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(**)
25 June 2012	645,800	37,210	732,239	-
26 December 2013	712,950	9,232	414,052	431,155
22 December 2014	306,120	15,700	201,420	89,000
1 April 2015	444,440	-	-	444,440
9 May 2016	829,660	800	-	828,860
Total	**2,938,970**	**62,942**	**1,347,711**	**1,793,455**

(*) Before the adjustment of 20 June 2014.
(**) After the adjustment of 20 June 2014.

***

Free share awards granted by entities or groups related to the Company

1. In December 2015, 123Billets, an entity in the Lagardère Active division, granted 20 free shares to a beneficiary. The corresponding rights were eliminated in 2016 following the departure of the beneficiary.

2. In the course of 2016, no other free shares were granted by entities or by groups related to Lagardère SCA within the meaning of article L. 225-197-2 of the French Commercial Code, or by entities controlled by Lagardère SCA within the meaning of article L. 233-16 of said code.

SPECIFIC INFORMATION ON THE EXECUTIVE CORPORATE OFFICERS AND EMPLOYEES OF LAGARDÈRE SCA

1. In 2016, Pierre Leroy and Thierry Funck-Brentano, employees of Lagardère Capital & Management and Lagardère SCA executive corporate officers, were each awarded 32,000 rights to performance shares under the 9 May 2016 plan described above (representing 0.024% of the total number of shares comprising the share capital and a carrying amount of €594,560 under IFRS).

   In accordance with the recommendations in the Afep-Medef Corporate Governance Code, the performance shares were granted in compliance with the framework laid down by Lagardère SCA's Supervisory Board which, in its meeting on 9 March 2016, confirmed the terms and conditions governing the ceilings, performance conditions and lock-up conditions applicable to free shares awarded to the executive corporate officers.

   In addition to the performance conditions described above, in order for the shares to fully vest, each executive corporate officer must still be in his position three years after the award (i.e., at midnight on 9 May 2019), except in cases of forced termination for reasons other than misconduct.

   On top of the standard holding period applicable from 10 May 2019 to 10 May 2021 inclusive, each executive corporate officer would be required to keep in a registered share account (*nominatif pur*) (i) 25% of the fully vested shares until such time as he ceases to be an executive corporate officer of Lagardère SCA, and (ii) an additional 25% of the fully vested shares until such time as the value of the Lagardère SCA shares held by the executive corporate officer concerned equals at least one year's worth of his gross fixed and variable salary (calculated each year based on a) the average share price for the month of December of the previous year, and b) the executive corporate officer's fixed and variable salary for the past year, with the maximum potential amount used for the variable portion). At the close of the mandatory holding periods, the corresponding shares will become transferable and can be traded under the terms and conditions established by law and regulations and in accordance with the black-out periods established by Lagardère SCA in its Confidentiality and Market Ethics Charter.

   In accordance with the recommendations of the Afep-Medef Corporate Governance Code, Lagardère SCA's two executive corporate officers have formally undertaken not to hedge the risks related to the value of the performance shares awarded to them.

2. In 2016, Lagardère SCA's executive corporate officers were not awarded any other free shares by the entities and groups related to Lagardère SCA within the meaning of article L. 225-197-2 of the French Commercial Code, or by companies that it controls within the meaning of article L. 233-16 of said Code.

3. In 2016, Lagardère SCA's nine employees were awarded a total number of 54,480 rights to performance shares under the 9 May 2016 plan described above (representing 0.042% of the total number of shares comprising the share capital and a carrying amount of €1,012,238.40 under IFRS), i.e., an average number of 6,053 rights to shares awarded per person (representing 0.005% of the total number of shares comprising the share capital and an amount of €112,465 under IFRS).

4. In 2016, Lagardère SCA's employees were not awarded any free shares by the companies and groups related to Lagardère SCA within the meaning of article L. 225-197-2 of the French Commercial Code, or by companies that it controls within the meaning of article L. 233-16 of said Code.

7.3.6 OPTIONS TO SUBSCRIBE FOR OR PURCHASE SHARES OF LAGARDÈRE SCA OR ITS RELATED ENTITIES

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 2016.

GENERAL INFORMATION

Share options granted by the Company

1. During 2016, no new options to subscribe for or purchase Lagardère SCA shares were awarded.
2. The main characteristics of the last share option plan which expired in 2016 are summarised in the table below.

Plan	Number of beneficiaries	Number of options originally awarded*	Exercise price**	Options exercised at end-2016	Options forfeited at end-2016**	Options outstanding at end-2016**	Period of exercise
Subscription options:							
None							
Purchase options:							
14 Dec. 2006	451	1,844,700	€44.78	0	2,224,829	0	14 Dec. 2008 to 14 Dec. 2016
Total					**2,224,829**	**0**	

(*) Before the adjustment of 20 June 2014.
(**) After the adjustment of 20 June 2014.

3. No options were exercised in 2016 due to Lagardère SCA share price levels, which ranged between €18.35 and €27.27, whereas the purchase prices of the remaining plan still in force was €44.78.

Share options granted by entities or groups related to the Company

1. In the course of 2016, no other share subscription or purchase options were granted by entities or by groups related to Lagardère SCA within the meaning of article L. 225-180 of the French Commercial Code, or by entities controlled by Lagardère SCA within the meaning of article L. 233-16 of said code.
2. There were no longer any share option plans in force, or which expired in 2016, within the aforementioned entities or groups.

SPECIFIC INFORMATION ON THE EXECUTIVE CORPORATE OFFICERS AND EMPLOYEES OF LAGARDÈRE SCA

1. In 2016, the Company's executive corporate officers were not awarded any share options by Lagardère SCA, the entities or groups related to it within the meaning of article L. 225-180 of the French Commercial Code, or by companies that it controls within the meaning of article L. 233-16 of said Code.
2. In 2016, the Company's employees were not awarded any share options by Lagardère SCA, the entities or groups related to it within the meaning of article L. 225-180 of the French Commercial Code, or by companies that it controls within the meaning of article L. 233-16 of said Code.
3. In 2016, neither the executive corporate officers nor the employees of the Company exercised the Lagardère SCA share purchase options which had been granted to them under the 2006 plan.

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 589 companies in 2016 (the full list of consolidated companies can be found in the notes to the consolidated financial statements).

The Group's operations are mainly focused on media activities: Publishing, Travel Retail, Press, Radio/Television, Audiovisual Production, Digital, Advertising Sales Brokerage, and business lines related to Sports and Entertainment. These operating activities are controlled respectively through Lagardère Media via Hachette Livre, Lagardère Travel Retail, Lagardère Active and Lagardère Sports and Entertainment.

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 with the approval of the Supervisory Board. Each executive corporate officer represents the Company in its relations with third parties and engages its responsibility. The Managing Partners are responsible for:

- determining the Group's strategy;
- 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 executive corporate officers under the conditions set out in sections 7.3.1 and 7.5 of this document.

B.2 Governance, management and supervisory bodies of the divisions

Operating activities are conducted by legally independent companies grouped together in the following business divisions: Lagardère Publishing, Lagardère Travel Retail, Lagardère Active and Lagardère Sports and Entertainment.

Each division has its own organisation, which has been set up by its senior executive under the Managing Partner's control; the various companies and resources in each division are functionally grouped together under a specific holding company.

Each division senior executive is responsible for the general management of the holding company.

All the members of these holding companies' governance, management and supervisory bodies are appointed by Lagardère SCA through its subsidiary Lagardère Media.

The division senior executives and their subsidiaries exercise their responsibilities under the control of their governance or supervisory bodies. The Group appoints the majority of members of the governance and supervisory bodies.

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 systems.

The following description has been prepared by the Risk and Internal Control Department, with the assistance of the Group's Audit Department and Legal Department, and covers the key points of the Reference Framework and its application guidelines.

C.2 Objectives and limitations of the internal control system

Lagardère SCA has introduced a certain number of internal control procedures within the Group 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's financial statements.

Equity-accounted companies over which Lagardère SCA only exercises significant influence are not covered by the Group's internal control system, although the Group may have specific rights related to its status as a reference shareholder.

Companies that have recently entered the scope of the Lagardère SCA internal control system must progressively adapt 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 their responsibilities, the Managing Partners rely on various committees and the Group's Corporate Departments.

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

7.4.1.2.A MAIN MANAGEMENT COMMITTEES AND MONITORING ACTIVITY

A.1 The Executive Committee and Enlarged Committee

The Executive Committee assists the Managing Partners in the following duties:

- determining the Group's strategy;
- guiding its development and control;
- taking the major management decisions required for this and ensuring that they are implemented group-wide.

At 31 December 2016, it comprised the executive corporate officers and the spokesman for the Managing Partners, the Chief External Relations Officer. It enlists the help of any of the Group's senior managers it considers to be of use to accomplish its mission.

The Managing Partners are also supported by the Enlarged Committee, which is made up of the members of the Executive Committee, the Group Chief Financial Officer and division senior executives, as well as the General Counsel of Lagardère SCA. It meets every month.

A.2 The Financial Committee

After the Executive Committee, the Financial Committee is the most important entity in terms of monitoring and controlling the Group's operating activities.

The Financial Committee is chaired by the Group's Chief Financial Officer, and includes representatives from the Group's Corporate Departments concerned by the topics discussed in order to bring to bear all the requisite skills to accomplish its mission.

Its principal task is to examine and monitor, in cooperation with the main managers of each division concerned, any significant investments (or disposals) and commitments made, e.g., through the acquisition of shareholdings in non-Group companies.

A.3 Other Committees

Monthly business reviews are conducted for each division to monitor activity. The General and Managing Partner, the Group's Chief Financial Officer, as well as the senior executive and Chief Financial Officer of the division concerned, generally take part in these reviews.

The Budget Committee reviews and monitors on an annual basis the budget for the coming year and the three-year plan. It includes the General and Managing Partner, the Group Chief Financial Officer, as well as the senior executive and Chief Financial Officer of the division concerned.

The Reporting Committee, chaired by the Group's Chief Financial Officer, conducts a monthly review with all the divisions' finance 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 and take any necessary corrective action.

Each month the Cash Flow Reporting Committee, chaired by the Group's Chief Financial Officer, examines 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, presented in Chapter 6 of this Reference Document.

Lastly, the Counterparty Risks Committee regularly analyses the counterparty described in the above-mentioned note presented in Chapter 6 of this Reference Document.

7.4.1.2.B THE GROUP'S CORPORATE DEPARTMENTS

The Managing Partners are supported by the Group's Corporate Departments in implementing, monitoring and following up their decisions. The Group's Corporate Departments have the following missions:

- providing expert technical support to the Managing Partners and to 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 the Group 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, managing the Human Resources Department where expressly delegated by the General and Managing Partner acting in his capacity as Chairman of Lagardère Sports and Entertainment's Management Committee.

Depending on their functional responsibilities, the Corporate Departments report to the Secretary General, Chief Human Relations, Communications and Sustainable Development Officer, or to the Chief Financial Officer, all three of whom are 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 material resources are grouped together within Lagardère Ressources, a wholly-owned subsidiary of Lagardère SCA. This company employs almost 150 people and is chaired by the Group Secretary General.

As its duties are performed for the benefit of Lagardère SCA as well as for all of the subsidiaries, Lagardère SCA has various service agreements with Lagardère Ressources and the divisional holding companies, under which it receives a fee in consideration corresponding to a percentage of consolidated sales (or consolidated gross margin for Lagardère Travel Retail).

