Lagardère

REFERENCE DOCUMENT
containing the Annual Financial Report

FISCAL YEAR 2017

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.

2015-2017: the Group makes a number of acquisitions, including audiovisual production businesses Grupo Boomerang TV and Aito Media Group, travel retail firm Paradies, and publishers Perseus Books and Bookouture.

REFERENCE DOCUMENT

containing the Annual Financial Report

Fiscal Year 2017

Lagardère SCA

French partnership limited by shares (*société en commandite par actions*)
with share capital of €799,913,044.60

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

Website: www.lagardere.com

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The original version of this Reference Document (*Document de référence*) in French was filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on 3 April 2018 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

1
2
3
4
5
6
7
8

1 OVERVIEW OF THE GROUP

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

1.1 GENERAL INFORMATION ABOUT THE ISSUER

1.1.1 COMPANY NAME AND COMMERCIAL NAME

Company name: Lagardère SCA

Commercial name: Lagardère

1.1.2 REGISTERED OFFICE, ADDRESS, TELEPHONE

Registered office:

4 rue de Presbourg - Paris 16e (75), France

Postal address:

4 rue de Presbourg, 75116 Paris, France

Telephone:

+33 (0)1 40 69 16 00

1.1.3 LEGAL FORM AND GOVERNING LAW

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

1.1.4 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.

1.1.5 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.

1.2 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.

  Examples of some important transactions include: 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 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.

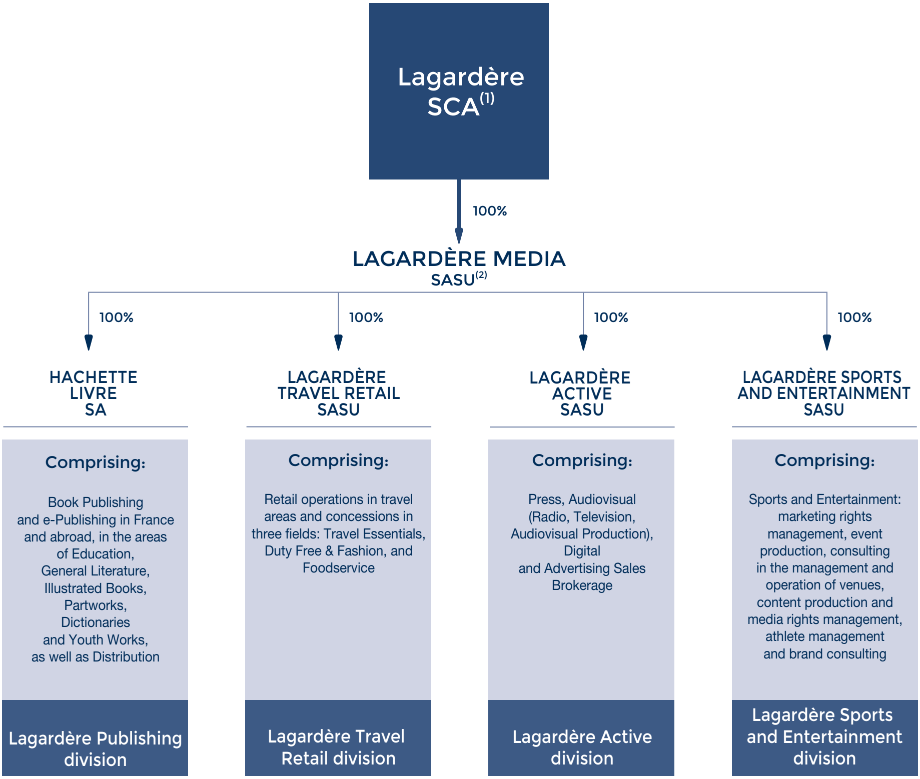
  In line with this goal, Lagardère Active acquired Newsweb and Doctissimo, France's top online content publishers;
- sale by Lagardère Active of its International Magazine Publishing business to Hearst in 2011 (102 publications in 15 countries);
- sale by Lagardère of its Radio business in Russia on 23 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 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 show production,
  - venue management.

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

Lagardère SCA's role in respect of its subsidiaries is described in section 3.2 of this Reference Document, and in the Lagardère SCA parent company financial statements (including the notes) in sections 5.4 and 5.5. Note 5 to Lagardère's consolidated financial statements also includes segment information, by division and by geographic area.



(1) Organisation chart at 1 March 2018.
(2) Lagardère Media is the holding company for all media operations.

As indicated in section 3.2 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 (627 consolidated companies) and their locations is provided in note 37 to the consolidated financial statements. Details of the positions held in these subsidiaries by Lagardère SCA corporate officers are presented in sections 2.1.4 and 2.1.5 of this Reference Document.

The Group's economic organisation (i.e., the breakdown of business activities by segment) is described in section 1.4. There is no significant functional dependency between the Group's various entities.

Section 1.4 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 (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 section 2.1.7 of this Reference Document.

1.4 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 around 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, Mobile Games 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, and 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 has also begun to diversify into mobile video games by acquiring several specialised start-ups in order to develop synergies between its content and this new and increasingly popular pastime.

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:

- integrating new acquisitions and concessions (Auckland, Cairns, Geneva, Warsaw, Krakow, Gdansk, Romania, Dakar, Saudi Arabia, Hong Kong, China, etc.);
- maintaining the pace of expansion so as to benefit from significant external growth opportunities;
- 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 stepping up innovation in our products and services;
- developing the Duty Free & Fashion and Foodservice segments;
- 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.** The division occupies a central place in the French media through its iconic and respected brands.

2018 will be a pivotal year for Lagardère Active, as it embarks upon a growth and development plan for its audiovisual production activities, structures and streamlines the news media businesses, and reviews its business portfolios in other areas.

The ambition is to extend the scope of action of Lagardère Studios in Europe, where Lagardère Active holds strong positions, by pressing ahead with the external growth dynamic and by developing organically. Lagardère Active also intends to maintain its presence in news media over the long term, underpinned by strong brands such as Europe 1, Paris Match and Le Journal du Dimanche. The quality of its content, the independence of its editorial offices, and the search for synergies between brands will spearhead work in this regard.

Lastly, Lagardère Active is aiming to give greater strategic flexibility to its other businesses. In order to prepare the ground for this transformation, the division will be structured going forward into autonomous business units, each with their own operational and functional resources. Within specialist groups, where applicable, they will be equipped to take advantage of the investments and synergies that will enable them to continue to develop, confirming the division's historical ability to incubate and bring through new businesses and fresh talent.

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;
- stadium and arena management solutions;
- athlete management;
- event management;
- brand *consulting*, activation and digital solutions;
- live show production;
- venue management.

With more than 1,400 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.

In 2018, due to the cyclical nature of its activities and the lack of major Asian Football Confederation (AFC) and Confédération Africaine de Football (CAF) tournaments, Lagardère Sports and Entertainment will focus on the diversification of its portfolio and look for growth opportunities in other areas of the business.

As the industry develops and the media landscape changes, Lagardère Sports and Entertainment will look to meet the challenges and opportunities presented by the growing demand for over-the-top (OTT) content.

In addition to this, it will look further into how information derived from consumer data can help when advising clients and explore the role creative content could play in engaging fans.

Another challenge faced within the industry is the high bidding costs for major events. Through its specialist agency EKS, and its partnership with the Commonwealth Games Federation, the division will provide host cities with long-term commercial strategies.

Overall, Lagardère Sports and Entertainment expects 2018 to be another good year. The sports market continues to remain strong and Lagardère Sports and Entertainment is well placed within the segment.

***

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

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

These four business divisions are grouped together within the Lagardère Media legal entity:

Lagardère Media	2017	2016	2015	2014	2013
Contribution to consolidated revenue	**7,069**	7,391	7,193	7,170	7,216
Contribution to consolidated recurring operating profit of fully consolidated companies(1)	**418**	414	399	379	372
Number of employees(2)	**28,389(*)**	26,125(*)	29,531	25,933	23,767

(1) Recurring operating profit 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 contracts.
(*) Excluding seconded employees.

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

***

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

- a significant reinforcement of the Group's leadership positions in its markets;
- the development of businesses with growth potential (Travel Retail, TV Production, Digital, sports rights management);
- the disposal of non-strategic assets and minority stakes;
- a pronounced internationalisation of its activities, particularly in emerging countries;
- a priority given 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, and further diversification into business related to publishing, such as mobile games,
  - Sports: Lagardère Plus consulting activities, including brand partnerships, activation and data analysis. Stadium management and operation solutions,
  - Audiovisual: international development,
  - Big Data: new uses, new value, new business models.

The Lagardère group intends to pursue its strategy of creating long-term value, focusing on profitability, cash generation and a well-balanced and prudent financial policy.

1.4.1 LAGARDÈRE PUBLISHING

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

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

Since its foundation in 1826, 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, Mobile Games, 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.

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 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. Hachette Livre has begun to diversify into mobile video games by acquiring three specialised start-ups in order to develop synergies between its content and this new and increasingly popular pastime.

A.1 IN FRANCE(6)

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, Asterix and Fantômette.

In Textbooks, Hachette Livre is the leading publisher in France(4) 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.

(1) 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).

(2) Source: internal analyses based on statistics from the GfK survey panel and data from the education group of the French publishers association.
(3) Source: internal data based on Nielsen BookScan in the United Kingdom.
(4) Source: internal estimates.
(5) Source: internal analyses based on Nielsen BookScan in the United States.
(6) Hachette Livre's competitive positions reflect data provided by the GfK panels to which the division subscribes.

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

A.2 OUTSIDE FRANCE[(1)]

In the United Kingdom, Hachette UK was the second-largest publisher in 2017, with 12.4%[(2)] of the printed *trade* book market (see section 1.4.1A). It has seven divisions: Octopus for illustrated books; Orion; Hodder & Stoughton; Headline; Little, Brown and Quercus for general literature; and Hachette Children's Books in the youth works segment.

These seven 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 España 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 13 languages and 28 countries through subsidiaries based in France, the United Kingdom, Italy, Spain, Poland, Japan, Argentina 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) Source: internal data, based on Nielsen BookScan in the United Kingdom, internal sources in Spain and Nielsen BookScan data in the United States.
(2) Source: Nielsen.

B) OPERATIONS DURING 2017

Contribution to consolidated revenue in 2017: €2,289 million (€2,264 million in 2016).

Breakdown of revenue by activity

	2017	2016
Education	**16.0%**	16.7%
Illustrated Books	**12.7%**	13.1%
General Literature	**42.6%**	43.6%
Partworks	**12.2%**	11.4%
Other (including Reference)	**16.5%**	15.2%
Total	**100%**	100%

Breakdown of revenue by geographic area

	2017	2016
France	**29.3%**	28.1%
United Kingdom	**17.9%**	18.5%
United States	**24.6%**	24.7%
Spain	**6.0%**	6.3%
Other	**22.2%**	22.4%
Total	**100%**	100%

In 2017, the global market was characterised by relative stability in printed books (excluding textbooks), resulting in small upward or downward variations depending on the market. The French market, for instance, saw a decline of 0.8%[(1)], attributable primarily to a first half marked by a presidential election preceded by primaries and followed by parliamentary elections. The volume of political news during this period favoured the news media to the detriment of books. After a sluggish first half, Hachette Livre rebounded spectacularly in the second half, outperforming the broader market.