Some of the Corporate Departments are more specifically involved in the implementation of internal control and risk management within the Group, particularly the Group Audit Department, the Group Legal Department, Compliance Department, Management Control Department, Accounting Department, Group IT Department and 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 its resources. The Group's divisions manage their human resources independently, under shared principles and commitments (in particular the Group Talent Management Policy) 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.

7.4.1.4 APPLICABLE LAWS AND STANDARDS

The Group's business is governed by specific laws and regulations, as set out in section 3.3.1.

As explained in section 5.3.1.2 – CSR players and governance, the Lagardère group endeavours to respect a certain number of rules established by national and international bodies regarding business enterprises.

Internally, the Lagardère group has drawn up a number of charters, codes and policies to supplement national and international regulations, in order to provide a framework for its activities and the conduct of its employees and partners.

The Responsible Procurement Policy and Responsible Supplier Charter seek to involve all external partners in respecting the Group's values and commitments.

The Lagardère group Code of Conduct sets out a collection of guidelines at Group level, directly transcribing Lagardère's values and providing a set of shared ethical standards for all Lagardère employees.

The Confidentiality and Market Ethics Charter Applicable to Lagardère Group Associates, in addition to the provisions of the Lagardère group Code of Conduct on confidentiality and securities transactions, defines the rules under which Group employees may trade in the Lagardère share, and implements preventative measures to limit situations that could give rise to insider misconduct.

The Information System Security Policy sets out the practices to be complied with and the resources to be implemented to protect information systems throughout the Group.

The Commitment Procedure defines certain best practices and sets out the process and criteria for validating projects involving significant investments, disposals and commitments within the Lagardère group.

The General Financing Policy of the Lagardère Group and Subsidiaries organises the financing of transactions and Group entities.

The Anti-Corruption/Anti-Bribery Policy, which is an integral part of the compliance and anti-corruption programme.

The International Economic Sanctions Policy, which is an integral part of the compliance programme.

Lastly, the Group is rolling out a policy to improve the prevention, detection and processing of cases of fraud.

Where necessary, these various 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 on the various components of internal control.

The production of financial and accounting information is also governed by standards and guidelines.

These standards and guidelines define the common principles for preparing the consolidated financial statements and monitoring budgets to forecasts, and must be applied by all persons involved in the Group's financial reporting process. Among them, the Lagardère group Reporting Manual 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 by 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 financial and accounting 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 as well as dedicated tools for websites.

The divisions are responsible for managing their own information systems. However, there are also Group applications, such as the single management system presented below in section 7.4.1.6.G – Financial reporting.

The IT Department supervises these systems and ensures they are in line with the Group's objectives in the long term. It works in liaison with the Risk and Internal Control Department on the management of IT risks in 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 below in section 7.4.1.6.G – Financial reporting, 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 and 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;
- all financing operations (loans or advances to third parties).

Limits may be set based on the type of operation. Planned acquisitions and disposals are reviewed by 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 a summary of the benefits of the proposed transaction for the Group and division concerned, 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 companies consolidated and/or controlled through incorporation of current account advances.

7.4.1.6.B FINANCE AND CASH MANAGEMENT

The Treasury and Financing Department has a policy 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 investment. 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 to the consolidated financial statements presented in Chapter 6 of this Reference Document.

The Group's General Management and the divisions' finance managers regularly adjust the hedging policy and the corresponding control system in 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 their responsibility, 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 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 any regulations that may concern Lagardère SCA and its various divisions (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, as Lagardère SCA is listed on Euronext Paris Compartment A. As a listed company, in 2016 Lagardère revised its various internal procedures on market abuse, in order to bring them into line with new French and European regulations in this area.

A central database has also been set up at the instigation of the Group Legal Department, to centralise corporate information on virtually all of the Group's French and foreign entities.

Since the creation of the Group Compliance Department within the Group Legal Department in 2013, the compliance organisation defined with the Managing Partners in 2012 has been rolled out and its various actions are now in progress. These include: (i) defining compliance strategy to detect, prevent and deal with the risks facing the Group in the ordinary course of its operations; (ii) designing, implementing and proactively coordinating the rollout of compliance programmes within the divisions that are appropriate to the Group's challenges; (iii) awareness-raising measures; (iv) monitoring transactions (risk analysis and management) and handling any potential risk events.

The Group Compliance Department, under the authority of the Group Legal Department, draws on the assistance of the compliance officers in each division and on the network of correspondents within the various operating units. It interacts on a constant basis with the operational teams and the main corporate departments (Finance, Legal, Risk and Internal Control, Internal Audit, IT, Sustainable Development, etc.).

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.

A number of division Compliance Officers were appointed in 2013, who in turn appointed Compliance Correspondents within their divisions, drawn from the various support departments (legal, finance and HR) and responsible for ensuring that the procedures put in place for each programme are properly applied and for reporting any cases of non-compliance.

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 very well-known brands, which they directly manage and protect.

As the Lagardère brand is used through the Group's activities, and due to the resulting exposure, Lagardère SCA is careful about protecting the brand and regularly extends international protection to cover areas where the Group is currently developing or expanding. Accordingly, protection for the Lagardère brand is established in all the continents.

Furthermore, Lagardère SCA implemented brand licensing agreements for use by the four divisions in the ordinary course of their operations.

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 or image terms are considered significant for the Group. All other division-level litigation is handled by the Legal Department of the division concerned.

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 data they contain. The operating entities are responsible for rolling out this policy locally.

The Group's IT Department makes tools available to Group entities to assist with strengthening the protection of their information systems and data.

7.4.1.6.G FINANCIAL REPORTING

G.1 The reporting system: frequency and timing

The Lagardère group's financial reporting system is broken down by division, each of which is responsible for the data it reports.

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 financial data reporting, 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 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, the Group's divisions establish their three-year budgets, and submit to the Financial Committee a summary comprising the following key information with notes:

- sales;
- operating income and expenses;
- profit (loss) before finance costs and tax;
- net finance costs;
- profit (loss) for the year;
- cash flows from operations;
- free cash flow;
- total cash from (used in) operating and investing activities;
- capital increases;
- dividends;
- capital employed;
- net debt.

These data are integrated into the single database referred to above, and used in preparing the Group's annual budget and three-year plan.

G.3 Monthly Group reports, internal reporting

Each Group company's finance department enters data from its own monthly accounts into the Group's financial database.

For each entity, these data include a balance sheet, an income statement and a statement of cash flows with notes, and the principal key indicators from the income statement.

Careful attention is paid to regular updates to 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 with comments by division:

- sales;
- operating profit/(loss) of fully consolidated companies;
- income (loss) from equity-accounted companies 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 (see Chapter 6). Through its Counterparty Risks Committee, the Finance Department also produces regular analyses of the counterparty risks described in the same note (see Chapter 6).

G.4 Interim and annual consolidated financial statements

Additional information is supplied for the preparation of the interim and 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 intragroup 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

Each year, the Managing Partners receive assurance from the Statutory Auditors that they have had access to all of the information necessary for their engagement and 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 by decisions of the Managing Partners are informed 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 portal.

Applications and collaborative software packages are also available through the Group's intranet portal, so that information can be appropriately communicated to everyone according to their needs, both in the Corporate Departments and the divisions.

7.4.1.8 RISK MANAGEMENT PROCEDURES

Like all companies, 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 the 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 organisational structure, the operational and functional managers remain in charge of the risks related to their respective fields of activity.

General Management at headquarters 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 a fully integral part of the Group's management procedures.

However, certain specific procedures are dedicated, for example, to 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. 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;
- surveys to assess the security of the IT systems and networks;
- 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;
- legal reporting, as described in section 7.4.1.9.B.2 – Monitoring legal affairs;
- review and regular renegotiation of insurance programmes;
- thematic reviews conducted as and when necessary.

Lagardère SCA and its divisions regularly undertake general risk mapping exercises in order to rank the main risks to which the Group could consider itself exposed.

The factors taken into account for risk analysis include: potential severity, likelihood of occurrence, possible scenarios, internal and external limiting or aggravating factors, current and proposed control measures.

These items are subject to formal reporting procedures, the results of which are presented to the Managing Partners and to the Audit Committee.

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, changes in consumer behaviour and technological developments such as the expansion of digital products, tools and market players.

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 procedures that help identify and quantify these risks. Derivatives are used exclusively for non-speculative hedging transactions.*"

Regarding interest rate risks: "*The Group does not use daily active interest rate management techniques in relation to any of its financial assets or liabilities. Cash investments are made in fixed-income instruments selected for their high-quality issuer entities and with maturities appropriate to the planned duration of the investments. Speculative or high-risk investments are not permitted.*"

C.4 Risk 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 the Procurement 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 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."

C.6 Operational risks

C.6.1 Personal injury

Each division puts in place specific measures to protect Group employees on business in sensitive countries and locations.

In addition, since the 2015 Paris attacks, extra security measures have been put in place for premises in Paris under the Group's responsibility, in liaison with the appropriate authorities.

C.6.2 Security of information systems

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 recurring internal-assessment surveys for IT system and network security, which are included in the Group’s internal control self-assessment system. The last survey was conducted in 2015, and focused 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;
- access control;
- acquisition, development and maintenance;
- management of incidents;
- legal and regulatory compliance.

All measures to preserve data confidentiality, protect systems against intrusion, and minimise the risk of system breakdown are adjusted based on the results of this survey and the monitoring thereof. Group entities also receive recommendations based on the results of the surveys.

In order to guard against the increasing IT threats described in Chapter 3 of the Reference Document, in 2015 the Group began to bolster its technical and human expertise, under the supervision of the Group IT Department. This work was continued through 2016.

C.6.3 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.

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.

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.

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 as the relatively small amounts do not justify separate identification.

C.6.4 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 raising among the Group’s employees, and implements a policy to improve the prevention, detection and processing of fraud.

C.7 Insurance policies – risk coverage

The financial consequences of certain risks can be covered by insurance policies when this is justified by their scale and providing that 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 or temporary policies.

The Group generally seeks to insure all 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.

Within the Treasury and Financing Department, the Insurance 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 its business lines, size, 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 referred to in section 7.4.1.10.B, and cover the following areas:

Cycle	Process
Purchasing	Purchases
Finance	Accounts receivable
	Tax
	Accounts payable
	General ledger
	Investments
	Treasury
	Asset management
Risk management	Risk management
	Insurance administration
Legal	Legal
	Legal recordkeeping
	Compliance
HR	Travel and expenses
	Payroll
	Human resources management
	Personnel administration
Information systems	Information systems
Sales	Distribution
	Sales management
Real estate	Real estate

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 certain Corporate Departments and, at the same time, the Lagardère group's bank covenants.

The Group's Chief Financial Officer reviews the divisions' and the Group's counterparty risks on a regular basis, with the assistance of certain 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 Budget Committee also validates the annual budget and the three-year plan proposed by each of the divisions.

Each month the Reporting Committee is responsible for verifying that the budget is adhered to by each of the divisions.

Lastly, 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 any exceptional transactions planned, reported under the procedure described in section 7.4.1.4, and is therefore represented at all Financial Committee meetings. Exceptional transactions include:

- planned financial investments and divestments;
- contractual commitments which individually involve financial commitments or off-balance sheet commitments that are significant at Group level;
- 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, information and documents relating in particular to the following topics:

- relations with national or supranational administrative bodies;
- exceptional transactions, above and beyond those submitted to the Financial Committee;
- disputes representing an individual or annual financial impact of more than €5 million or involving a risk for the Group's image;
- non-competition commitments;
- change of control and key man clauses;
- insolvency, bankruptcy and administration procedures.