In the United States, printed books recorded a fourth consecutive year of growth (up 1.9% in volume[(2)]) on a 5%[(3)] decline in e-book sales bringing them down to a level well below their all-time high market share of 23.3% in 2013. Growth in publishing revenue across all publishers shows that many consumers have shunned the digital world and are returning to print. Growth in downloadable audio books was also remarkable in this market (up 30.2%[(3)]). Hachette Book Group, number four in this segment, increased its revenue by 22%.

The print book market also increased in the United Kingdom, albeit marginally (up 0.2%[(2)]), for the third year in a row. As in the United States, audiobooks experienced strong growth. Hachette UK ended the year down just 8%, which is a noteworthy performance given the huge success in 2016 of J.K. Rowling's *Harry Potter and the Cursed Child*.

In Spain, the absence of curriculum reform, on top of the political crisis in Catalonia, adversely impacted a recovering education market. Hachette España managed to limit the decline in its revenue to just 1.1%, thanks in large part to the strength of the Latin American markets.

Partworks had another outstanding year, with many successful launches, particularly in France, Spain, Poland, Japan and Argentina.

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. These acquisitions can extend to related areas such as mobile games, where the business model holds out the prospect of significant cross-fertilisation of content and know-how;

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 critical mass 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.

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

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 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 second year of curriculum reform, bearing on secondary school programmes. The reform enabled Hachette Education and the Alexandre Hatier Group to confirm their positions as leaders in Education in France in 20171[1].

The Literature division shone thanks to the extraordinary number of literary prizes won in 2017: Grasset won the Grand Prix du Roman, the Académie française's literary prize for *Mécaniques du chaos*, by Daniel Rondeau, the Renaudot prize for *La Disparition de Josef Mengele*, by Olivier Guez, and the Interallié prize for *La nostalgie de l'honneur*, by Jean-René Van der Plaetsen. Stock received the Femina essay prize for *Mes pas vont ailleurs*, by Jean Luc Coatalem, and the Medicis Foreign book award for *Les huit montagnes*, by Paolo Cognetti.

In addition, Lattès dominated the year-end bestseller lists with *Origin*, by Dan Brown (540,000 copies). Similarly, Fayard sold 150,000 copies of *Le miracle Spinoza*, by Frédéric Lenoir, while Kero sold 220,000 copies of *Et tu trouveras le trésor qui dort en toi*, by Laurent Gounelle. Le Livre de Poche gained market share bringing it hard on the heels of its main competitor, the market leader.

Illustrated Books turned in a remarkable performance thanks to the new Asterix album, *Astérix et la Transitalique*, which has sold more than two million copies in France, as well as to mangas, Tourism and Youth.

Larousse ended the year well thanks to box sets, games and high-quality illustrated books.

B.2 OUTSIDE FRANCE

United States

In an American book market characterised by slightly higher printed book sales and stable e-book sales, Hachette Book Group (HBG) posted an impressive increase in its revenue (up 5%), thanks in large part to extensive presence on the bestseller lists. HBG placed 167 titles on *The New York Times* Best Seller list, 34 of which made it to number one, and 144 titles on the *USA Today* list, ten of which reached the top of the list, double the number in 2016. They included *You are a Badass*, by Jen Sincero, *Make your Bed*, by Admiral William H. McRaven, *Al Franken, Giant of the Senate*, by Senator Al Franken, and, for the tenth consecutive year, *The Absolutely True Diary of a Part-Time Indian*, a children's book by Sherman Alexie. Another noteworthy success was *Obama, An Intimate Portrait*, a photo book by Pete Souza, the official White House photographer, which sold 320,000 copies. In addition, Little, Brown Books for Young Readers was the first publisher to win the prestigious Caldecott Medal for three straight years, this year for *Radiant Child: The Story of Young Artist Jean-Michel Basquiat*, while two HBG titles (*Pachinko*, by Min Jin Lee, and *The Power*, by Naomi Alderman) were selected among the top ten books of 2017 by *The New York Times*.

Audiobooks continued their spectacular growth (gaining a further 30.2% after growth of 32% in 2016), while e-books declined further, bringing them 30% below their 2013 peak – a level that appears to reflect a sustainable market of regular users.

Lastly, as planned, Perseus' distribution migrated from Ingram to Hachette Book Group in June 2017.

United Kingdom and the Commonwealth

Despite the runaway success of *Harry Potter and the Cursed Child* in 2016, Hachette UK very nearly managed to match its performance in 2017.

With 12.4%[2] of a British publishing market marked by a slight increase in printed books (up 0.2%)[2], Hachette UK (HUK) consolidated its number two position, and believes itself (in the absence of official statistics) to be the biggest seller of e-books. The market share of its subsidiary, Hodder Education, grew by a further 1.0 percentage point to 23.4%[1], making HUK the publisher of almost one out of four textbooks. It now ranks number three[1] in the market, less than one point behind the number two, and boasts the sector's strongest growth in the UK and its other markets around the world.

In General Literature, HUK placed 122 titles on *The Sunday Times* Bestseller list, 24 of which made it to number one, up from 18 in 2016. HUK won prizes in three categories at the British Book Awards: Best Non-Fiction Narrative Book (*East West Street*, by Philippe Sands), Best Imprint (John Murray) and Bestseller Award (*Harry Potter and the Cursed Child*, by J.K. Rowling).

Continuing its policy of targeted acquisitions, HUK acquired four companies in 2017: Bookouture, the leader in digital publishing, as well as three acquisitions in more traditional areas:

- Summersdale, a very "trendy" publisher specialising in humoristic and lifestyle titles;
- Kyle Books, a publishing house specialising in cookbooks, health and gardening;
- Jessica Kingsley, which has made a name for itself in the fields of psychology and social sciences.

Each of these acquisitions is aimed at complementing HUK's offering by addressing a growing market segment.

Lastly, the new, distribution centre – the United Kingdom's largest and most up-to-date – is almost complete and will be operational in the summer of 2018. It will replace the LBS and Bookpoint centres, offering substantial gains in terms of economies of scale and streamlining of flows.

(1) Source: internal estimates.
(2) Source: Nielsen BookScan.

Spain and Latin America

With 2,268 new titles published in 2017, Hachette España once again proved its know-how in "tailored" publishing for a textbook market characterised by extreme fragmentation, with each of the 17 regions exercising broad sovereignty over language and curriculum. The cycle of curriculum reform initiated by the Organic Law for Improvement of the Quality of Education (Ley Orgánica de Mejora de la Calidad Educativa – LOMCE) ended with the publication of the manuals for levels 2 and 4 in Andalusia. This end of the cycle, coupled with a certain wait-and-see attitude in the regions – above all Catalonia – weighed on the performance of Hachette España, which nonetheless managed to limit the decline in revenue to 1.1% thanks to very rigorous management tactics.

Imprints outside the world of textbooks have been grouped together in five areas corresponding to well defined segments:

- the Children-Youth segment includes Anaya, Algaida, Barcanova and Bruño, as well as Ediciónes Xerais, Asterix and Hachette Heroes;
- the Academic and Professional segment includes Cátedra, Tecnos and Pirámide;
- Illustrated Books comprises the Larousse, Anaya Multimedia and Anaya Touring brands;
- Commercial Fiction brings together AdN, Oberon and Algaida, as well as novels by Ediciónes Xerais and Barcanova;
- lastly, in view of the complexity of its offer and its historical singularity, Alianza Editorial alone constitutes the fifth segment.

In Latin America, Larousse had great success with *Grandes Chefs Mexicanos*, a book showcasing Mexican cuisine through the work of 22 great chefs, while in Education, Grupo Editorial Patria launched its elementary level "Reading Plan" with 36 books, as well as a number of collections aimed at secondary school and higher levels.

Partworks

Lastly, Partworks delivered another impressive performance, with growth of 11% thanks to 76 successful launches in 28 countries, particularly France, Japan, Spain, Poland and Argentina.

B.3 OBJECTIVES AND ACHIEVEMENTS IN 2017

Lagardère Publishing had expected 2017 to be a year of consolidation, without any major events on the calendar, and marked in France by a second year of curriculum reform, a number of bestsellers scheduled for release and the probable impact from the electoral calendar in the first half.

Internationally, the division cautioned that it was unlikely to match its outstanding performance in 2016 in the United Kingdom, and that the end of the cycle of curriculum reform in Spain would have a big impact.

In the United States, efforts were made to continue to restore Hachette Book Group's profitability.

Lastly, one or two additional acquisitions of digital start-ups were being considered.

These forecasts were all reflected in the numbers: the second year of curriculum reform in France resulted in significant market share gains for Hatier, Hachette Education and Didier, which now occupy first, second and fifth places respectively after a stellar year[1].

The first half was particularly affected by the electoral calendar in France, which included two primaries in addition to the two rounds of the presidential election and the two rounds of the parliamentary elections, which captured the attention of the French public and weighed on purchases of books as people turned their focus on the press, television and the Internet. Lagardère Publishing nonetheless made up for lost ground with an extraordinary number of literary prizes in the third quarter, not to mention the releases of *Astérix et la Transitalique* and *Origin*, by Dan Brown, in the fourth quarter. These titles were all in the portfolio on 1 January, and their sales lived up to expectations.

In the United Kingdom, Hachette UK ended the year not far short of its all-time record of 2016, and, as announced, acquired Bookouture, a start-up specialising in digital book publishing.

C) OUTLOOK

2018 will be a more challenging year, due to the high comparison basis with 2017 and the lack of curriculum reform in France and Spain. The priority will be to ensure management discipline without stifling the creativity of our teams, who are the basis of our future prosperity. Lagardère Publishing will give each and every book the support needed to fulfil its potential, above all eagerly-awaited titles such as the Bill Clinton and James Patterson novel *The President is Missing*, due out in the spring, and *La jeune fille et la nuit* by Guillaume Musso, the most widely read French novelist worldwide, who has just joined Calmann Lévy.

In addition, Lagardère Publishing will remain attentive to any acquisition opportunities that allow it to add scale and efficiency.

(1) Source: internal estimates.

1.4.2 LAGARDÈRE TRAVEL RETAIL

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

After the United States and Switzerland in 2015, and Spain, Canada and Belgium in 2016, Lagardère Travel Retail sold its Press Distribution 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 34 countries and on five continents, Lagardère Travel Retail is a pure player and global leader in Travel Retail.

At the end of 2017, Lagardère Travel Retail operated a total of 4,431 sales outlets. The geographic breakdown is as follows: 3,330 in Europe, Middle East and Africa, 324 in Asia-Pacific and 777 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.

TRAVEL RETAIL: RETAIL SALES DEDICATED TO TRAVELLERS

Travel Retail is one of the most attractive niches in retailing along with e-commerce. 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 concepts and commercial offerings 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 gains of the following tenders in 2017:
  - Geneva, Dakar, Shanghai, Beijing and Wuhan airports (mainly in Duty Free & Fashion and Foodservice),
  - a new terminal at the Dubai airport, with a local partner, and at the Hong Kong airport, in partnership with China Duty Free Group, for the sale of alcohol and tobacco,
  - nine Duty Free stores at the Prague airport and concessions at the Gdansk airport in Poland, Foodservice at the Toulouse-Blagnac airport, the terminal 1 concession at the Toronto airport and the opening of several stores in Vancouver, Dallas and Austin,
  - three tenders in Saudi Arabia, in Riyadh, Dammam and Jeddah, in partnership with local operators, at the end of December 2016;
- stepping up external growth with the recent acquisitions of Citi Tabak in the Czech Republic, Corsini in Romania, and the assets of Gategroup in Poland, and above all in 2015 the acquisition of Paradies in the United States, which was integrated successfully in 2017. This acquisition has made Lagardère Travel Retail number three[1] in the North American Travel Essentials and Foodservice market (operations in 97 airports in the United States and Canada).

In the wake of recent market consolidation, Lagardère Travel Retail is now the fourth-largest[1] 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 European leader[1] in the Travel Retail Fashion segment;
- ranks among the top ten[1] operators in Core Duty Free;
- is the fourth-largest[1] operator in Foodservice in travel areas worldwide.

Change in market share over the last two years has mainly been impacted by 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 reference in the industry.

The network includes the following 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[1] 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 155 international airports. At the end of 2017, this segment counted 2,915 stores worldwide (including 161 franchisee outlets).

A portion of these stores are operated by a network of franchisees in countries including Belgium, Hungary, China, India, the United Arab Emirates and Cambodia.

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.

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

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.

Lastly, Lagardère Travel Retail is a souvenir store operator with the international Discover concept, as well as Air de Paris and other local brands related to concessions (Eiffel Tower, Sydney Opera House, etc.).

Competition in convenience stores and news stands in travel areas, which was previously local, is becoming global: Hudson News (Dufry) operates in 16 countries, WH Smith in 26; HMSHost (Autogrill) operates primarily in North America; and Valora mainly in Germany, Austria, Switzerland and Luxembourg.

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 European leader[(1)] in Fashion sales in travel areas, particularly following recent tender wins (mainly Geneva in Switzerland, Lounge 3 at Amsterdam Schiphol airport, the Netherlands and the Avancorpo terminal in Rome-Fiumicino, Italy). The segment counted 655 stores worldwide at the end of 2017.

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 more than 850 Foodservice outlets in 19 countries (France, Czech Republic, Poland, Italy, Germany, Austria, Bulgaria, Romania, Iceland, Spain, Slovenia, Australia, the 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, Natoo, etc.);
- through concepts tailored to meet the specific needs of licensors and locations (La Plage and Pan Garni at the Nice airport and L'Étoile du Nord at the Gare du Nord railway station in Paris in partnership with Thierry Marx, Loksins Bar at Keflavik airport in Iceland, Bar Symon at the Pittsburgh airport in the United States, etc.);
- under franchise agreements with major international brands (Starbucks, Costa Coffee, Prêt à Manger, Burger King, Ajisen Ramen, 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.

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

B) OPERATIONS DURING 2017

Contribution to consolidated revenue in 2017: €3,412 million (€3,695 million in 2016).

Breakdown of revenue by activity

	2017	2016
Travel Retail	**99.7%**	84.8%
Distribution	**0.3%**	15.2%
Total	**100%**	100%

Breakdown of revenue by geographic area (Travel Retail)

	2017	2016
France	**25.3%**	25.8%
Europe (excluding France), Middle East and Africa	**40.8%**	38.2%
North America	**22.2%**	24.0%
Asia-Pacific	**11.7%**	12.0%
Total	**100%**	100%

Travel Retail revenue increased by 8.6% on a reported basis and 9.1% on a like-for-like basis in 2017.

Travel Retail accounted for 99.7% of the division's consolidated revenue in 2017, up from 84.8% in 2016, due essentially to its definitive withdrawal from Press Distribution in February 2017. The EMEA region's growth in the geographic revenue breakdown is attributable to the acquisitions made in Poland, the Czech Republic and Romania in 2017, as well as the opening and ramping up of new concessions (Geneva in Duty Free, Foodservice in France and Europe, entry into Saudi Arabia and Senegal, Fashion and Foodservice in China, Duty Free in Hong Kong). All geographic areas experienced significant growth.

The 2017 market environment was marked by continued growth in air traffic, driven in part by the development of low-cost airlines, amidst a recovery in Europe after the terrorist attacks of the previous two years.

Nevertheless, the volatility of certain currencies (in particular the yuan and the rouble), Brexit, the adoption of the neutral cigarette package in France and the continuing decline in the press market slowed the pace of growth in the areas concerned.

- Continued growth in air traffic

After growth of 4.2% in 2012, 3.9% in 2013, 4.9% in 2014, 6.1% in 2015 and 6.5% in 2016, 2017 saw robust air traffic growth of 8.5% worldwide. By region, air traffic growth broke down as follows: 11.4% in Europe (versus 5.2% in 2016), 3.7% in North America (versus 3.8% in 2016) and 11.5% in Asia-Pacific (versus 10.6% in 2016)[(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);
- efforts to develop synergies and operational efficiency (improvement of purchasing conditions, Target Operating Model, convergence of information systems, reduction of investment costs, etc.).

B.1 TRAVEL RETAIL

Europe, Middle East and Africa (EMEA)

In **France**, managed revenue[(2)] at directly operated stores across the three segments was up 4.9% compared with 2016, with positive variations in the different segments.

2017 saw a rebound in activity compared with 2016, which was hit hard by the effects of the 13 November 2015 attacks in Paris and the 14 July 2016 attack in Nice.

The Travel Essentials network reported growth of 2.4%, while the Foodservice segment grew strongly by 18.6%. Strong growth in sales of food & beverage products (up 18.3%) helped offset the decline in press sales (down 5.4%).

The Duty Free & Fashion business recorded a 3.9% increase in managed revenue year on year thanks to air traffic growth: increases of 4.7% in the Paris airports (5.7% at Paris-Charles de Gaulle and 2.5% at Paris Orly), 7.9% at Lyon-Saint-Exupéry, 6.9% at Nice-Côte d'Azur and 8.6% at Marseille-Provence. The reinforcement of security controls on most platforms nevertheless dampened growth.

In **Italy**, Lagardère Travel Retail ranks as the leading player in Duty Free & Fashion, second in Travel Essentials and fifth in Foodservice.

In 2017, total revenue increased by 13.6%, driven largely by the full-year effect of the new Rome Fiumicino non-Schengen terminal, with the successful introduction of the new Aelia Duty Free concept (1,900 sq.m.) and healthy traffic momentum at Venice and Treviso

(1) Source: ACI, at end-November 2017 and end-December 2016.
(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.

(up 8%). By contrast, Rome experienced a 5% drop in duty paid traffic reflecting Alitalia's financial difficulties. The year also saw the modernisation of the Foodservice outlets on the arrivals side of the Venice airport, and the closure of several motorway and city-centre outlets.

In **Poland**, consolidated revenue increased by 26%, driven primarily by growth in Duty Free, where business was up 30%. The increase was attributable primarily to a scope effect with the opening of the Gdansk platform (six Duty Free outlets), the takeover of Dufry outlets at the Prague airport and the acquisition of Warsaw-Modlin airport stores from Gate Gourmet. The performance of Foodservice activities (up 14.1%) was driven by the opening of 11 sales outlets in Gdansk and the good performance of the existing stores (up 10.8%), stemming above all from air traffic growth in Warsaw and Krakow. Travel Essentials revenue grew by 16%, thanks chiefly to the opening of 11 sales outlets at the Gdansk airport.

In the **Czech Republic**, the 21.3% increase in revenue in 2017 was driven by the takeover of Dufry's nine outlets and the opening of the new terminal 1 walkthrough at the Prague airport against a backdrop of strong traffic growth (up 18.4%). The Foodservice and Travel Essentials segments posted growth of 16.6%. In August 2017, the acquisition of 23 Citi Tabak stores strengthened the Relay network.

The rest of the region reported growth of 9.3% driven by the takeover of the Duty Free concession in Geneva and the start of activities in Saudi Arabia and Senegal. Other noteworthy developments include:

- revenue in the **Netherlands** grew by 8.1% thanks to the modernisation of outlets at Amsterdam Schiphol airport and the opening of two new stores at Eindhoven airport;
- in **Romania**, the 15% increase in revenue was driven by the existing network, with a strong improvement in revenue (up 16.5%) and the acquisition of five sales outlets in 2017;
- in **Bulgaria**, revenue increased by 11.4% thanks to very good results on a constant-network basis (up 8.3%) and the strong performance of the Relay outlets opened in Sofia in 2017;
- in **Iceland**, revenue increased by 25.3%, driven by passenger traffic, which remains very strong;
- the only market to record weaker revenue was **Germany** with a 5.5% decline overall. Travel Essentials revenue was down on the back of weaker press sales, especially in railway stations, the loss of the concession at the Düsseldorf airport in December 2016 (five sales outlets) and the effect of the 2016 and 2017 terrorist attacks. This was partially offset by growth in Foodservice revenue (up 4.6%).

Asia-Pacific

In the **Pacific**, growth in revenue (up 2.7%) was driven primarily by the Duty Free business in Australia and New Zealand thanks to the opening of new sales outlets in Cairns in March 2017 and the steep increase in traffic in Auckland. Travel Essentials revenue was down 2.4% due to the cumulative impact of a further sharp decline in press sales, the full year impact of closures of sales outlets at the Melbourne airport in 2016 and the decline in traffic to Gold Coast and Perth. Foodservice revenue rose sharply (up 51.9%) thanks to the opening of restaurants in terminal 1 in Sydney and in Melbourne (Campos Coffee, SumoSalad) in the first half of 2017.

In **Asia**, revenue continued its growth (up 14%), driven by the very good results of the Fashion and Foodservice activities in China and the start of the alcohol and tobacco concession at the Hong Kong airport (in partnership with China Duty Free Group).

North America

In 2017, **North America** recorded consolidated revenue growth of 4.6% on a comparable basis of 52 weeks (the 2016 fiscal year covered 53 weeks in North America), driven primarily by the existing network.