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 relevant operating entities. 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. To this end, the Risk Management and Internal Control Committee, whose members include representatives of Lagardère SCA, the senior executive and persons responsible for risk management and internal control of the division concerned, meets once a year and is tasked with monitoring the effectiveness of risk management and internal control with each division.

7.4.1.10.A PERMANENT MONITORING OF THE RISK AND INSURANCE MANAGEMENT SYSTEM

As mentioned in section 7.4.1.8.A.2, the Risk and Internal Control Department proposes and manages the Lagardère group's risk management policy.

As part of its work, the Risk and Internal Control Department is responsible for preparing a report summarising the Group's risks, monitoring and alerting the Managing Partners and the divisions, and analysing the Group's cross-business risks. More specifically:

- The Risk and Internal Control Department provides methodological support and advice, particularly for the identification, analysis and quantification of risks.
- The Department provides support to the Managing Partners by analysing the Group's cross-business or specific risks.
- 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. This exercise was reviewed in detail in 2016. The Risk and Internal Control Department monitors the main risks identified and puts in place related control measures.

In order to fulfil its duties, the Risk and Internal Control Department collaborates with the Corporate Departments and a network of correspondents within the divisions, particularly their Chief Financial Officers.

Within the Treasury and Financing Department, the Insurance Department coordinates insurance programmes for Group entities, employees and corporate officers. Each 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 Insurance Department to manage all or part of their insurance programme.

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. The department has a correspondent in each division – the Internal Control Manager – who is responsible for coordinating the internal control system. He or she reports to a member of the division's General Management, usually the Chief Financial Officer. This organisation ensures effective 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 each year for internal control within Lagardère SCA's main entities/subsidiaries. This procedure draws on dedicated IT tools, is managed by the Internal Control Managers and is 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 220 points of control.

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.

This internal control self-assessment also includes the internal-assessment surveys for IT system and network security described in section 7.4.1.8.C.6.2.

Each division senior executive also sends a detailed report to the Chairman of the Supervisory Board on risk management and internal control within their division.

7.4.1.10.C PERMANENT MONITORING OF INFORMATION SYSTEMS

C.1 Security

As described in section 7.4.1.8.C.6.2, the Group's IT Department, together with the Risk and Internal Control Department, carries out regular surveys to self-assess the security of the IT systems and networks, helping improve their security. The last survey was conducted in 2015.

Based on these surveys, the IT Department makes recommendations to the entities concerned to ensure that the level of security is satisfactory based on the Lagardère group's IT security policy.

C.2 Changes in the single management system

The single management system described in section 7.4.1.6.G – Financial reporting, and its settings are upgraded to the latest versions as often as necessary. Specific resources (as described in 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. Equity-accounted companies which are jointly-controlled by the Group may also be audited. 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 Group and division 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, Remuneration and Governance Committee at its meeting of 1 March 2017 and by the Audit Committee at its meeting of 2 March 2017 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 8 March 2017.

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.

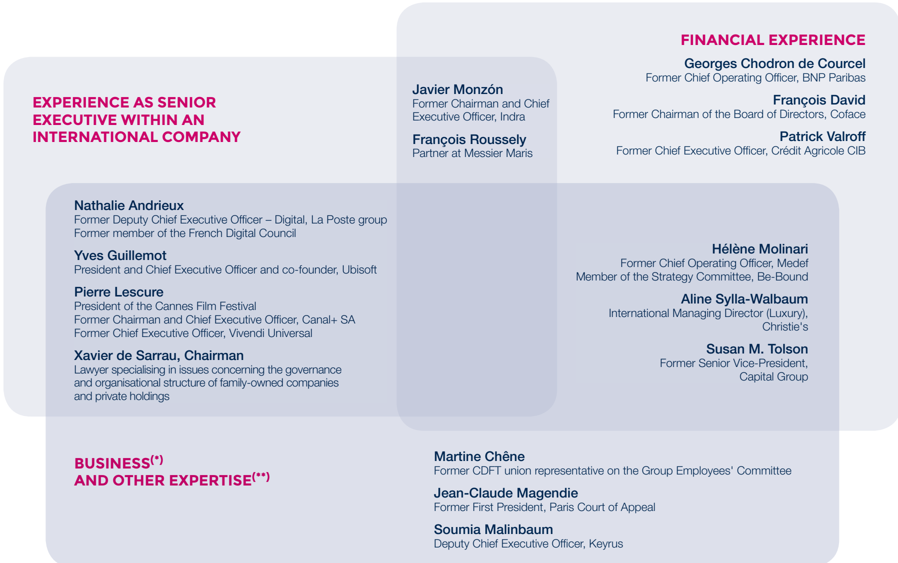
Around a quarter of Board members are replaced or re-appointed each year. Members are appointed for a maximum term of four years.

At 31 December 2016, the Board comprised 15 members: Xavier de Sarrau (Chairman), Nathalie Andrieux, Martine Chêne, Georges Chodron de Courcel, François David, Yves Guillemot, 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 the Reference Document) form a competent, independent and attentive Supervisory Board, fully able to represent shareholders' interests.

Further to the recommendation of the Appointments, Remuneration and Governance 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/or legal) as well as their knowledge of the Group's businesses so that it can exercise its supervisory duties in full. Moreover, the Board complied with the provisions of the Copé-Zimmerman law concerning gender parity in advance as the 40% quota was met at the 2013 Annual General Meeting.

The following chart illustrates these objectives:



(*) Media/Distribution/Innovation/New technologies.
(**) Legal/Governance/Social relations/Diversity.

In view of its supervisory duties, the Board must have a majority of independent members.

A review of each member of the Supervisory Board's position by the Appointments, Remuneration and Governance Committee has concluded that all Supervisory Board members qualify as independent members in the light of the criteria for independence, applied by the Supervisory Board and contained in the Afep-Medef Corporate Governance Code for Listed Companies, which it has taken as a benchmark framework for analysis (see table below).

The Supervisory Board has concluded that in the absence of any financial transactions between Messier Maris and the Group, François Roussely continues to qualify as an independent member irrespective of his appointment as partner at that bank.

As set out in the table below, none of the Board members has any business relationships with the Group.

Summary table of Supervisory Board members' compliance with the independence criteria set out in the Afep-Medef Corporate Governance Code at 31 December 2016

	X. de Sarrau	N. Andrieux	M. Chêne	G. Chodron de Courcel	F. David	Y. Guillemot	P. Lescure	J.C. Magendie	S. Malinbaum	H. Molinari	J. Monzón	F. Roussely	A. Sylla-Walbaum	S. Tolson	P. Valroff
Independence criteria set out in the Afep-Medef Corporate Governance Code and applied by the Supervisory Board															
Not to be an unprotected employee or executive corporate officer of the Company or its parent company or a company that it consolidates, and not to have been in such a position for the previous five years	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Not to be an executive corporate officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive corporate officer of the Company (currently in office or having held such office for less than five years) is a director or member of the Supervisory Board	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Not to be, directly or indirectly, related to a customer, supplier, investment or commercial banker: ▸ that is material to the Company or the Group, ▸ or for which the Company or the Group represents a significant proportion of its business	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Not to be related by close family ties to a Managing Partner	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Not to have been an auditor of the Company within the previous five years	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Not to hold, directly or indirectly, 10% or more of the share capital or voting rights of the Company or of the Group or be related in any way whatsoever to a shareholder with an investment greater than 10% of the Company or a Group company	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Conclusion	Independent	Independent	Independent	Independent	Independent	Independent	Independent	Independent	Independent	Independent	Independent	Independent	Independent	Independent	Independent
Independence criteria set out in the Afep-Medef Corporate Governance Code and not applied by the Supervisory Board															
Not to have been a member of the Supervisory Board for more than twelve years	✓	✓	✓	✗	✓	✓	✗	✓	✓	✓	✓	✗	✓	✓	✓

2. BOARD'S INTERNAL RULES AND OPERATION (PREPARATION AND ORGANISATION OF THE SUPERVISORY BOARD'S WORK)

The terms and conditions of the Supervisory Board's organisation and operations are set out in its internal rules (updated on 30 November 2016), 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, the Group or its Management that could compromise their freedom of judgement or participation in the work of the Board. It lists a 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 statutory provisions, 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 three 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, Remuneration and Governance 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 position 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. During these meetings, the Committees report to the Board on their work. The Supervisory Board defines an annual schedule for its meetings, four of which are planned for 2017. During 2016, the Supervisory Board met four times with an attendance rate of 93% at each meeting (see attendance table below):

- on 9 March, mainly to review the parent company and consolidated financial statements and the general business position and outlook, undertake preparatory work for the Annual General Meeting, approve the report of the Chairman of the Supervisory Board and finalise its report to the shareholders. During this meeting, the Supervisory Board unanimously approved the re-appointment of Arjil Commanditée-Arco – represented by Arnaud Lagardère (Chairman and Chief Executive Officer), Pierre Leroy (Deputy Chairman and Chief Operating Officer) and Thierry Funck-Brentano (Chief Operating Officer) – as Managing Partner for a six-year term. Further to the recommendation of the Appointments, Remuneration and Governance Committee, the Supervisory Board also decided to approve the conditions for awarding performance shares to the executive corporate officers and reviewed the agreement signed and authorised during a previous year that remains in effect;
- on 8 June, to review recent developments within the Group, in particular relating to human resources at Lagardère Active (presentation given by Denis Olivennes), and the situation at Hachette Livre (presentation given by Arnaud Nourry, Marie-Claire Wastiaux and Ronald Blunden);
- on 7 September, mainly to review the interim parent company and consolidated financial statements and the business position and outlook. A presentation was also given on the Group Innovation Network, and the work plan for 2017 approved;
- on 30 November, to review the Group's general situation and strategy. Thierry Funck-Brentano gave a presentation on the Group's human resources policy, and Dag Rasmussen discussed recent developments in the Lagardère Travel Retail division. The findings of the self-assessment of the operation and membership of the Supervisory Board and its Committees were also presented. Lastly, the Board amended its internal rules to bring them into line with the European regulation on market abuse, which was recently introduced.

Following this Board meeting, the members met without the Managing Partners in attendance.

In June 2016, the Supervisory Board convened for a seminar during which its members discussed the Group's strategy. Presentations were also given on some of the Group's business lines, including publishing, televisual production and the women's segment, as well as related advertising.