2017 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 performance of the Travel Essentials business was up 2% on a like-for-like basis.

Revenue growth was higher than anticipated in the 2015 Paradies acquisition plan.

B.2 OBJECTIVES AND ACHIEVEMENTS IN 2017

Travel Retail

The first objective for 2017 was to continue the integration of Paradies and the new concessions awarded since 2015 (Auckland, Rome-Fiumicino, Warsaw, Krakow, Gdansk, Nice, Luxembourg, Saudi Arabia, Estonia, etc.). The merger of the two organisations (Paradies and Lagardère Travel Retail) was completed in 2017. Synergies are in line with expectations.

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

- continuing the rollout in several countries of the new Relay concept bringing the six main categories of Travel Essentials (food, press, gifts and souvenirs, books, travel and children) together under one roof;
- modernising concepts to boost revenue.

The third objective concerned the development of the Duty Free & Fashion and Foodservice segments.

Revenue increased by 15% year on year in the Duty Free & Fashion segment in 2017, reflecting the good performance of new concessions in Italy (Rome-Fiumicino Avancorpo terminal), Switzerland (Geneva), New Zealand (Auckland) and China.

Sales in the Foodservice segment grew by 11% in 2017, driven by active network development in France and the Czech Republic, and strong growth in passenger traffic in Iceland.

The fourth objective was to increase the pace of expansion in Asia-Pacific, the Middle East and Africa. The most significant achievements of 2017 in this regard were:

- the opening in November 2017 of a concession for Duty Free sales of alcohol and tobacco in Hong Kong, in partnership with China Duty Free Group;
- the gain of various Duty Free & Fashion and Foodservice tenders in Shanghai, Beijing and Wuhan (China). The establishment of a franchise agreement for Travel Essentials activities in Phnom Penh and Siem Reap airports (Cambodia);
- the renewal of the Travel Essentials concession at terminal 2 of the Sydney airport (Australia) in December 2017;
- the opening in the spring of 2017 of Duty Free operations platforms in Riyadh, Dammam and Jeddah (Saudi Arabia);
- the gain of the Duty Free and Travel Essentials concession at the new Blaise-Diagne airport in Dakar (Senegal), which began operations on 7 December 2017.

The fifth objective was to take initiatives to improve profitability and cash generation. The division implemented a series of measures that allow for regular and enhanced performance monitoring and cash generation across all countries.

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 2018 trading outlook hinges primarily on changes in airport traffic and currencies, as well as broader economic and geopolitical trends.

Objectives are focused on:

- integrating new acquisitions and concessions (Auckland, Cairns, Geneva, Warsaw, Krakow, Gdansk, Romania, Dakar, Saudi Arabia, Hong Kong, China, etc.);
- maintaining the pace of expansion so as to benefit from significant external growth opportunities;
- 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 stepping up innovation in our products and services;
- developing the Duty Free & Fashion and Foodservice segments;
- 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.

1.4.3 LAGARDÈRE ACTIVE

The following comments describe the position of Lagardère Active based on its 2017 scope and business developments. They therefore take into account the acquisition of Animalbox in June 2017, as well as the acquisition of majority interests in Shopcade in January 2017 and Aito Media Group in October 2017.

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 (excluding Disney titles) plus other licensed titles published internationally (80 publications and more than 55 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 general-interest radio station, offering high-quality programmes for the general public, with nearly 3.9 million listeners every day(1).

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 2.6 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 Cambodia.

In all the countries where its operations are well established, LARI is a major player with its 23 stations in the private radio 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 five million listeners daily(4);
- number two in Romania, where it has three radio stations, including Europa FM, which ranks among the country's top three private radio stations(5), and Virgin Radio Romania (launched in January 2017);
- leading radio station in Saarland, Germany, with Radio Salü(6);

(1) Source: Médiamétrie 126,000; Monday-Friday; 13+; cumulative audience 5am-midnight; January-December 2017.
(2) Source: Médiamétrie 126,000; average Monday-Friday; 5am-midnight; November-December 2017 wave.
(3) Source: Radio Project; Q2+Q3 2017; LV12+.
(4) Source: SMG KRC Radio Track; July-September 2017; LV15+.
(5) Source: IMAS; September-December 2017; LV11+.
(6) Source: AS&S MA II 2017 and EMA II 2017; LV10+.

- leading privately owned regional radio station in South Africa, with Jacaranda[(1)];
- among the top four radio stations in Slovakia, with Europa 2[(2)].

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 3.1.2.1.2).

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 CanalSat, 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[(3)]);
- 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 TV. This new "chic and cool" theme channel, 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 and which airs in 22 French-speaking countries in sub-Saharan Africa, received a delightful second birthday present by being voted children's favourite channel[(4)].

International development continues, with the launch on 28 June 2017 of Gulli Bil Arabi, broadcast in Arabic in partnership with operator My-HD in 18 countries in North Africa and the Middle East.

Thanks to this diverse offering, Lagardère Active is a major player in the television market. In 2017, Gulli logged the tenth-largest audience share[(5)] of all DTT channels, with 1.6% of viewers aged 4 years and over across the whole of France. It remains the leading offer for children aged 4-10 during the day (6am-8pm), with 17.8% audience share[(5)] (well ahead of TF1, with 13%), beating a record dating back to 2008. It should be noted that France 4, which enjoyed steady growth on the heels of its repositioning in 2014, saw a decline in its popularity this year (9.2% audience share, versus 10.8% in 2016), keeping it well behind Gulli. Moreover, the Gulli channel also recorded its best audience among mothers since 2012, with audience share of 2.3% (3am-3am)[(5)]. Five 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, Spain and, since the end of 2017, Finland. Lagardère Studios also produces corporate and web videos.

In 2017, Lagardère Studios maintained its position as France's leading producer of drama, with more than 65 hours of original programming broadcast in prime time between 1 September 2016 and 31 August 2017[(6)].

Lagardère Studios is also the second-largest producer of programmes for immediate broadcast[(7)], with over 1,000 hours broadcast over the same period on French channels.

In Spain, Lagardère Studios is a leading independent audiovisual production group, with more than 1,000 hours of programming delivered in 2017.

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

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, marketing nearly 100 products from Lagardère group and external publishers. Its core business is based on a network of four media (press, radio, television, digital) and know-how in terms of special operations:

- the leading French press advertising sales agency, with leadership positions in women's, current affairs, decorating and TV magazines

(1) Source: BRC RAM Radio Listening; April-September 2017.
(2) Source: MML SK; Q1+Q2 2017; LV14+.
(3) Source: CSA; 2017 CSA Research Observatory on awareness of additional channels, April 2017.
(4) Source: Kantar TNS; 2017 KidScope survey: 4-10 years; focus on households subscribing to Canal+; Côte d'Ivoire; January 2017.
(5) Source: Médiamétrie - Médiamat 2017; 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.
(6) Source: *Écran Total* – 2017 ranking of drama producers.
(7) Source: *Écran Total* – 2017 ranking of producers of programmes for immediate broadcast.

(other than special issues): 20.4 million French people aged 15 and over read at least one title with connections to Lagardère Publicité (39% coverage rate)[(1)];

- in television, a major brokerage catering to all audiences. A powerful youth offer (Gulli, Canal J and TiJi) led by Gulli, the leading national channel during daytime for the 4-10 age group, with audience share of 18.2%[(2)]. A young adults business comprising a dynamic and varied offer (Elle Girl TV, MCM and MCM Top), and a diversified adult offer appealing to a very wide audience (Gulli, RTL9, RFM TV and Virgin Radio TV);
- in radio, the brokerage relies on three brands operating in complementary market segments: Europe 1, a premium, innovative and committed brand; Virgin Radio, the trendy brand for thirty-somethings; and RFM, the benchmark family brand. It is a powerful offering that reaches more than 23 million listeners over three weeks (43% of French people aged 13 and over)[(3)];
- a digital offering consisting of some 40 brands (including 20 premium brands), providing a gateway for more than half of the connected population (53%), or 24.5 million unique visitors on the desktop, mobile and tablet Internet[(4)]. The Lagardère group is positioned as the fifth-largest media group in the market[(5)].

A.6 DIGITAL PURE PLAYER

Besides being one of the leading media groups in both the desktop Internet, with 14 million unique visitors (UV)[(6)] in France, and mobile, with over 13 million UVs[(6)], 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;
- BilletRéduc.com offers discounted theatre and concert tickets.

B) OPERATIONS DURING 2017

Contribution to consolidated revenue in 2017: €872 million (€915 million in 2016).

Breakdown of revenue by activity

	2017	2016
Press	**46.4%**	46.4%
of which: Magazine Publishing Other activities including pure play and B2B Digital activities	**39.1%** **7.3%**	38.1% 8.3%
Audiovisual	**53.6%**	53.6%
of which: Radio Television production and channels	**21.6%** **32.1%**	21.9% 31.7%
Total	**100%**	100%

Breakdown of revenue by geographic area

	2017	2016
France	**76.5%**	75.9%
International	**23.5%**	24.1%
Total	**100%**	100%

B.1 FRANCE MAGAZINE PUBLISHING

In 2017, Lagardère Active maintained its position among the leaders in circulation and advertising in Magazine Publishing, both overall and in virtually all of its markets.

In an environment characterised by extreme pressure on per-issue sales, **circulation** revenue held steady, easing by just 0.2% on a like-for-like basis (compared with a 5.2% drop in 2016). Over the year, circulation revenue rose for *Paris Match* and *Le Journal du Dimanche*; it was stable for *Public*, *Elle* and *Ici Paris*, a performance not seen in nine years. This growth was driven by the dense news cycle, which favoured per-issue sales, buoyant subscriptions and the contribution of digital news-stand sales.

- *Elle* maintained its leading position in paid circulation in France[(7)] in the high-end paid weekly market, seeing its market share

(1) Source: ACPM One 2016-2017; One-shot plan – 13 titles.
(2) Source: Audience share 6am-7pm, Médiamétrie - Médiamat from 2 January to 31 December 2017.
(3) Source: Médiamétrie Panel 2016-2017; 5am-midnight; maximum coverage over three weeks; full period 23 days; 13+.
(4) Source: Médiamétrie NetRatings; Global Internet; September 2017.
(5) Source: Médiamétrie NetRatings; Media groups; September 2016 (4th); September 2017 (5th).
(6) Source: Médiamétrie; September 2017.
(7) Source: DFP/ACPM 2016-2017; weeklies segment with three titles (*Grazia, Gala, Madame Figaro*); monthlies segment with six titles (*Marie Claire, Cosmopolitan, Psychologies Magazine, Biba, Glamour, Vogue*).

increase by 0.4 percentage points compared with 2016, as in 2015, bringing it to 30.3% in 2017. In a broader market down 3.9% year-on-year and 6.7% over two years, *Elle* recorded a considerably firmer trend than the market (down 2.1% and 5.3% respectively).