Members' attendance at Supervisory Board and Committee meetings in 2016

Member of the Board	Attendance rate at Supervisory Board meetings	Attendance rate at Audit Committee meetings	Attendance rate at Appointments, Remuneration and Governance Committee meetings
Nathalie Andrieux	100%	83%	
Martine Chêne	100%		
Georges Chodron de Courcel	75%		100%
François David	100%	83%	100%
Yves Guillemot	100%		
Pierre Lescure	75%		60%
Jean-Claude Magendie	100%		
Soumia Malinbaum	100%		100%
Hélène Molinari	100%		100%
Javier Monzón	100%		
François Roussely	75%		
Xavier de Sarrau	100%	100%	
Aline Sylla-Walbaum	100%	83%	
Susan M. Tolson	75%		
Patrick Valroff	100%	100%	

3. SUPERVISORY BOARD COMMITTEES

3.1 AUDIT COMMITTEE

Members	**Members at 31 December 2016:** ▸ **Xavier de Sarrau (Chairman)** ▸ **Nathalie Andrieux** ▸ **François David** ▸ **Aline Sylla-Walbaum** ▸ **Patrick Valroff** 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 expertise of the members of the Audit Committee is described at length in section 7.2.3 of the Reference Document. At 31 December 2016, all the Audit Committee's members were independent (see table above).
Main tasks	The Committee applies all of the recommendations contained in the AMF working group's report of 22 July 2010, with the exception of those that it does not deem relevant with regard in particular to the tasks specific to a Supervisory Board of a French partnership limited by shares (*société en commandite par actions* – SCA), and thereby: ▸ reviews the accounts and the consistency of the accounting methods used for the Lagardère SCA parent company and consolidated financial statements, and monitors the process for preparing financial information; ▸ monitors the audit of the parent company and consolidated financial statements by the Statutory Auditors; ▸ monitors the Statutory Auditors' independence; ▸ issues a recommendation on the Statutory Auditors nominated for re-appointment at the General Meeting; ▸ ensures that the Company has internal control and risk management procedures, particularly procedures for (i) the preparation and processing of accounting and financial information used to prepare the accounts, (ii) risk assessment and management, (iii) compliance of 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; ▸ monitors the efficiency of internal control and risk management systems; ▸ examines all matters pertaining to internal auditing of the Company and its activities, the audit plan, organisation, operation and implementation; ▸ reviews agreements directly or indirectly linking the Group and the senior managers of Lagardère SCA: the executive corporate officers' 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 this task to the Audit Committee, which includes the amount of expenses reinvoiced under the contract, essentially comprising the Managing Partners' remuneration. In application of its internal rules, the Audit Committee meets at least four times a year. The Chairman of the Audit Committee reports to the members of the Board on the work conducted by the Audit Committee. The members of the Audit Committee interview the Group's main senior executives 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 and to consult external experts.

Main activities in 2016	During 2016, the Audit Committee met six times with an average attendance rate of 90%, it being specified that two meetings to review the annual and interim financial statements were held more than five days before the Supervisory Board's meetings. The attendance rate was 100% for the 1 March, May, July and October meetings, and 80% for the 3 March and November meetings. ▸ The meeting of 1 March involved a review of the impairment tests on intangible assets for the purposes of the 2015 financial statements as well as a presentation of the latest updates and IT security processes implemented. ▸ The meeting of 3 March was held to examine the 2015 consolidated financial statements, and to present and review the Chairman's draft report on internal control and risk management. It also reviewed relations with Lagardère Capital & Management (LC&M). ▸ On 24 May, the Committee focused on the internal audit activity during the first half of 2016 and reviewed the fees of the Statutory Auditors. The professional conduct and independence rules of the Statutory Auditors were also presented to the Audit Committee, along with a review of the acquisitions carried out by the Group during the year. ▸ On 28 July, the Committee reviewed the Group's consolidated financial statements for the first half of 2016 and was given a presentation on the Group's financing policy. It approved a provisional procedure for authorising engagements granted to the Statutory Auditors, pursuant to the 17 March 2016 order on audit reform. ▸ On 4 October, the risk map and the results of the internal control self-assessment were presented to the Audit Committee, along with a benchmark study conducted by the Statutory Auditors on the matters dealt with by the Committee. ▸ Lastly, at the meeting of 22 November, the Committee reviewed internal audit activities during the second half of 2016 and the audit plan for 2017. It was also given a report on legal disputes by the Group Legal Department. ▸ 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 Internal Audit Manager and the Statutory Auditors. Depending on the issues discussed, other executives and, in particular, the Secretary General, Accounting Director, Director of Risk and Internal Control, Group Treasury and Finance Director, the Group IT Director and General Counsel, as well as certain members of their teams were asked to provide input on an as-needed basis.

3.2 APPOINTMENTS, REMUNERATION AND GOVERNANCE COMMITTEE

Members	**Members at 31 December 2016:** ▸ **François David (Chairman)** ▸ **Georges Chodron de Courcel** ▸ **Pierre Lescure** ▸ **Soumia Malinbaum** ▸ **Hélène Molinari** At 31 December 2016, all of the Appointments, Remuneration and Governance Committee's members were independent (see table above).
Main tasks	▸ *Regarding Board and Committee membership:* – defining the selection criteria of future members; – selecting and nominating Supervisory Board and Committee members for proposal to the Supervisory Board. ▸ *Regarding remuneration:* – monitoring, where relevant, any components of remuneration that are not paid under the agreement with Lagardère Capital & Management (which, being a related-party agreement is monitored by the Audit Committee – see above) and may be allocated to Lagardère SCA's corporate officers from Group companies. Under current laws, this concerns share options and performance shares and the proportion they represent of the executive corporate officers' total remuneration; – proposing the overall amount of attendance fees to be paid to members of the Supervisory Board and Committees as submitted to the General Meeting, and the rules for determining and distributing the attendance fees, in particular based on members' attendance at meetings. ▸ *Regarding governance:* – regularly reviewing the independence of Supervisory Board members in light of the independence criteria defined by the Supervisory Board; – managing the annual assessment of the operations of the Board and its Committees; – carrying out advance assessments of potential risks of conflicts of interest between Supervisory Board members and the Lagardère group; ▸ *Regarding sustainable development (CSR):* – examining the main social, societal and environmental risks and opportunities for the Group as well as the CSR policy in place; – reviewing the reporting, assessment and monitoring systems allowing the Group to prepare reliable non-financial information; – examining the Group's main lines of communication to shareholders and other stakeholders regarding CSR issues; – examining and monitoring the Group's rankings attributed by ESG rating agencies. The members of the Committee interview the Chairman of the Supervisory Board, the executive corporate officers or any other person they may choose when necessary. The Chairman of the Committee reports to the members of the Board on the work conducted by the Committee.

Main activities in 2016	In 2016, the Committee met five times with an average attendance rate of 92%. All members were present at the meetings in March, September and November, and 80% of members were present at the meetings in January and April. ▸ During its meeting in January, the Committee analysed the composition of the Board and its Committees and the independence of its members, prepared the re-appointment of the members whose term of office were set to expire, and reviewed the conditions for awarding performance shares to the executive corporate officers. ▸ In March, the Committee took note of the letter of the General Partners regarding the re-appointment of Arjil Commanditée-Arco – represented by Arnaud Lagardère (Chairman and Chief Executive Officer), Pierre Leroy (Deputy Chairman and Chief Operating Officer) and Thierry Funck-Brentano (Chief Operating Officer) – as Managing Partner. ▸ During its meeting in April, the Committee launched the self-assessment of the Supervisory Board and its Committees, and in preparation for the General Meeting, examined the comments of the principal proxy advisors and investors with respect to the Supervisory Board. ▸ In September, the Corporate Social Responsibility Director gave a progress report on the Group's 2015-2020 CSR roadmap. The Committee took note of and subsequently discussed the four strategic priorities underpinning the roadmap as well as the draft materiality matrix, which will primarily enable Lagardère to identify which of these priorities will have the greatest impact on the Group's operations. The Committee also approved its schedule and work plan for 2017. ▸ Lastly, during its meeting in November, the Group Secretary General presented the remuneration policy for the Managing Partners and its various components and criteria. The Committee reviewed the findings of the self-assessment of the membership and operation of the Board and its Committees and approved the proposed amendments to the Supervisory Board's internal rules. These meetings took place in the presence of the Group Secretary General and, when discussions fell within her area of expertise, the Corporate Social Responsibility Director.

4. EVALUATION OF THE MEMBERSHIP AND OPERATION OF THE SUPERVISORY BOARD

Since 2009, the Supervisory Board has assessed the operation of the Board and its Committees each year in order to form an opinion on the preparation and quality of their work. Every three years, this assessment is performed by an external consultant based on a questionnaire prepared by the Appointments, Remuneration and Governance Committee and sent to each member of the Supervisory Board.

The annual assessment mainly concerns the Board's membership, the duration of its members' terms of office, the frequency of re-appointments, the process for selecting members and the independence criteria, as well as the Board's operation, the organisation of its meetings, access to information, the agenda and work, the amount and distribution of attendance fees as well as a follow-up of the assessment. It also involves a similar review of the Committees.

During the assessment, members are therefore free to express their views on the individual contributions of other members. They may also discuss such matters on a one-to-one basis with the Chairman of the Board. The members of the Supervisory Board voted unanimously to maintain the current *modus operandi* and not to require them to complete a formal questionnaire specifically designed to systematically assess the contribution of their fellow members.

The Supervisory Board carried out a self-assessment in 2016 under the supervision of the Appointments, Remuneration and Governance Committee. The findings were presented to the Supervisory Board on 30 November 2016.

The members were mostly very satisfied with the membership, organisation and operation of the Board and its Committees. The meetings organised by Xavier de Sarrau with the Managing Partners and the heads of the divisions proved particularly popular, as did the Supervisory Board seminar, and the reviews conducted by the Board members were considered useful.

Suggested areas for improvement included broader access to certain documents (analyst commentary on the Group circulated more frequently, more detailed report on the Committee's activities, etc.) and further information on certain matters relating to the competitive environment.

In light of the assessment's findings, the Board decided to continue arranging the Supervisory Board seminar and the meetings organised with the Chairman of the Board, as well as to continue the reviews carried out by the Board's members.

5. COMPLIANCE WITH FRENCH CORPORATE GOVERNANCE GUIDELINES – AFEP-MEDEF

The Company has applied the corporate governance principles brought together in the Afep-Medef Corporate Governance Code of Listed Companies as revised in November 2016. 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 joint-stock companies with a board of directors. Companies with an executive board and supervisory board, and partnerships limited by shares, need to make adjustments as appropriate to implement the recommendations. 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 reviews management actions ex-post but does not actively participate in management.

Given Lagardère SCA's specificities in terms of French law and its own Articles of Association as a partnership limited by shares, the Board has adopted an organisational structure appropriate to the nature of its work under the law and the recommendations of the Afep Medef Corporate Governance Code.

Provision of the Afep-Medef Corporate Governance Code set aside or partially applied	Explanation
Independence criteria	
"Not to have been a director of the corporation for more than 12 years"	It is deemed that the fact of having been a Board member for more than 12 years does not disqualify such member as an independent member. On the contrary, it is considered an asset in a control role within a diverse group where it inevitably takes longer to build up in-depth knowledge of the different business lines and their competitive environment and to develop a strong command of the related strategic challenges. Moreover, the members of the Supervisory Board consider a long period of service to be a positive factor that does not alter an independent member's judgement, moral standards or ability to freely express their views. An individual assessment of the situation of each member is conducted annually by the Supervisory Board, which considered that the independence of Georges Chodron de Courcel, Pierre Lescure and François Roussely should not be contested, despite their seniority on the Board. However, in light of the situation, the Board wished for the terms of office in respect of the proposed re-appointments of these three members to be shorter than those of the other members up for re-appointment.

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 are included for the most part in Chapter 8, section 8.2.6 – General Meetings, of the Reference Document. The Company's Articles of Association can be consulted on its website (Investor relations – Corporate governance – Articles of Association).

7. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

Information on the internal control and risk management procedures used at Lagardère SCA is presented in the Reference Document.

The Group's Risk and Internal Control Department, supported by the Audit and Legal Departments, has been given responsibility for defining a method for presenting internal control and risk management procedures in the Reference Document and monitoring their application.

This includes asking the head of each division of the Lagardère group to draw up a brief report on internal control and risk management procedures existing in the division, based on supporting documents and predefined specifications. I have examined the corresponding reports.

The analysis by the Risk and Internal Control Department, based on these reports, leads to the conclusion that the internal control and risk management procedures in existence in the Group correspond to the description provided in section 7.4.1 of the 2016 Reference Document.

The Chairman of the Supervisory Board

1 2 3 4 5 6 7 8 9 10 11

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 the Supervisory Board of your company pursuant to this article for the year ended 31 December 2016.