- *Elle Décoration* and *Art & Décoration* are at the top of the market, with combined market share in terms of paid circulation[(1)] of almost 50% in a segment comprising eight high-end titles. *Art & Décoration* maintained a large lead in both paid distribution (the only title to top the 200,000 copy mark) and per-issue sales.
- *Elle à Table*'s market share was up 0.2 percentage points compared with 2017 and 1.2 percentage points compared with 2016. Elle à Table outperformed the broader market in terms of per-issue sales[(2)].
- *Version Femina* remains far and away the leader among general interest women's magazines despite the reduction in paid distribution in France (down 4.8%)[(3)]. Its results reflect those of the regional dailies, generally home delivered, a segment that is more resilient than per-issue sales.
- While the majority of national dailies saw their per-issue sales decline in 2017, *Le Journal du Dimanche* recorded a virtually unchanged year-on-year performance, and its trend between 2016 and 2017 (down 3.2%) was the best in its segment: *Le Figaro* (down 10.19%), *Aujourd'hui en France* (down 8.66%) and *Le Monde* (down 6.35%)[(4)].
- *Paris Match* this year again maintained its leading position in terms of per-issue sales in its segment (2017/2016 per-issue sales, market comprising *Gala, VSD* and *Madame Figaro*). The title benefited from a highly abundant news cycle in 2017 and dynamic digital news stands.
- Despite a decline of 8.8% in a market down 14.5% (paid distribution 2016-2017 versus 2015-2016, market comprising *Closer, France Dimanche, Ici Paris, Point de Vue, Public* and *Voici*), *France Dimanche* remains the leader, with paid distribution of 269,469 copies.
- *Ici Paris* did better than its market, with a decline of 6.4% (paid distribution 2016/2017 versus 2015/2016, market comprising *Closer, France Dimanche, Ici Paris, Point de Vue, Public* and *Voici*).
- *Public* outperformed its market, with sales up 7.3% (paid distribution 2016/2017 versus 2015/2016, market comprising *Closer, France Dimanche, Ici Paris, Point de Vue, Public* and *Voici*), driven by the growth of sales via digital news stands.
- *Télé 7 Jours* remains the leader among TV magazines, with sales down 4.5% in a market down 5% (paid distribution 2016/2017 versus 2015/2016, market comprising *Télé 2 Semaines, Télé 7 Jours, Télé Loisirs, Télé Magazine, Télé Poche, Télé Star, Télé Z, Télé Câble* and *TV Grandes Chaînes*).

In **Advertising**, Magazine Publishing revenue fell in a challenging economic environment[(5)].

- In a depressed market, Elle remained the undisputed leader in its segment, with market share of 26.6% (versus 27.5% in 2016), 6.6 percentage points above its main competitor, *Madame Figaro*.
- *Version Femina* recorded a decline in advertising page volume (down 5% versus 2016), but saw its market share gain 1.8 percentage points year on year to 23.1% in 2017. In 2017, the volume of advertising pages contracted across all titles in the segment. *Version Femina* and *Maxi* showed the greatest resilience, to the detriment of *Femme Actuelle*.
- In a growing decorating market in 2017, *Elle Décoration* saw its advertising page volume increase by 1%. The title retained its leadership, with market share of 21.6% (versus 22.3% in 2016). *Art & Décoration* recorded market share of 14.4% (versus 15.8% in 2016).
- *Elle à Table* held up well in a declining market, with market share of 26.1%, 1 percentage point above its nearest rival, *Marmiton*.
- With advertising page volume up 4%, *Paris Match* grew in a falling market, gaining 0.9 percentage points of market share (versus market share of 11.3% in 2016) in the news segment.
- *Le Journal du Dimanche* stabilised its market share (which edged down by 0.2 percentage points in 2017 on market share of 6.4% in 2016), with a 1.9% increase in advertising page volume.
- *Télé 7 Jours*, in a television news segment in structural decline, recorded negative trends in advertising page volume (down 12.9%) but consolidated its market share (up 0.5 percentage points in 2017 on market share of 16.5% in 2016).
- *France Dimanche* and *Ici Paris* recorded declines in their advertising page volume.
- In a significantly contracted market, *Public* recorded a drop in advertising page volume.

Elle's **international licensing** was marked by numerous print and digital developments in 2017 (launch of *Super Elle*, a quarterly for millennials in China, launch of numerous special issues and spin-offs on the themes of marriage, decoration and children, launch of the Elle Côte d'Ivoire website), as well as the development of diversified operations including the launch of the Elle International Fashion and Luxury Management Program with MIT, and the development of events promoted by Elle (Elle International Beauty Awards, Elle Active Japan, Taiwan, China and Italy) and Elle Décoration (Elle Deco International Design Awards).

(1) Source: DFP/ACPM 2016-2017; decorating segment with eight titles (*Art & Décoration, Côté Sud, Côté Ouest, Côté Est, Marie Claire Maison, Ideat, AD, Elle Décoration*).
(2) Source: DFP/ACPM 2016-2017; high-end segment with four titles (*Elle à Table, Saveurs, Régal, Cuisine* et *Vins de France*).
(3) Source: DFP/ACPM 2016-2017; women's segment with six titles (*Avantages, Femme Actuelle, Maxi, Modes & Travaux, Prima, Version Femina*).
(4) Source: ACPM 2016-2017; per-issue sales; segment with four titles (*Le Journal du Dimanche, Le Monde, Le Figaro, Aujourd'hui en France*).
(5) Source: Kantar Media; January-December 2017; January-December 2016 for 2016 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.

In the **digital** segment:

- the Elle.fr website each month receives more than 2.2 million unique visitors via the desktop Internet, and more than 2.1 million via smartphones and tablets[1]. On average, more than 66% of monthly visits are made via mobile devices[2]. The Elle brand's presence on social networks has been intensified, with 1.54 million fans on the Elle Facebook page, 281,000 fans on the Elle Instagram account, and more than 1.6 million followers on the Elle and Elle Fashion Twitter accounts[3];
- the Télé 7 Jours website saw its audience grow strongly, with 57 million visits (up 36% versus 2016) and 126 million page views (up 19% versus 2016)[4]. Moreover, in terms of visits, *Télé 7 Jours* ranks eighth in the all-media applications ranking (source: ACPM, November 2017). Lastly, *Télé 7 Jours* occupies the second place in its segment (Television), with five million unique visitors across all media (source: Médiamétrie, September 2017);
- the Public website saw its audience increase significantly, with 193 million visits (up 27% versus 2016)[4]. Moreover, in terms of page views, *Public* ranks seventh in the all-media applications ranking (source: ACPM, November 2017) and third in its segment (Women's Celebrity), with 4.1 million unique visitors across all media (source: Médiamétrie; September 2017);
- each month, the Paris Match website attracts between 13 and 20 million visits (up 50% versus 2016)[4], split equally between the desktop Internet and the site's mobile version. *Paris Match* also reported a steadily increasing number of page views (record reached in December 2017 with more than 135 million views[4]). This is compounded by a strong influence on social networks, with more than a million fans on Facebook, more than a million followers on Twitter, more than 100,000 followers on Instagram and pride of place on Snapchat Discover since the last quarter of 2016, thereby reaching different audiences, including the youngest ones.

B.2 RADIO

Europe 1

Key figures

In 2017, Europe 1 achieved a cumulative audience share of 7.2%[5], down 0.9 percentage points compared with 2016, and 1.8 percentage points compared with 2015.

Europe 1's audience share was 5.8%[5] in 2017, down 1 percentage point compared with 2016 and 1.7 percentage points compared with 2015.

On the commercial targets, Europe 1's 2017 results were as follows:

- 4.2% audience share among people aged 25-59[6], down 0.8 percentage points compared with 2016 and 1.7 percentage points compared with 2015;
- 5.9% audience share among upper occupational groups[7], down 1.1 percentage points compared with 2016 and 2.0 percentage points compared with 2015.

Reviving Europe 1: a three-year plan

Europe 1's cumulative audience share has been declining steadily since January 2015, reaching an all-time low of 7.1% in April-June 2017.

The main priority for the new management of the Lagardère Radio unit, which took up the reins in July 2017, will be to revive Europe 1. Faced with direct competitors boasting their best-ever ratings, new programming was introduced in September 2017 (covering 90% of the schedule). This marked the first step in the station's comprehensive repositioning.

The new schedule has put Europe 1 back in touch with its basics:

- news, by putting the morning slot in the hands of Patrick Cohen, who hosted France's most popular news programme on a competing station until last season;
- entertainment, including a big focus on humour, with Matthieu Noël joining Europe 1's line-up of popular comedians (Nicolas Canteloup, Anne Roumanoff, Jérôme Commandeur);
- debate, which nourishes the entire station, and which is symbolised by Frédéric Taddeï's Europe 1 Social Club, as well as narratives, embodied by Franck Ferrand and Christophe Hondelatte.

Finally, with the programmes *Circuits Courts* (social and solidarity economy) and *La vie devant soi* (personal development), Europe 1 has laid the groundwork for its repositioning in the short to medium term, with the two new themes now poised to ramp up in the schedule and in the station's communication. This is a major source of differentiation and a compelling argument for Europe 1 among the competition.

Europe 1's digital strategy

Europe 1's digital strategy has been refocused to boost the radio stations' ratings (at the expense of parallel positioning on online news, a saturated market and one offering little financial return for Europe 1).

The new strategy has two objectives:

- make digital a spearhead for lifting Europe 1's audience, particularly among the avant-garde listening public, where the station has been up against very keen competition in recent seasons;
- prepare the station for the consequences of a likely change in Médiamétrie's measurement methodology in 2019, which involves replacing declarative measurement of radio audiences by automatic measurement, leading to more accurate counting of the digital format in the overall audience.

The first results of this strategy have already been measured, with record levels in November 2017 on two strategic offers:

- podcasts: with 52.3 million podcasts downloaded over the September-December 2017 period[8], downloads of Europe 1 podcasts were up 20% compared with the same period in 2016. On average, 13.1 million podcasts were downloaded each month, compared with 10.9 million in September-December 2016;
- video: with 129.2 million videos viewed over the September-December 2017 period[9], Europe 1 posted a record level crowning a stellar increase of 175% year on year (versus September-December 2016). On average, 32.3 million videos were

(1) Source: Médiamétrie – Nielsen – NetRatings; average January-September 2017.
(2) Source: AT Internet; monthly averages in 2017.
(3) Source: Facebook, Instagram and Twitter.
(4) Source: AT Internet; 2017 vs 2016.
(5) Source: Médiamétrie 126,000; 13+; Monday-Friday, 5am-midnight; January-December 2017; cumulative audience; audience share.
(6) Source: Médiamétrie 126,000; Monday-Friday; 5am-midnight; January-December 2017; audience share 25-59 years.
(7) Source: Médiamétrie 126,000; Monday-Friday; 5am-midnight; January-December 2017; audience share upper occupational groups.
(8) Source: September-December 2017 versus September-December 2016; data compiled from the platforms occupied by Europe 1.
(9) Source: Médiamétrie eStat; September-December 2017 versus September-December 2016; global scope; Europe 1.

viewed each month between September and December 2017, compared with 11.7 million in the same period in 2016.