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*).

French language original signed at Courbevoie
and Paris - La Défense, on 31 March 2017

The Statutory Auditors

MAZARS	**ERNST & YOUNG et Autres**
Thierry BLANCHETIER	Bruno BIZET

7.5 TRANSACTIONS WITH RELATED PARTIES (EXECUTIVE CORPORATE OFFICERS 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 supply the Group with strategic planning and operational services, coupled with high quality management services, including principally:
  - designing and developing economic and financial strategic scenarios, providing project monitoring skills;
  - providing research and follow-up concerning major markets and their evolution; assessing factors in different market environments that may create new opportunities for action;
  - keeping a watchful eye on potential investments and divestments;
  - managing business negotiations such as divestments, mergers and acquisitions;
  - orchestrating corporate operations, including state-of-the-art finance and capital management techniques;
  - establishing and maintaining relations in banking and finance, with particular attention to the characteristics of the various countries in which the Group does, or plans to do, business;
  - enhancing human resources by attracting high-potential management personnel;
  - providing overall management of the Group's image.

To accomplish its mission, LC&M employs the principal senior managers forming the Group’s Executive Committee. The role of the Executive Committee is to assist the Managing Partners in their duties, i.e., to determine the Group’s strategy and lead its development, and to take the resulting necessary management decisions and implement them globally at parent company level and in the Group’s different business activities. LC&M bears the entire cost of 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’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 2016, LC&M invoiced €26 million to the Group, versus €27.1 million in 2015. In addition to gross salaries this amount included the related taxes, social contributions and pension provisions. After deducting other expenses (support costs reimbursed to the Group and miscellaneous expenses) total costs amounted to €25 million. Operating profit after tax from the above agreement amounted to €0.7 million.

The related party Service Agreement which binds the Group and Lagardère Capital & Management and the provisions related to it concerning the additional pension plan for eligible employees, authorised in the previous years and which continues to apply, are subject to an annual review by the Audit Committee, at the request of the Supervisory Board.

The work of the Audit Committee on the conditions and costs related to these agreements, including the remuneration of the members of the Executive Committee, is subject to a report to be submitted to the Supervisory Board for information and discussion purposes.

This agreement was also reviewed by the Supervisory Board at its meeting on 8 March 2017, in accordance with article L. 225-88-1 of the French Commercial Code.

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

This page is left intentionally blank.

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

At 31 December 2016, the share capital 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.

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

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
2011	Award of free shares to employees	403,250	2,459,825	-	802,372,869.60	131,536,536
	Capital reduction 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
	Capital reduction 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
	Capital reduction 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
	Capital reduction 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
	Capital reduction 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
	Capital reduction 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
	Capital reduction 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
	Capital reduction by cancelling shares	398,950	2,433,595		799,913,044.60	131,133,286
2014	Award of free shares to employees	93,209	568,574.90	-	800,481,619.50	131,226,495
	Capital reduction by cancelling shares	93,209	568,574.90		799,913,044.60	131,133,286
	Award of free shares to employees	488,519	2,979,965.90	-	802,893,010.50	131,621,805
	Capital reduction by cancelling shares	488,519	2,979,965.90		799,913,044.60	131,133,286
	Award of free shares to employees	154,024	939,546.40	-	800,852,591.00	131,287,310
	Capital reduction by cancelling shares	154,024	939,546.40		799,913,044.60	131,133,286
2015	Award of free shares to employees	104,253	635,943.30	-	800,548,987.90	131,237,539
	Capital reduction by cancelling shares	104,253	635,943.30		799,913,044.60	131,133,286
	Award of free shares to employees	412,853	2,518,403.30	-	802,431,447.90	131,546,139
	Capital reduction by cancelling shares	412,853	2,518,403.30		799,913,044.60	131,133,286
	Award of free shares to employees	134,552	820,767.20	-	800,733,811.80	131,267,838
	Capital reduction by cancelling shares	134,552	820,767.20		799,913,044.60	131,133,286
2016	Award of free shares to employees	139,467	850,748.70		800,763,793.30	131,272,753
	Capital reduction by cancelling shares	139,467	850,748.70		799,913,044.60	131,133,286
	Award of free shares to employees	201,420	1,228,662		801,141,706.60	131,334,706
	Capital reduction by cancelling shares	201,420	1,228,662		799,913,044.60	131,133,286

As shown in the above table, all changes in the share capital over the last six years arise from the award of free shares to Group employees and senior executives, and from the resulting share capital reduction by cancelling treasury shares.

1 2 3 4 5 6 7 8 9 10 11

8.1.2 TREASURY SHARES

8.1.2.1 AMOUNTS

At 31 December 2016, the Company directly held 1,952,575 of its own shares (par value: €6.10), representing 1.49% of the total share capital at that date. The total cost of these shares was €56,967,597.66.

Based on the average weighted market price of Lagardère SCA's shares in December 2016 (€24.98 per share), a provision of €8,198,968.69 was recorded, reducing the total carrying amount of treasury shares directly held by the Company to €48,768,628.97.

8.1.2.2 SHARE BUYBACK PROGRAMMES: SHARES ACQUIRED, SOLD, TRANSFERRED OR CANCELLED

A) TRANSACTIONS CARRIED OUT IN 2016

Buyback transactions carried out by the Company in 2016 under the authorisations granted by the Annual General Meetings of 5 May 2015 and 3 May 2016 fulfilled two of the following five major objectives it had set: delivering shares to beneficiaries of share purchase option plans, awarding free shares, 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 agreement.

1. Market liquidity transactions

The Company assigned €10 million to the liquidity agreement signed on 7 October 2008 and renewed yearly with Képler Cheuvreux. Under this agreement, in 2016 the Company:

- acquired 626,955 shares for a total price of €14,344,108.16 or an average per-share price of €22.88;
- sold 657,650 shares for a total price of €15,248,789.71 or an average per-share price of €23.19.

2. Capital reduction

The Company cancelled 340,887 shares in 2016.

3. Partial reallocation for other uses

The Company reallocated 340,887 shares from the "award to employees" objective to the "capital reduction" objective.

B) POSITION AT 31 DECEMBER 2016

At the end of 2016, the 1,952,575 shares directly held by the Company representing 1.49% of the share capital were allocated as follows:

- 1,933,575 shares allocated to the objective "award to employees", representing 1.47% of the share capital, for a total cost of €56,530,531.66;
- 19,000 shares allocated to the objective "promotion of market liquidity", representing 0.014% of the share capital, for a total cost of €437,066.

C) TRANSACTIONS CARRIED OUT UNDER THE AUTHORISATION GRANTED BY THE ANNUAL GENERAL MEETING OF 3 MAY 2016

The Annual General Meeting of 3 May 2016 renewed the authorisation granted to the Managing Partners by the Annual General Meeting of 5 May 2015 to purchase Lagardère SCA shares representing up to 10% of the share capital (i.e., up to 13,113,328 shares), for a maximum amount of €500 million and at a maximum per share purchase price of €40, mainly for the following purposes:

- to reduce the share capital by cancelling all or some of the shares purchased;
- to award free shares to employees and corporate officers of the Company and of entities or groups related to it;
- to tender shares upon the exercise of share options;
- to set up any company or group savings scheme (or similar plan) under the conditions provided for by law, including by way of awarding the shares free of consideration as part of the Company's employer contribution and/or in replacement of the discount;
- to award or transfer shares to employees as part of a profit-sharing scheme;
- to award shares to employees and corporate officers of the Company and of entities or groups related to it for any other purpose permitted by the applicable law and regulations;
- to promote liquidity in the Company's shares under liquidity agreements that comply with a code of conduct recognised by the French financial markets authority (*Autorité des marchés financiers* – AMF) entered into with independent investment services providers;
- to hold the shares for subsequent exchange or payment as consideration for external growth transactions, a merger, demerger or asset contribution;
- to allocate shares upon the exercise of rights attached to securities that give access, by any means whatsoever, to the Company's share capital.

This authorisation was granted for an 18-month period starting on 3 May 2016.

The corresponding share buyback programme was described in a press release issued on 11 May 2016.

Under this authorisation, the Company carried out the following transactions from 11 May 2016 to 28 February 2017:

1. Market liquidity transactions

The Company purchased 576,403 shares for a total price of €13,117,165.31 and sold 617,903 shares for a total price of €14,083,154.12 on the market, under the liquidity agreement referred to above.

2. Capital reduction

The Company cancelled 340,887 shares.

3. Partial reallocation for other uses

The Company reallocated 340,887 shares from the "award to employees" objective to the "capital reduction" objective.

The Annual General Meeting of 4 May 2017 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 MARKETABLE 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 2016, 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 and senior executives of the Company and of other companies related to it between 2017 and 2020 as a result of free share awards made in 2013, 2014, 2015 and 2016 will in principle 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 1,793,455 shares with a par value of €6.10 each, representing a maximum share capital dilution of 1.37% which will in principle be neutralised by cancelling an equivalent number of treasury shares, as has historically been the case.

8.1.4 AUTHORISED, UNISSUED SHARE CAPITAL

The Ordinary and Extraordinary General Meeting of 3 May 2016 authorised the Managing Partners, for a period of 38 months:

- to award existing or new shares free of consideration to Group employees and senior executives (other than the executive corporate officers of Lagardère SCA) within the annual limit of 0.8% of the total number of shares making up the share capital;
- to award performance shares free of consideration to the executive corporate officers of Lagardère SCA within the annual limit, for each executive corporate officer, of 0.025% of the total number of shares making up the share capital.

The Ordinary and Extraordinary General Meeting of 5 May 2015 authorised the Managing Partners, for a period of 26 months:

- to issue, with or without pre-emptive 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 pre-emptive subscription rights and without priority right: €80 million,
  - maximum nominal amount of capital increases which may result from authorised issues with pre-emptive subscription rights or with priority right: €300 million,
  - maximum authorised amount for debt issuances: €1,500 million;
- to increase the share capital by capitalising reserves, profits or issue premiums and award newly-issued 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 and/or securities giving access to the Company's share capital, without pre-emptive subscription rights, to be awarded to Group employees within the scope of corporate savings schemes and within the annual limit of 0.5% of the number of shares making up the share capital.

The Annual General Meeting of 5 May 2015 also authorised the Managing Partners to issue, on one or more occasions, securities other than new securities giving access to the Company's capital, up to a maximum amount of €1.5 billion.

In 2016, only the authorisations relating to awards of free shares were used.

The Annual General Meeting of 4 May 2017 will be asked to renew all of the authorisations granted in 2015, which are due to expire.

8.1.5 PLEDGES OF COMPANY SHARES

8.1.5.1 PLEDGES OF REGISTERED SHARES OF THE COMPANY AT 31 DECEMBER 2016

- Number of shareholders: 140
- Number of shares: 10,048,554 (7.66% 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 2016

Pledges concern 9,990,314 shares held by Lagardère Capital & Management (LC&M), representing 7.62% of the share capital.

8.1.6 STOCK MARKET INFORMATION

8.1.6.1 GENERAL INFORMATION

- Number of shares making up the share capital at 31 December 2016: 131,133,286
- Number of shares listed on 31 December 2016: 131,133,286
- Listed on: 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)
2012	127,461,743	1.30	None	1.30	165.70
2013	127,882,640 128,515,724	1.30 9.00	None None	1.30 9.00(1)	166.25 1,156.64
2014	127,563,424 127,563,424	1.30 6.00	None None	1.30(2) 6.00(3)	165.83 765.38
2015	128,294,419	1.30	None	1.30	166.78
2016	128,727,324	1.30	None	1.30	167.35

(1) Extra portion of the 2013 dividend, paid as an interim dividend following the decision taken by the Managing Partners on 21 May 2013.
(2) Ordinary portion of 2013 dividend.
(3) Payment of an extra dividend, deducted from "Share premiums".

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 (Source: Euronext Paris)

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 millions of euros)	Number of trading days
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	28.01	28.19	6,182,990	174.78	20
March	29.80	13 March	28.50	3 March	28.82	29.18	29.13	6,786,646	197.62	21
April	30.30	30 April	27.95	15 April	30.17	29.10	29.11	8,367,678	243.86	20
May	31.74	6 May	23.62	8 May	25.56	26.05	26.15	15,030,657	389.67	21
June	25.82	11 June	23.58	30 June	23.78	24.64	24.60	11,679,432	287.14	21
July	24.81	4 July	22.22	31 July	22.25	23.61	23.54	7,641,280	180.01	23
August	22.31	1 Aug.	20.23	8 Aug.	20.95	21.07	21.00	7,429,176	156.00	21
September	21.80	9 Sept.	20.29	24 Sept.	21.19	21.03	20.98	8,247,660	173.41	22
October	21.60	6 Oct.	17.83	16 Oct.	19.41	19.69	19.60	10,313,897	201.29	23
November	22.81	28 Nov.	18.85	5 Nov.	22.80	20.81	20.96	8,520,867	177.19	20
December	22.85	1 Dec.	20.84	16 Dec.	21.60	21.97	21.95	5,979,863	131.04	21
2015										
January	25.06	26 Jan.	21.01	6 Jan.	24.28	23.08	23.23	7,823,385	181.68	21
February	25.69	27 Feb.	23.35	9 Feb.	25.69	24.43	24.56	5,830,763	142.69	20
March	28.33	31 March	24.67	12 March	27.94	26.41	26.50	12,181,711	321.12	22
April	30.22	13 April	27.25	2 April	28.65	28.67	28.72	9,163,860	263.23	20
May	29.38	4 May	26.13	12 May	27.59	27.68	27.64	8,571,253	235.86	20
June	28.00	3 June	25.34	18 June	26.16	26.56	26.55	7,873,107	208.83	22
July	28.89	20 July	25.65	7 July	27.21	27.37	27.37	9,920,428	270.24	23
August	27.89	5 Aug.	22.45	24 Aug.	24.25	25.70	25.59	7,655,025	195.43	21
September	26.31	9 Sept.	23.61	1 Sept.	24.74	25.05	25.02	8,758,723	219.02	22
October	26.89	26 Oct.	24.24	2 Oct.	26.51	25.68	25.67	6,829,931	174.79	22
November	28.32	19 Nov.	26.21	5 Nov.	27.93	27.25	27.35	5,658,971	154.93	21
December	28.15	2 Dec.	25.70	14 Dec.	27.51	27.08	27.01	4,393,443	118.30	22
2016										
January	27.27	4 Jan.	23.40	20 Jan.	26.19	25.23	25.21	6,096,799	153.39	20
February	27.13	22 Feb.	23.86	11 Feb.	26.60	26.00	25.95	6,701,440	173.28	21
March	26.88	1 March	22.59	10 March	23.35	24.38	24.32	9,814,586	236.70	21
April	24.30	19 April	22.96	29 April	23.17	23.68	23.67	5,994,637	141.53	21
May	23.34	2 May	20.62	11 May	21.27	21.99	22.00	8,337,090	182.93	22
June	21.37	1 June	18.35	27 June	19.65	20.41	20.34	10,465,663	210.86	22
July	22.85	29 July	19.04	6 July	22.84	20.88	20.94	9,187,476	191.86	21
August	22.98	1 Aug.	21.85	29 Aug.	21.86	22.34	22.29	6,208,361	138.70	23
September	22.90	8 Sept.	21.69	2 Sept.	22.66	22.36	22.37	7,048,814	157.54	22
October	23.25	31 Oct.	21.78	13 Oct.	23.20	22.42	22.44	5,663,910	127.27	21
November	23.85	14 Nov.	22.09	9 Nov.	23.26	23.02	22.98	7,724,894	177.76	22
December	26.49	30 Dec.	22.68	2 Dec.	26.39	24.87	25.03	5,980,559	149.25	21
2017										
January	26.84	3 Jan.	23.21	31 Jan.	23.21	25.16	25.08	7,528,269	187.91	22
February	24.70	10 Feb.	23.15	27 Feb.	23.74	23.73	23.73	6,828,414	162.62	20

8.1.7 OPTIONS GRANTED TO THIRD PARTIES ON SHARES MAKING UP THE SHARE CAPITAL OF CERTAIN GROUP COMPANIES

Certain investments included in Lagardère SCA's consolidated financial statements are subject to put options whose exercise is conditional. These commitments are detailed in the notes to the consolidated financial statements set out 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 2016				At 31 December 2015			At 31 December 2014		
Shareholders	Number of shares	% of share capital	% of voting rights exercisable at General Meetings	% of theoretical voting rights	Number of shares	% of share capital	% of voting rights exercisable at General Meetings	Number of shares	% of share capital	% of voting rights
Non-French investors(*)	89,553,317	68.29	61.46	60.76	90,470,143	68.99	63.54	88,842,689	67.75	63.20
French institutional investors	19,071,631	14.54	16.75	16.56	16,724,722	12.76	13.90	16,186,077	12.34	13.03
Lagardère Capital & Management(**)	10,026,836	7.65	11.90	11.76	10,438,225	7.96	12.30	10,721,578	8.18	12.73
Private investors	6,889,544	5.26	6.76	6.68	7,322,140	5.58	7.12	8,908,088	6.79	8.18
Employees and Group Savings Plan investment funds	3,646,845	2.78	3.13	3.10	3,854,491	2.94	3.14	3,502,054	2.67	2.86
Treasury shares	1,945,113	1.48	-	1.14	2,323,565	1.77	-	2,972,800	2.27	-
Total	**131,133,286**	**100**	**100**	**100**	**131,133,286**	**100**	**100**	**131,133,286**	**100**	**100**

(*) Including Qatar Holding LLC (see section 8.1.8.5 – Principal shareholders).
(**) Arnaud Lagardère, Lagardère SAS and its subsidiary Lagardère Capital & Management.

Of the 2.78% of capital held by Group employees, 0.56% is held via the Group Savings Plan investment funds or directly under employee profit-sharing and savings schemes pursuant to Article L. 225-102 of the French Commercial Code (*Code de commerce*).

At 31 December 2016, the share capital was held by 54,031 shareholders and intermediaries directly registered in the Company's register; intermediaries registered in the Company's register representing shareholders who are not tax residents in France, constitute the majority of the non-French investors listed in the table above, holding 68.29% of the shares making up the share capital.

There has been no significant change in the breakdown of the Company's share capital or voting rights since 31 December 2016. (Readers should refer to shareholding threshold disclosures by BlackRock Inc. and Schroders Investment Management Limited since 1 January 2017.)

(1) "Significant investments" are shareholdings above €150 million.

8.1.8.2 REGULATORY SHAREHOLDING THRESHOLD CROSSINGS

Date of AMF notice	Shareholder	Threshold crossed
28 April 2016	BlackRock Inc.	Above 5% of voting rights on 25 April 2016
28 April 2016	BlackRock Inc.	Below 5% of voting rights on 26 April 2016
29 April 2016	BlackRock Inc.	Above 5% of voting rights on 27 April 2016
6 May 2016	BlackRock Inc.	Below 5% of voting rights on 3 May 2016
12 May 2016	DNCA Finance	Above 5% of share capital on 11 May 2016
12 August 2016	BlackRock Inc.	Below 5% of share capital on 11 August 2016
17 August 2016	BlackRock Inc.	Above 5% of share capital on 15 August 2016
25 August 2016	BlackRock Inc.	Below 5% of share capital on 23 August 2016
25 August 2016	BlackRock Inc.	Above 5% of share capital on 24 August 2016
1 September 2016	BlackRock Inc.	Below 5% of share capital on 30 August 2016
2 September 2016	BlackRock Inc.	Above 5% of share capital on 1 September 2016
5 September 2016	BlackRock Inc.	Below 5% of share capital on 2 September 2016
22 September 2016	DNCA Finance	Below 5% of share capital on 19 September 2016
22 September 2016	BlackRock Inc.	Above 5% of share capital on 20 September 2016
22 September 2016	BlackRock Inc.	Below 5% of share capital on 21 September 2016
3 November 2016	BlackRock Inc.	Above 5% of share capital on 1 November 2016
7 November 2016	BlackRock Inc.	Below 5% of share capital on 3 November 2016
31 January 2017	BlackRock Inc.	Above 5% of share capital on 27 January 2017
31 January 2017	BlackRock Inc.	Below 5% of share capital on 30 January 2017
1 February 2017	BlackRock Inc.	Above 5% of share capital on 31 January 2017
2 February 2017	BlackRock Inc.	Below 5% of share capital on 1 February 2017
3 February 2017	BlackRock Inc.	Above 5% of share capital on 2 February 2017
16 February 2017	Schroders Investment Management Limited	Above 5% of share capital on 13 January 2017

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 General Meetings at 31 December 2016 was 168,543,631.

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 2016 amounted to 170,488,744.

The total number of voting rights (gross and net) is published every month at the same time as the amount of the share capital.

Under the Articles of Association, the number of voting rights to be taken into consideration for assessing whether disclosure thresholds have been crossed is the total number of exercisable rights to vote at General Meetings, i.e., 168,543,631 at 31 December 2016.

The percentage of voting rights held by Supervisory Board members was 0.0048% at 31 December 2016 (0.0052% of the share 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 7.65% of the capital and 11.90% of the rights to vote at General Meetings at 31 December 2016. 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 Arnaud Lagardère or the companies LC&M or Lagardère SAS 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 Arjil Commanditée-Arco, a subsidiary of LC&M.

Based on the latest declaration of threshold crossings received by the Company, at 31 December 2016, Qatar Investment Authority (via its subsidiary Qatar Holding LLC) held 12.827% of the share capital and 9.98% of the rights to vote at General Meetings.

To the best of the Company's knowledge, at 31 December 2016 no other shareholder held more than 5% of the share capital or voting rights directly or indirectly, alone or in concert.

On 3 February 2017, BlackRock Inc. declared having crossed above the threshold of 5% of the share capital on 2 February 2017, and at that date held 5.06% of the share capital on behalf of its customers and the funds it manages.

On 16 February 2017, Schroders Investment Management Limited declared having crossed above the threshold of 5% of the share capital on 13 January 2017, and at that date held 5.06% of the share capital on behalf of its customers and the funds it manages.

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 2017 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 Arjil Commanditée-Arco's proposal to appoint Arnaud Lagardère as Managing Partner for a six-year term.

The Company is now managed by two Managing Partners: Arnaud Lagardère and the French joint-stock corporation (*société anonyme*) Arjil Commanditée-Arco.

The Supervisory Board approved the General Partners' proposals to renew Arnaud Lagardère's appointment as Managing Partner on 11 March 2009 and 11 March 2015 for successive six-year terms, with the latest term expiring on 25 March 2021.

Arjil Commanditée-Arco was appointed as a Managing Partner on 17 March 1998 and the Supervisory Board approved the General Partners' proposals to re-appoint it as Managing Partner on 12 March 2004, 10 March 2010 and 9 March 2016 for successive six-year terms, with the latest term expiring on 17 March 2022.