Music radio

Virgin Radio, a favourite among the 25-34 age group, its target audience

In a market in very steep decline, Virgin Radio recorded cumulative audience of 4.8% and audience share of 2.6%(1). It attracts 2.589 million listeners every day(1).

Over the year, the station gained 0.2 percentage points of cumulative audience and 0.3 percentage points of audience share among the 25-34 age group(1).

Camille Combal with *Virgin Tonic* (7am-10am) and Cauet with *Cauet s'lâche* (6pm-9pm) are very popular among the 25-34 age group, and recorded strong growth in audience share, gaining 0.7 percentage points and 1.2 percentage points respectively year on year(2).

RFM, a growing audience

RFM attracts 2,335,000 listeners every day(1).

With cumulative audience of 4.3% and audience share of 3.3% among listeners aged 13 and over (up 0.2 percentage points(1)), RFM confirmed its benchmark status in adult music radio.

It boasts the longest listening time of any music station: 1 hour and 44 minutes a day(1) (2 minutes more than in November-December 2016).

Le Meilleur des Réveils (6am-9.30am), hosted by Élodie Gossuin and Albert Spano, as well as the new 5pm-8pm slot hosted by Marie-Pierre Schembri and Pat Angeli, have helped boost the station's momentum. The two programmes won 0.3 percentage points and 0.4 percentage points of audience share respectively year on year(3) .

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

	2012	2013	2014	2015	2016	**2017**
Europe 1	8.9%	9.0%	8.9%	9.0%	8.1%	**7.2%**
Virgin Radio	4.3%	4.3%	4.2%	4.7%	5.0%	**4.8%**
RFM	4.5%	4.4%	4.6%	4.5%	4.4%	**4.2%**

Source: Médiamétrie 126,000; 5am-midnight; Monday-Friday; 13+; cumulative audience (%); January-December 2017.

International radio

Internationally, 2017 was a year of contrasts between countries in terms of advertising activity, with growth in Romania, Slovakia, Côte d'Ivoire and Senegal, but declines in Poland and the Czech Republic.

In cumulative audience, the Lagardère Active Radio International (LARI) stations each day attract:

- 6.7 million listeners in Poland (down 0.2 million year on year and 0.3 million over two years)(4);
- 2.0 million listeners in Romania (stable year on year and down 0.2 million over one year)(5);
- 1.6 million listeners in the Czech Republic (down 0.1 million year on year and over two years)(6);
- 0.9 million listeners in South Africa (down 0.2 million year on year and stable over two years)(7);
- 0.5 million listeners in Germany (down 0.1 million year on year and over two years)(8);
- over 300,000 listeners in Slovakia (stable year on year and over two years)(9);
- nearly 200,000 listeners in Senegal and Côte d'Ivoire(10).

LARI also continued its digital expansion in 2017:

- by consolidating the editorial strategy of its digital products (content, videos, etc.), as well as their marketing (social networks, search engines, etc.) and technical strategy (mobile first, applications, user experience, SEO on search engines, etc.);
- by developing new products such as Elle.ci, the first French version of Elle magazine in Africa, launched in March 2017;
- 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 2017, LARI's digital offer totalled 13.4 million unique visitors per month (up 26% year on year) and 58.8 million page views (up 51% year on year) in its nine host countries(11).

This represents increases of 144% in unique visitors and 125% in page views since 2015.

(1) Source: Médiamétrie 126,000; 13+; average Monday-Friday; 5am-midnight; November-December 2017; cumulative audience, audience share and listening time per listener.
(2) Source: Médiamétrie 126,000; 25-34; 7am-10am and 6pm-9pm; Monday-Friday; November-December 2017 vs November-December 2016.
(3) Source: Médiamétrie 126,000; 13+; 6am-9.30am and 5pm-8pm; Monday-Friday; November-December 2017 vs November-December 2016.
(4) Source: SMG/KRC Radio Track October-December 2017; LV15+.
(5) Source: IMAS; September-December 2017; LV11+ National and IMAS; September-December; LV11+ Bucharest.
(6) Source: Radio Project; Q2+Q3 2017; LV12+.
(7) Source: BRC RAM; Q3 2017; LV15+.
(8) Source: AS&S MAII 2017 and EMA II 2017; LV10+.
(9) Source: MML SK; Q1+Q2 2017; LV14+.
(10) Source: TNS Sofres; H2 2017; LV15+.
(11) Source: Google Analytics; November 2017.

B.3 TELEVISION CHANNELS

First-generation DTT channels (launched in 2005) recorded audience share of 21.1% in 2017, virtually unchanged versus 2016 (21.2%)[1].

The six new HD DTT channels, launched in late 2012, had audience share of 9.1% in 2017, up from 7.8% in 2016 (up 17% year on year)[1].

This means that the new HD channels are progressing essentially at the expense of incumbent terrestrial channels, which lost 2 percentage points in audience share (58.5% versus 60.5% in 2016). The other channels increased their audience share to 11.2%[1] (up 0.6 percentage points versus 2016). This increase is attributable to LCI, which did not feature in any of the previous aggregates (0.6% audience share for its first full year in freeview, versus 0.3% between April – the date of its arrival on freeview DTT – and December 2016).

In 2017, Gulli reached an average of 29,257,000 viewers[1] aged 4 and over every month (versus 29,680,000 in 2016).

Canal J and TiJi are respectively in the sixth and fifth positions among cable and satellite channels for the 4-10 age group (extended competition), with audience share of 1.9% and 2% respectively[2], representing increases of 171% for Canal J and 233% for TiJi year on year. This trend was attributable partly to the channels' good performance, but also to the change in their distribution (they are now available in the youth packages offered by most operators, whereas they were previously offered only by CanalSat and cable operators).

Lagardère Active's youth channels represent combined market share of 39% on the youth theme among the 4-10 age group[2] (up 6 percentage points year on year). Lagardère Active's offer makes it the leader on this theme.

The localised versions of TiJi and Gulli (recast as Gulli Girl) 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 September 2017, a total of 11 million households were subscribed to TiJi, and nearly seven million to Gulli.

The channels in the Lagardère group's musical offer, MCM, MCM TOP, Virgin Radio TV and RFM TV, are watched by more than five million viewers on average each month[3].

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 for the TV unit include:

- nearly 300 million videos viewed in Replay in 2017, representing growth of 3% versus 2016;
- growth in the number of views on YouTube by over 76% to 150 million in 2017, driven by *Gu'Live* and *Les tactiques d'Emma*.

Diversification also continued, notably around the Gulli brand. A seventh Gulli Park was opened in Aix-en-Provence (France), the marketing of new-generation Gulli touch pads continued, and numerous special operations were held in winter sports resorts. Gulli basketball outfits 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

In 2017, Lagardère Studios continued to expand in Europe with the acquisition in October of Aito Media Group specialising in programmes for immediate broadcast, including studio programmes (such as Finnish adaptations of programmes including *Tournez manège !* and *Gladiator* and reality documentaries, a highly popular genre in Finland). Aito Media Group also produced three drama pilots, at least one of which is set to become a series in 2018.

In France, Lagardère Studios' recurring prime-time series continued to attract very good viewing figures, particularly *Caïn, Tandem, Joséphine, ange gardien* and *Clem*. Three episodes of *Joséphine, ange gardien* and one episode of *Clem* were among the top 100 ratings of 2017[4]. While the series *Agathe Koltès* was cancelled by France 3, a new series is set to become regular: *On va s'aimer un peu, beaucoup* was broadcast on France 2 at the end of 2017.

In programmes for immediate broadcast, daily magazine *Ça commence aujourd'hui* (produced by Réservoir Prod) replaced *Mille et une vies* in September 2017. Other programmes, such as *Maison à vendre, Recherche appartement ou maison* and *C'est mon choix*, continued to enjoy good ratings. Lastly, driven by a wealth of political news, *C dans l'air* enjoyed one of the best years since its inception despite the departure of its long-standing host and heightened competition from LCI and, since September 2017, Canal+.

While no international coproductions were delivered in 2017, *Eden*, a Franco-German project whose funding was approved at the end of 2017, is expected to be filmed and delivered in 2018.

In Spain, the recurring programmes of Grupo Boomerang TV, ranging from daily drama serials *El Secreto de Puente Viejo* and *Acacias 38* to prime-time immediate broadcast programmes (*La Voz* and *Casados a primera vista*), continue to enjoy great success. While no prime-time series were delivered in 2017, two new series went into production in late 2017 and will be delivered in 2018.

2017 confirmed the major contribution of the distribution business, both in France with the resale of all or part of the episodes of *Josephine, ange gardien* and *Julie Lescaut*, and in Italy, with the undeniable success of Boomerang's daily drama series, *El Secreto de Puente Viejo* and *Acacias 38*.

Lastly, in Africa, Keewu delivered the second season of *C'est la vie*, and started production of a police series comprising 12 52-minute episodes.

B.5 DIGITAL

In 2017, Lagardère Active pressed ahead with its development strategy in the area of e-health, both through organic growth and through acquisitions, consolidating its position in the sector:

- Doctissimo.fr, leader in health and wellness information with nearly five million unique visitors (UV)[5] acquired Animalbox, a French start-up that puts together gift boxes and sells them through monthly subscription, continuing a strategy diversification of its revenue streams and monetisation of its audience;
- 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 two million appointments on its platforms each month, and its subscriber portfolio

(1) 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, CNews, 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).
(2) Source: Médiamétrie - Médiamat' Thématik; January-June 2017; cumulative audience; extended competition.
(3) Source: Médiamétrie - Médiamat' Thématik; January-June 2017; cumulative audience; pay channels.
(4) Source: Mediamat - Médiamétrie; Top 100 prime time.
(5) Source: Médiamétrie; at end-September 2017.

(professionals and health institutions ranging from private practitioners to health centres and private hospitals) experienced very strong growth in 2017.

In other digital activities:

- BilletRéduc.com consolidated its leading position in discount ticket bookings in France, with over three 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 2017

Lagardère Active continued to implement its strategic plan aimed at increasing its profitability and rallying the division around a major goal: to 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.

The division maintained its leading position in its legacy business lines and continued its development in the international audiovisual sector:

- for international radio, with the repositioning of Radio21, renamed Virgin Radio, in Romania;
- in audiovisual production, benefiting from the good performance of Grupo Boomerang TV in terms of both audience and distribution, and the acquisition of Finnish media production group Aito Media specialising in reality documentaries and programmes for immediate broadcast;
- in TV, the launch of Gulli Bil Arabi in 18 countries in North Africa and the Middle East in June 2017 was a major step in Gulli's strategy of international expansion.