At the time of the most recent re-appointment of Arjil Commanditée-Arco on 9 March 2016, the Supervisory Board, in application of the provisions of Article 14-2 of the Articles of Association and acting on the recommendation of the General Partners, re-appointed:

- Arnaud Lagardère, Chairman and Chief Executive Officer;
- Pierre Leroy, Deputy Chairman and Chief Operating Officer;
- Thierry Funck-Brentano, Chief Operating Officer.

2. Throughout the life of the Company, any new Managing Partner is appointed unanimously by the General Partners, with the approval of the Supervisory Board or of the General Meeting according to the provisions of Article 14 of the Articles of Association below.

3. Each Managing Partner has the broadest possible authority to act in any circumstances in the name of the Company, within the scope of the corporate purpose and subject to the powers expressly attributed by the law or the Articles of Association to the General Meeting of shareholders and the Supervisory Board.

In accordance with the law, each Managing Partner may authorise and grant, in the name of the Company, any sureties, warranties and undertakings which he deems reasonable.

Each Managing Partner may delegate part of his powers to one or more persons, whether or not they are employees of the Company and whether or not such persons have a contractual relationship with the Company. Such delegation in no way affects the duties and liability of the Managing Partner in relation to the exercise of such powers.

4. The Managing Partner(s) must take all necessary care in handling the business of the Company.

5. The age limit for a Managing Partner who is a natural person is 80 years.

6. The term of office of a Managing Partner may not 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 in the event of the 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,

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

or to renew the appointment of the outgoing Managing Partner, under the conditions described 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 re-appointed, 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 MEMBERS OF THE SUPERVISORY BOARD

COMPOSITION OF THE SUPERVISORY BOARD (ARTICLE 12 OF THE ARTICLES OF ASSOCIATION)

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-appointed.
   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 OF THE ARTICLES OF ASSOCIATION)

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 which are stored in a special register and signed by the Chairman of the meeting as well as by the Board Secretary or the majority of the members present.

POWERS OF THE SUPERVISORY BOARD (ARTICLE 14 OF THE ARTICLES OF ASSOCIATION)

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 Arjil Commanditée-Arco be appointed as Managing Partner, the Supervisory Board's approval has to be obtained, not in respect of Arjil Commanditée-Arco itself, but in respect of its Chairman, Chief Executive Officers and Chief Operating Officers.

   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 refuses to approve an appointment twice 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-thirds majority of the shareholders present or represented.

3. If Arjil Commanditée-Arco becomes a Managing Partner of the Company, from the date of its appointment to such office, no person may become a shareholder of Arjil Commanditée-Arco either by acquiring shares in Arjil Commanditée-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 Arjil Commanditée-Arco or from those shareholders who intend to transfer their shares.

If such a transaction takes place without the approval of the Supervisory Board, Arjil Commanditée-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 Arjil Commanditée-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 Arjil Commanditée-Arco or from those shareholders who intend to transfer their shares.

Should the transaction take place without the approval of the Supervisory Board, Arjil Commanditée-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 Arjil Commanditée-Arco shares by way of inheritance.

8.2.4 GENERAL PARTNERS (ARTICLE 18 OF THE ARTICLES OF ASSOCIATION)

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, whose registered office is located at 4, rue de Presbourg, 75116 Paris, France.

Registered with the Paris Trade and Companies Registry under number 387 928 393.

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 of the Articles of Association.

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 without the consent of 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 2016 are as follows (in thousands of euros):

Balance sheet

Assets	
Accounts receivable	25,324
Cash and cash equivalents	2
Total	**25,326**

Liabilities and shareholders' equity	
Shareholders' equity	25,195
Accounts payable	131
Total	**25,326**

Income statement

Operating revenues	0
Operating expenses	30
Operating loss	*(30)*
Financial income	405
Financial expenses	0
Net financial income	*405*
Net exceptional income	*0*
Income tax benefit	125
Profit for the year	**250**

RIGHTS OF THE GENERAL PARTNERS (ARTICLE 18 B OF THE ARTICLES OF ASSOCIATION)

A General Partner who is not also a Managing Partner (*commandité non-gérant*) does not participate directly in the management of the Company, except as described in Article 10-6 of the Articles of Association.

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 liability 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 submit in writing to 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 liability, General Partners are entitled to specific remuneration calculated in accordance with the provisions of Article 25 of the Articles of Association.

DECISIONS OF THE GENERAL PARTNERS (ARTICLE 18 C OF THE ARTICLES OF ASSOCIATION)

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-thirds majority of the votes of shareholders present or represented, including votes cast remotely.

8.2.6 GENERAL MEETINGS OF SHAREHOLDERS

8.2.6.1 GENERAL (ARTICLE 19 OF THE ARTICLES OF ASSOCIATION)

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 registered 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 OF THE ARTICLES OF ASSOCIATION)

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 Article 14-2 of the Articles of Association (see section 8.2.3 – Powers of the Supervisory Board), 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 OF THE ARTICLES OF ASSOCIATION)

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 purpose of the Company, its duration or its registered office, subject to the powers granted to the Managing Partners to transfer the Company's registered 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 OF THE ARTICLES OF ASSOCIATION)

Each shareholder has the right to attend General Meetings and to take part in the deliberations, either personally or through a proxy, subject to providing proof of their identity and to submitting evidence of the registration of their shares in the nominative shareholders' accounts kept by the Company – either in their own name or in the name of the authorised intermediary acting on their behalf in accordance with the seventh paragraph of article L. 228-1 of the French Commercial Code – at 00:00 hours, Paris time, on the second 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 any other person of their choice; or
- to vote remotely; 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 either vote remotely or 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 Article 19-3 of the Articles of Association, either to vote remotely, or to give a proxy to a third party, or to send a proxy to the Company without indicating the name of a proxy-holder, by sending the corresponding form by an electronic means of communication, his electronic signature must:

- either take the form of a secure electronic signature as defined by law at that time;
- or result from the use of a reliable identification procedure guaranteeing the connection between the shareholder and the document to which his identity is attached or from any other procedure for identification and/or verification admitted by law at that time.

At each General Meeting, each shareholder has a number of votes equal to the number of shares he owns or represents, as evidenced by the share register on the second working day prior to the meeting at 00:00 hours, Paris time. 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 above at the beginning of section 7.1, an SCA has two categories of partner: General Partners and Limited Partners.

Any change in control of the Company 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 independently 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 (ARTICLE 9 OF THE ARTICLES OF ASSOCIATION)

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 228-2 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):

LAGARDÈRE SELLS ITS DEUTSCHE TELEKOM SHARES

On 16 March 2015, the Lagardère group concluded the forward sale of the 2,836,835 Deutsche Telekom shares that it had held since the transfer of Club Internet to T-Online International in early 2000. TOnline International was folded into Deutsche Telekom in 2006.

The sale was effective on 17 June 2016. The sale price was €45 million.

A pre-tax capital gain of around €22 million was recognised in the 2016 consolidated financial statements.

LAGARDÈRE ACQUIRES SPANISH AUDIOVISUAL PRODUCTION GROUP "GRUPO BOOMERANG TV"

On 27 May 2015, Lagardère Studios, a subsidiary of Lagardère Active and the leading French audiovisual production group, acquired a majority stake of 82% in Grupo Boomerang TV (Grupo BTV). The remaining stake is held by the three founding partners, who will continue in the day-to-day management of Grupo BTV.

Grupo BTV is one of Spain's leading independent audiovisual production groups (fiction and unscripted) and has begun to expand into several Latin American countries.

SALE BY LAGARDÈRE TRAVEL RETAIL OF ITS US MAGAZINE DISTRIBUTION BUSINESS

In the context of its strategy aimed at focusing on growth businesses (Travel Retail), Lagardère Travel Retail pursued the divestiture of its Press Distribution business and, on 26 June 2015, sold its subsidiary Curtis Circulation Company, a leading US national distributor of magazines, to a venture composed of its management team.

ACQUISITION BY LAGARDÈRE OF THE PARADIES GROUP

On 11 August 2015, Lagardère signed an agreement, through its subsidiary HDS Retail North America LP, to acquire the entire share capital of the Paradies group (a leader in airport retail and food and beverages in North America) from Freeman Spogli & Co., the Paradies family and other shareholders. The entire share capital of the Paradies holding company represents approximately 80% of the activities; in accordance with US regulations, Paradies' activities are operated in most airports by dedicated legal entities including minority partners, representing approximately 20% of the enterprise value of the Paradies group.

The transaction closed on 22 October 2015 for a purchase price of USD 530 million on a cash-free and debt-free basis.

The purchase price was paid in cash through a bridge loan that was refinanced using the proceeds of the 6 April 2016 bond issue (see section 8.3.2).

This acquisition combines the activities of the Paradies group and Lagardère Travel Retail in North America, and creates the third biggest operator on this regional segment. The transaction represents an important step in the strategic transformation of Lagardère Travel Retail, which has achieved critical mass in North America with a presence in around 100 airports.

DISPOSAL BY LAGARDÈRE TRAVEL RETAIL OF ITS SPANISH PRESS DISTRIBUTION BUSINESSES

On 27 October 2015, Lagardère Services Distribution, a subsidiary of Lagardère Travel Retail, signed an agreement to sell its Spanish distribution subsidiary Sociedad General Española de Libreria, Diarios, Revistas y Publicaciones, SA (SGEL) to Espronceda Investment SL, a subsidiary of Springwater Capital, a private investment firm.

The transaction closed on 25 February 2016.

The transaction did not include the Travel Retail activities (press, books, convenience, souvenirs, duty free and fashion stores, as well as foodservice) in Spain and Portugal, which remain part of Lagardère Travel Retail.

DISPOSAL BY LAGARDÈRE TRAVEL RETAIL OF ITS BELGIAN DISTRIBUTION BUSINESSES

On 4 February 2016, Lagardère Travel Retail's subsidiary Lagardère Services Distribution signed an agreement to sell its Belgian distribution and integrated retail subsidiaries to Bpost group.

The transaction closed on 30 November 2016 further to clearance from the competition authorities. The two parties also entered into a franchising agreement for the operation of the Lagardère group's brands such as Relay, Hubiz and So! Coffee in Belgium.

ACQUISITION OF THE PUBLISHING BUSINESS OF PERSEUS BOOKS GROUP

On 29 February 2016, Lagardère Publishing's US division, Hachette Book Group, signed an agreement to acquire the publishing business of Perseus Books, an American publishing group, from investment firm Centre Lane Partners.

The US competition authorities did not object to the transaction and the agreement was finalised on 1 April 2016.

In parallel, the Ingram Content group acquired Perseus Books Group's circulation and distribution business. This transaction also closed on 1 April 2016.

DISPOSAL OF THE CARRE DAUMESNIL BUILDING

On 29 April 2016, the Lagardère group sold an office building of around 20,000 sq.m located in the 12th *arrondissement* of Paris and occupied by various third parties, to La Française Real Estate Managers (REM), acting on behalf of real estate investment trusts (*sociétés civiles de placement immobilier*).

DISPOSAL OF LEGUIDE.COM

On 30 September 2016, Lagardère Active sold the LeGuide.com group to the general search engine company Kelkoo group, via the sale of (i) the entire share capital of the LeGuide.com (owner of the entire share capital of Gooster and Dooyoo); and (ii) the assets of Shopping Guide GmbH.