The digital transformation continued in 2017:

- investments in e-health enabled the further development of MonDocteur and the acquisition of Animalbox in June 2017. Animalbox dovetails with Doctissimo's strategy of developing its Health and Wellness segment and monetising its audience;
- similarly, the acquisition of a stake in the start-up Shopcade in January 2017 furthered the strategy of diversification and monetisation of press audiences by adding a fashion and beauty product marketing platform to the Elle website and application;
- Lagardère Active created Gravity with three co-shareholders (Les Échos-Le Parisien, Solocal and SFR). Gravity is a platform for sharing content with expertise in the analysis and processing of data. Its purpose is to build up the audiences and revenues of its co-shareholders. Four other players (Amaury, Gamma, M6 and Prisma) came on board in September 2017.

Lastly, Lagardère Active remained highly focused on measures designed to contain expenses in order to improve its overall operating performance. A voluntary redundancy scheme for the press, advertising brokerages and functional departments was launched in the first quarter of 2016. The effects of this plan were felt in 2017.

C) OUTLOOK

The economic outlook for 2018 is likely to be a continuation of the underlying trends in the advertising and press markets. Also, the economic and legislative environment in the digital domain remains very fast moving (tougher personal data management rules, competition from the US Internet giants, etc.). Lastly, the trend towards the consolidation of the European audiovisual production segment opens doors for Lagardère Studios.

2018 will be a pivotal year for Lagardère Active, as it embarks upon a growth and development plan for its audiovisual production activities, structures and streamlines the news media businesses, and reviews its business portfolios in other areas.

The ambition is to extend the scope of action of Lagardère Studios in Europe, where Lagardère Active holds strong positions, by pressing ahead with the external growth dynamic and by developing organically. Lagardère Active also intends to maintain its presence in news media over the long term, underpinned by strong brands such as Europe 1, Paris Match and Le Journal du Dimanche. The quality of its content, the independence of its editorial offices, and the search for synergies between brands will spearhead work in this regard.

Lastly, Lagardère Active is aiming to give greater strategic flexibility to its other businesses. In order to prepare the ground for this transformation, the division will be structured going forward into autonomous business units, each with their own operational and functional resources. Within specialist groups, where applicable, they will be equipped to take advantage of the investments and synergies that will enable them to continue to develop, confirming the division's historical ability to incubate and bring through new businesses and fresh talent.

1 2 3 4 5 6 7 8

1.4.4 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;
- stadium and arena management solutions;
- athlete management;
- event management;
- brand *consulting*, activation and digital solutions;
- live show production;
- venue management.

With more than 1,400 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 (Africa Cup of Nations) and the CAF Champions League.

Asia

In Asia, 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 both 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.

Lagardère Sports also distributes the media rights to FA Thailand events.

North, Central America and the Caribbean

Lagardère Sports markets the Confederation of North, Central America and Caribbean Association Football's (CONCACAF) media rights for all international territories.

South America

In South America, Lagardère Sports markets the international media rights for top professional soccer in Chile.

A.1.2 Golf

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

Lagardère Sports manages a portfolio of more than 100 players, including more than 35 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), BMW International Open;
- 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, and is also involved in the management of tennis tournaments across three continents. In Europe, Lagardère Sports is the owner and organiser of the SkiStar Swedish Open in Båstad (Sweden), and also stages the ATP 250 IF Stockholm Open. In Asia, Lagardère Sports organised the fourth edition of the BNP Paribas WTA Finals Singapore presented by SC Global. Finally, in the United States, Lagardère Sports stages 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.

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.

In addition, through 'CGF Partnerships', a pioneering new partnership's between Lagardère Sports and the Commonwealth Games Federation, Lagardère Sports advises host cities with a new event delivery model whilst also developing new long-term commercial strategies for them and further strengthening community relations in host cities.

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), International Table Tennis Federation (ITTF) and the International Weightlifting Federation (IWF).

A.1.5 Media

Lagardère Sports represents more than 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.

It also produces original content across multi-platforms.

A.1.6 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 PLUS

Brand consulting and rights activation

Lagardère Plus transforms traditional brand sponsorships into highly inventive and impactful marketing platform. 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 Plus 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 established offices in Berlin, Munich, Frankfurt, Hamburg, London, Manchester, Dallas, New York, Paris, Shanghai, Singapore and Tokyo.

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.3 LAGARDÈRE LIVE ENTERTAINMENT

A.3.1 Live shows and production

Lagardère Live Entertainment produces and promotes 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 and *Les Choristes*. It also promoted five shows as part of the Phil Collins' *Not Dead Yet* tour.

A.3.2 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 Bordeaux Metropole Arena. In addition, it also operates the new Aix-en-Provence Arena and also owns and operates the Bataclan theatre.

B) OPERATIONS DURING 2017

Contribution to consolidated revenue in 2017: €496 million (€517 million in 2016).

Breakdown of revenue by activity

	2017	2016
TV rights and production	**20.2%**	21.2%
Marketing rights	**45.4%**	43.8%
Other	**34.4%**	35.0%
Total	**100%**	100%

Breakdown of revenue by geographic area

	2017	2016
Europe	60.4%	61.3%
Asia-Pacific	15.4%	18.1%
United States and South America	11.3%	11.2%
Africa	12.3%	8.8%
Middle East	0.6%	0.6%
Total	**100%**	**100%**

The share of **"Media"** revenue decreased slightly to 20% in 2017 from 21% in 2016, essentially reflecting a lower contribution from the media business portfolio due to the end of the WTA contract, as well as the absence of the biennial AFF Suzuki Cup which was held in 2016, from the 2017 roster. However, this was partially offset by the staging of the Africa Cup of Nations 2017, which generated significant media revenue.

Revenue from **"Marketing"** activities remained stable in 2017. The staging of the Africa Cup of Nations 2017 broadly offset the absence of the biennial AFF Suzuki Cup, which was held in 2016. The increase in the relative weighting of Marketing revenue to 45% in 2017 from 44% the year before essentially reflects the comparative decline in Media and Other revenue. Business was driven by strong performances in Europe, particularly from football clubs in Germany and France, as well as activities in the United Kingdom.

Lastly, the share of revenue from **"Other"** activities declined slightly to 34% in 2017 from 35% in 2016. Other activities mainly comprise:

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

The impact of the absence of the Paris fan zone managed by Lagardère France during the UEFA Euro 2016 tournament from the 2017 roster, and the discontinuation of the operating contract for the Friends Arena venue in Stockholm was partially offset by growth in brand *consulting* in the United States and firm business levels at Lagardère Live Entertainment.

Geographically speaking, the relative weighting of the **Africa** region grew to 12% in 2017 from 9% in 2016, primarily due to the staging of the biennial Africa Cup of Nations.

The relative weighting of **Asia** decreased from 18% in 2016 to 15% in 2017, mainly owing to the non-recurrence of the AFF Suzuki Cup, which was held in 2016, and to a lesser extent, to the cyclical nature of the AFC competitions.

The share of revenue represented by the **United States and South America** region remained stable at 11% in 2017, with growth in brand *consulting* offsetting business in the prior year that did not recur in 2017, notably in connection with the 2016 Summer Olympics in Rio de Janeiro.

The relative weighting of the **Europe** region edged back slightly to 60% in 2017 from 61% in 2016. The decline in absolute terms was mainly due to the absence from the 2017 roster of the Paris fan zone managed by Lagardère France for the UEFA Euro 2016 tournament and to the discontinuation of the operating contract for the Friends Arena venue in Stockholm, partially offset by business expansion in France. In view of the overall decrease in Lagardère Sports and Entertainment's revenue for the year, the Europe region's weighting in the division's revenue remained virtually unchanged.

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, which depends on the calendar of sports events.

In view of Lagardère Sports and Entertainment's current portfolio, 2018 is a low point in the 2017-2020 sports cycle.

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 local players in each of its markets.

B.1 LAGARDÈRE SPORTS

B.1.1 Football

Europe

In 2017, Lagardère Sports led the way in delivering premium levels of association between international brands and clubs. It helped secure a multi-club partnership deal for tyre manufacturer Falken Tyres with 19 clubs across France, Germany, Italy, the Netherlands, Poland, Spain and the United Kingdom.

In Germany, Borussia Dortmund and Lagardère Sports extended their successful collaboration until 30 June 2026. Two new exclusive marketing partners also came on board for Borussia Dortmund as well as a new main sponsor for Eintracht Frankfurt. A number of sleeve sponsorship deals were signed for clubs including 1. FC Nürnberg, Eintracht Frankfurt and Eintracht Braunschweig.

In the United Kingdom, Lagardère Sports signed a multi-year sleeve sponsorship partnership for Premier League club Stoke City.

In France, Lagardère Sports renewed the long-standing partnership between Hyundai Motor France and Olympique Lyonnais until 2020.

Africa

In 2017, Lagardère Sports managed the sale of marketing and media rights, and provided television production services for the Confédération Africaine de Football's (CAF) biggest tournaments including the Total Africa Cup of Nations (CAN), CAF Super Cup, CAF Champions League and CAF Confederation Cup.

Lagardère Sports successfully organised and marketed the Total Africa Cup of Nations 2017 held in Gabon. Total became the title sponsor for the Confédération Africaine de Football's ten principal competitions, starting with the Africa Cup of Nations and Orange renewed its relationship with CAF and signed a new eight-year partnership as an official sponsor of five major CAF competitions from 2017 to 2024.

'Social Stadiums' – a digital content initiative for title sponsor Total – generated a reach of 220 million.

Asia

In 2017, Lagardère Sports managed the marketing and media rights of the Asian Football Confederation (AFC), including the AFC Cup and the AFC Champions League – the region's number one club competition.

Lagardère Sports also secured the extension of Japanese automotive and motorcycle manufacturer Suzuki's title sponsorship of the AFF Football Championship, an event followed throughout South East Asia. The tournament will continue to be officially known as the AFF Suzuki Cup. In addition to this, the AFF extended its agreement with Lagardère Sports for the management of commercial rights of the prestigious tournament until 2024.

B.1.2 Golf

In 2017, Lagardère Sports continued its work as a golf talent agency, representing more than 35 players on the PGA Tour. The roster includes Jordan Spieth, Phil Mickelson, Jon Rahm, Keegan Bradley and Brandt Snedeker.

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

Lagardère Sports also expanded its European golf business with ambitions to grow its assets in both tournament and player management. English golfer Alfie Plant and Italian Edoardo Molinari joined the agency's roster of clients.

B.1.3 Tennis

In 2017, 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 fourth 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, 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. In 2017, rising stars Ana Konjuh and Danny Thomas joined the roster.