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

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, note 28 to the 2016 consolidated financial statements, particularly the following:

- On 31 October 2012, Lagardère SCA carried out a five-year €500 million bond issue on the Luxembourg stock market. The bonds are redeemable in 2017 and pay an annual coupon of 4.125%.
- On 10 September 2014, Lagardère SCA carried out a five-year €500 million bond issue on the Luxembourg stock market. The bonds are redeemable in 2019 and pay an annual coupon of 2%.
- On 11 May 2015, Lagardère SCA signed a €1.25 billion multi-currency syndicated credit facility for general corporate purposes. It replaces the previous €1.645 billion facility, signed in 2011. The new five-year facility has already been extended for a one-year period (with an option for an additional one-year extension).
- On 6 April 2016, Lagardère SCA issued a total of €500 million worth of seven-year bonds on the Luxembourg stock market, maturing in April 2023 and paying an annual coupon of 2.75%.

  The order book reached a total of €2,700 million, meaning the issue was 5.4 times oversubscribed.

  The proceeds of the issue were used to refinance the bridge loan subscribed for the acquisition of Paradies, as well as for general corporate purposes. The issue enables Lagardère to extend the average maturity of its debt profile.

8.4 REAL ESTATE PROPERTY

The total net value of property, plant and equipment belonging to the Lagardère group is €732 million.

This includes the gross value of land (€52 million) and buildings (€403 million). The net book value of land and buildings is €227 million, i.e., approximately 2.93% of the balance sheet total. Balance sheet assets included a property complex in France whose carrying amount was €68 million at 31 December 2015 and which was sold during the first half of 2016. In the second half of 2016, the Group also sold a property complex outside France, whose carrying amount on the balance sheet was €22 million at 31 December 2015.

The Group no longer owned any investment property at 31 December 2016. 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 2017) AFR

9.1.1 SIGNIFICANT EVENTS

9.1.1.1 CLOSING OF THE SALE OF LAGARDÈRE TRAVEL RETAIL'S PRESS DISTRIBUTION BUSINESSES

On 7 February 2017 Lagardère Travel Retail announced the completion of the disposal of all its remaining Press Distribution activities through the sale of its French distribution holding company Lagardère Services Distribution SAS to Gavin Susman's Adriatic Media Investors LLC.

Further to this sale, Lagardère Travel Retail is now a pure player on its segment.

The remaining Press Distribution activities were deconsolidated with effect from 1 February 2017.

9.1.2 MAJOR CHANGES IN THE GROUP'S FINANCIAL AND COMMERCIAL POSITION

None.

9.1.3 TREND INFORMATION

A) LAGARDÈRE PUBLISHING

The start of the year has been marked by a slowdown in France, owing to the postponement of numerous publications to the second half of the year in view of the upcoming French presidential elections. During the pre-election period, there is traditionally an increase in consumption of news media to the detriment of books.

Business is up in the United Kingdom, especially in Adult Trade, while volumes in the United States are slightly behind the same year-ago period. The Partworks segment has started the year on a high, however.

In view of the seasonality of the business, these trends are not very material at this stage.

B) LAGARDÈRE TRAVEL RETAIL

The significant event of the early part of the year has been the completion of the disposal process of the remaining Press Distribution activities, leaving the Travel Retail division as a pure player in its segment.

Business has been lifted by stronger levels of passenger traffic in Europe, continued sales momentum and network expansion.

However, the environment remains marked by repeated attacks in Europe, the impacts of Brexit and generic tobacco packaging, which has come into effect in France.

Due to seasonal effects in the business, results tend to be lower in the first half than in the second half of the year.

C) LAGARDÈRE ACTIVE

The first few months of 2017 have been weaker than the same period of 2016, mainly due to a contraction in press and radio advertising revenue as well as to the ongoing decline in broadcast revenue.

The first quarter (especially January and February) is traditionally a low season for advertising receipts, and visibility over the year as a whole is limited at this stage.

D) LAGARDÈRE SPORTS AND ENTERTAINMENT

The beginning of 2017 has been boosted by a favourable calendar effect related to the Total Africa Cup of Nations in Gabon, as well as a round of 2018 World Cup qualifiers.

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

9.2 OUTLOOK AFR

Group recurring EBIT growth in 2017 is expected to be between 5% and 8% versus 2016, at constant exchange rates and excluding the impact from disposals of Distribution activities.

9.3 EARNINGS FORECAST AFR

None.

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

This page is left intentionally blank.

10 DOCUMENTS ON DISPLAY

The persons responsible for this Reference Document certify that during the validity of this Reference Document the following documents will be freely accessible on the Company's website (www.lagardere.com) in the "Investor Relations – Regulated Information" section:

- annual financial reports/reference documents for the last ten years;
- interim financial reports for the last ten years;
- monthly information on the share capital and voting rights;
- information on share buybacks programmes;
- description of share buyback programmes;
- General Meeting documents for the last ten 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	Persons responsible for the Reference Document	1.1
1.2	Statement by the persons responsible for the Reference Document	1.2
2	**STATUTORY AUDITORS**	
	Statutory Auditors for the period covered by the historical financial information	1.3
3	**SELECTED FINANCIAL INFORMATION**	
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**	
4.1	Market risks (liquidity, interest rate, exchange rate and equity portfolio risk)	3.4/7.4.1.8 and 6.3 (note 29)
4.2	Legal risks (specific regulations, concessions, patents, licences, significant litigation, exceptional events, etc.)	3.3/7.4.1.8 and 6.3 (note 34)
4.3	Industrial and environmental risks	3.5.5/7.4.1.8
5	**INFORMATION ABOUT THE ISSUER**	
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 Registered 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	
	5.2.1 Major investments in the last three years	4.4
	5.2.2 Major investments in progress	4.4/6.3 (note 5.2) and 8.3.1
	5.2.3 Major investments planned	—
6	**BUSINESS OVERVIEW**	
6.1	Principal activities	
	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 (notes 5.1, 5.2 and 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**	
7.1	Brief description of the Group	4.3
7.2	Principal subsidiaries	4.3
8	**PROPERTY, PLANT AND EQUIPMENT**	
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	3.5.5
9	**OPERATING AND FINANCIAL REVIEW**	
9.1	Financial position	6.2
9.2	Operating results	
	9.2.1 Significant factors materially affecting operating income	6.2.1/6.2.2
	9.2.2 Explanation of changes in sales or revenues	6.2.1/6.2.2
	9.2.3 External factors that have materially affected (or could materially affect) the Company's operations	3.3.5/5.2
10	**CAPITAL RESOURCES**	
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 (note 26)
10.5	Anticipated sources of funds	—
11	**RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES (IF MATERIAL)**	**—**
12	**TREND INFORMATION**	
12.1	Significant business trends since the end of 2016	9.1
12.2	Trends and events reasonably likely to affect prospects for 2017	9.1.3
13	**PROFIT FORECASTS OR ESTIMATES**	**9.3**
14	**MANAGEMENT AND SUPERVISORY BODIES**	
14.1	Information on members of management and supervisory bodies	7.2
14.2	Conflicts of interest	7.2.4.3/7.2.4.4
15	**REMUNERATION AND BENEFITS**	
15.1	Remuneration of senior managers and members of the Supervisory Board	7.3.1/7.3.2
15.2	Provisions for pension, retirement and other benefits	7.3.1/7.3.2

(*) Refers to chapter and section numbers of the Reference Document.

Information		Section no.(*)
16	**BOARD PRACTICES**	
16.1	Date of expiry of current terms of office	7.2
16.2	Employment or service contracts	7.2.4.2/7.5
16.3	Audit Committee, Appointments and Remuneration Committee	7.4.2
16.4	Compliance with current corporate governance guidelines	7.4.2
17	**EMPLOYEES**	
17.1	Number of employees; breakdown by main category of activity and geographic location; temporary employees	5.2/5.3.2.1
17.2	Number of shares and share options held by corporate officers	7.2/7.3
17.3	Arrangements for involving employees in the Company's capital	5.3.3.1/7.3.5
18	**PRINCIPAL SHAREHOLDERS**	
18.1	Shareholdings exceeding specific thresholds (to the extent known)	8.1.8
18.2	Voting rights of major shareholders	8.1.8
18.3	Control of the Company: nature of such control	8.1.8
18.4	Arrangements which may result in a change of control of the Company	—
19	**TRANSACTIONS WITH RELATED PARTIES**	**7.5.1/6.3 (NOTE 35)**
20	**FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**	
20.1	Historical financial information	2/6.1.1/6.3 (note 39)/6.6
20.2	Pro forma financial information	—
20.3	Financial statements	6.3/6.4/6.5
20.4	Auditing of historical annual financial information	
	20.4.1 Audit reports on historical financial information	6.6/6.7
	20.4.2 Other information audited by the Statutory Auditors	1.2/6.8/7.4.3
	20.4.3 Financial information not taken from the audited financial statements	—
20.5	Date of latest financial information	—
20.6	Interim and other financial information	—
20.7	Dividend policy	6.1.2
20.8	Legal and arbitration proceedings (last twelve months)	3.3.4
20.9	Significant change in the Company's financial or trading position (since last year-end)	9.1.2

(*) Refers to chapter and section numbers of the Reference Document.

Information			Section no.(*)
21	**ADDITIONAL INFORMATION**		
21.1	Share capital		
	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 share capital	8.1.1
21.2	Memorandum and Articles of Association		
	21.2.1	Corporate purpose	8.2.1
	21.2.2	Provisions of the Articles of Association charters and rules 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	8.2.2/8.2.3 8.2.4/8.2.7
	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 HOLDINGS**		**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
Production: BRIEF

This document is printed on paper from environmentally certified sustainably managed forests. It carries PEFC certification based on the physical separation model.

Avec Ecofolio tous les papiers se recyclent.

10-31-1222 / Certified PEFC / pefc-france.org

PUBLICATIONS

CSR at Lagardère in 2016-2017

Reference Document
containing the Annual
Financial Report
Fiscal Year 2016

2016-2017 Milestones
Corporate Brochure

USB key
containing these publications
in English and French

These publications
are also available
in French.

→ www.lagardere.com

CONTACTS

REGISTERED OFFICE

Lagardère SCA

4 rue de Presbourg – 75116 Paris – France

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

SPOKESPERSON

Ramzi Khiroun

Spokesperson, Lagardère SCA
Chief External Relations Officer

Tel: +33 (0)1 40 69 16 33
E-mail: rk@lagardere.fr

INVESTOR RELATIONS

Florence Lonis

Chief of Investor Relations

Tel: +33 (0)1 40 69 18 02
E-mail: flonis@lagardere.fr

REGISTERED SHAREHOLDERS

BNP Paribas Securities Services

CTS - Lagardère Shareholder Relations Department
Grands Moulins de Pantin
9 rue du Débarcadère – 93761 Pantin Cedex – France

Tel: +33 (0)1 57 43 34 00

Lagardère

Lagardère PUBLISHING

Stock

Astérix

headline

SALVAT

DUNOD EDITEUR DE SAVOIRS

LB LITTLE, BROWN AND COMPANY

Lagardère TRAVEL RETAIL

RELAY

aelia DUTYFREE The Art of the Gift

discover

hubiz

TRIB'S BON SIMPLE ET FRAIS

IDEATORI RUSTICHELLI MANGIONE DEL GUSTO

Lagardère ACTIVE

PARIS MATCH

Lagardère STUDIOS

Europe 1

gulli

ELLE

Doctissimo vivre bien au quotidien

Lagardère SPORTS AND ENTERTAINMENT

Lagardère SPORTS

Lagardère LIVE ENTERTAINMENT

akzio! die sponsoringarchitekten

sponsorship 360

CASINO DE PARIS

Lagardère Paris Racing

www.lagardere.com