B.1.4 Olympic sports and major events

In 2017, Lagardère Sports cemented its commitment to the Commonwealth Games with the launch of 'CGF Partnerships'. The new entity has brought Lagardère Sports and the Commonwealth Games Federation together with the core focus on improving support for host nations and cities to enhance the overall value of hosting the Games.

The objective of this partnership is to reduce the cost and maximise the value of the Games for host cities. This will be achieved through an innovative new Games delivery model that will see dedicated CGF Partnerships delivery teams fully integrated with host city teams, providing enhanced support, knowledge and expertise on the delivery of the Games. Another key area of focus for the Partnership will be further strengthening the engagement between potential host cities and their communities to help expand the number and variety of bids across the Commonwealth.

B.1.5 More sports

In 2017, Lagardère Sports entered the e-sports market by signing a partnership with League of Legends team Unicorns of Love (UoL). It then went on to sign with a further five teams – Splyce, H2K, SK Gaming Roccat and Vitality, providing end-to-end services including strategic brand *consulting*, team marketing and sales and product development, as well as brand and event activation capabilities. Lagardère Sports also signed an exclusive worldwide deal with RFRSH Entertainment – a leading e-sports company, that saw the agency represent the media rights for the global CS:GO tournament, BLAST Pro Series. In addition to this the inaugural Lagardère Sports e-Sports Rising conference took place in Marina del Rey, California and featured an audience of 300-plus attendees across the e-sports and sports business communities to hear the latest insights on the growing industry.

Lagardère Sports was also appointed by F1 to help secure strategic partnerships in China and develop premium local content for the fans.

In other sports, the agency signed media rights deals with USA Track & Field, the International Table Tennis Federation, the International Weightlifting Federation, the Kontinental Hockey League and the Asian Table Tennis Union. It also acted as host broadcaster for the World Classic Kungfu Championships and the UCI Urban Cycling World Championships.

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. Eleven of its American football clients were selected in the NFL draft. Additionally, Lagardère Sports worked towards strategically building additional team sports, talent marketing, and broadcasting practices within its talent representation portfolio.

B.2 LAGARDÈRE PLUS

Brand consulting and rights activation

In 2017, Lagardère Sports and Entertainment launched Lagardère Plus, a global agency with a mission to transform traditional brand sponsorships into highly inventive and impactful marketing platforms. The new agency incorporated Lagardère Sports and Entertainment's existing global *consulting* businesses, including agencies akzio! and Zaechel Int. in Germany, and Sponsorship 360 in France, all of which were rebranded as Lagardère Plus.

Lagardère Plus explored strategic acquisitions in key global markets to deliver ever more impactful partnership marketing. As part of that effort, it acquired Brave, a London-based agency with an impressive track record in developing and delivering creative campaigns for global brands.

B.3 LAGARDÈRE LIVE ENTERTAINMENT

B.3.1 Live shows and production

In 2017, Lagardère Live Entertainment was very successful with the promotion of legendary singer and song writer Phil Collins' comeback tour. The Lagardère Live Entertainment team promoted five of the shows that took place at the AccorHotels Arena in Paris and sold 63,000 tickets. From September 2017, it also successfully produced the entertainment show, *Les Choristes* at the Folies Bergère and across France.

B.3.2 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. It announced that the Bordeaux Métropolis will host the legendary group Depeche Mode in January 2018 – the group's only date in France that year. Lagardère Live Entertainment also has a great programme scheduled for 2018 across all its venues. In October 2017, Aix-Marseille Provence Métropole chose Lagardère Live Entertainment to manage the operations of their new Arena.

B.4 OBJECTIVES AND ACHIEVEMENTS IN 2017

In 2017, Lagardère Sports and Entertainment successfully pursued the development of its portfolio in key areas, developed new business opportunities and delivered extensive services and events. The company launched a new global agency - Lagardère Plus, with a mission to transform traditional brand sponsorships into highly inventive and impactful marketing platforms.

2017 was a good year of expansion for Lagardère Sports and with new opportunities presented in China, the agency increased its operations within the market with the launch of an office in Shanghai. It also stepped into the booming e-sports market and led the way in professionalising and commercialising the sport by partnering with five e-sports teams, as well as the distributing media rights.

The year also proved to be another big year for the football business globally. In Africa, Lagardère Sports successfully managed the marketing and media rights, as well as television production for the Africa Cup of Nations which took place in Gabon. The agency created a diverse content strategy and the competition saw a historic digital reach across official online platforms. In Asia, Lagardère Sports' partnership with the AFF was extended for further eight years, as Suzuki also extended their title sponsorship of the AFF Football Championship. Whilst in Europe, with teams in the English Premier League now allowed a secondary sponsor on one sleeve, the agency utilised the opportunity and brokered a multi-year deal between Stoke City FC, as well as with mobile games developer Noredus for their Top Eleven game. In Germany, Lagardère Sports' long-term partnership with Borussia Dortmund was extended until 2026.

In the major events space, Lagardère Sports created 'CGF Partnerships' alongside the Commonwealth Games Federation, with an aim to set the template for how major sporting events, across all sports and geographies, should be delivered in the future – specifically in a cost-efficient, sustainable and engaging way.

Another highlight for the business was the creation and production of original content including *Day Jobs* for the Olympic Channel and *Lace Up: The Ultimate Sneaker Challenge* for YouTube Red.

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 2017.

C) OUTLOOK

In 2018, due to the cyclical nature of Lagardère Sports and Entertainment's activities and no major AFC and CAF tournaments taking place, Lagardère Sports and Entertainment will focus on the diversification of its portfolio and look for growth opportunities in other areas of the business.

As the industry develops and the media landscape changes, Lagardère Sports and Entertainment will look to meet the challenges and opportunities presented by the growing demand for over-the-top (OTT) content. It will also focus on how insights driven through using consumer data can help us when advising clients, as well as exploring the role creative content can have on engaging fans.

Another challenge faced within the industry is the high bidding costs for major events – through Lagardère Sports and Entertainment's specialist agency Event Knowledge Services (EKS), which manages bid processes and its new partnership with the Commonwealth Games Federation, Lagardère Sports and Entertainment will provide potential host cities with long-term commercial strategies through new sponsorship, broadcast and digital rights opportunities.

The sports industry is becoming more sophisticated and the company is well placed within the market to take advantage, and use its expertise to maximise the added value it can bring for its clients.

Overall, Lagardère Sports and Entertainment continues to cement its leadership position and expects 2018 to be another good year for Lagardère Sports and Entertainment.

1.5 CONSOLIDATED KEY FIGURES FOR 2017

1.5.1 CONSOLIDATED KEY FIGURES

(in millions of euros)	2017	2016	2015
Revenue	**7,069**	7,391	7,193
Recurring operating profit of fully consolidated companies(1)	**403**	395	378
Non-recurring/non-operating items	**(127)**	(91)	(215)
Income from equity-accounted companies(2)	**3**	10	11
Profit before finance costs and tax	**279**	314	174
Finance costs, net	**(73)**	(49)	(66)
Income tax benefit (expense)	**1**	(69)	(37)
Profit for the year	**207**	196	71
o/w attributable to minority interests	**28**	21	(3)
o/w attributable to owners of the Parent	**179**	175	74
Total equity	**1,931**	2,035	2,135
Cash and cash equivalents (net debt)	**(1,368)**	(1,389)	(1,551)
Goodwill	**1,809**	1,856	1,919
Investments	**329**	361	827

(1) Recurring operating profit of fully consolidated companies is defined 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, intangible assets and investments in equity-accounted companies;
- net 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.
- specific major disputes unrelated to the Group's operating performance.

(2) Before impairment losses.

1.5.2 PER SHARE DATA

(in euros)	2017		2016		2015	
	basic	diluted(1)	basic	diluted(1)	basic	diluted(1)
Profit attributable to owners of the Parent, per share	**1.38**	**1.36**	1.36	1.34	0.58	0.57
Equity attributable to owners of the Parent, per share	**13.86**	**13.63**	14.75	14.54	15.53	15.37
Cash flow from operations before change in working capital, per share	**4.35**	**4.28**	4.31	4.25	3.48	3.44
Share price at 31 December	**26.73**		26.40		27.51	
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 3 May 2018.

1.6 MAJOR INVESTMENTS

The Group's major contractual commitments in terms of investments are set out in notes 31 and 32 to the 2017 consolidated financial statements.

1.6.1 INVESTMENT AND INNOVATION POLICY

1.6.1.1 PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(in millions of euros)	**2017**	2016	2015
Lagardère Publishing	**46**	38	50
Lagardère Travel Retail	**138**	147	122
Lagardère Active	**8**	14	14
Lagardère Sports and Entertainment	**67**	53	72
Other Activities	**2**	1	1
Total	**261**	253	259

1.6.1.2 PURCHASES OF INVESTMENTS

(in millions of euros)	**2017**	2016	2015
Lagardère Publishing	**30**	90	9
Lagardère Travel Retail	**18**	3	485
Lagardère Active	**12**	5	50
Lagardère Sports and Entertainment	**6**	7	22
Other Activities	**2**	3	2
Total	**68**	108	568

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

1.6.2 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).

1.6.3 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.

1.6.4 MAJOR INVESTMENTS IN 2017

Purchases of property, plant and equipment and intangible assets chiefly concerned Lagardère Travel Retail (in line with its Travel Retail growth strategy), Lagardère Sports and Entertainment (acquisition of sports rights) and Lagardère Publishing (logistics projects in the United Kingdom and United States).

Purchases of investments mainly related to acquisitions carried out by Lagardère Publishing, in particular Bookouture, an e-book publisher in the United Kingdom, and IsCool Entertainment, a developer of social games for web and mobile, as well as Jessica Kingsley and Summersdale, two UK-based publishing houses. Lagardère Active acquired a majority stake in the capital of Aito Media Group, a Finnish audiovisual production company. The remaining balance corresponds to smaller-scale acquisitions and earn-outs paid by Lagardère Travel Retail, Lagardère Active and Lagardère Sports and Entertainment.

1.7 MAJOR CONTRACTS AFR

1.7.1 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):

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 will also enter 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 the Perseus Books Group's circulation and distribution business. This transaction also closed on 1 April 2016.

DISPOSAL OF THE CARRÉ DAUMESNIL BUILDING

On 29 April 2016, the Lagardère group sold an office building of around 20,000 sq.m. located in the twelfth *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.

DISPOSAL BY LAGARDÈRE TRAVEL RETAIL OF ITS HUNGARIAN DISTRIBUTION BUSINESSES

On 7 February 2017, Lagardère Travel Retail completed its withdrawal from Distribution by selling its remaining business in that segment in Hungary. The divestment was carried out through the sale of Lagardère Services Distribution SAS, the holding company for its Distribution business, to Tag Media LLC, a subsidiary of Gavin Susman's Adriatic Media Investors LLC. The Distribution business was deconsolidated with effect from 1 February 2017.

Further to this sale, Lagardère Travel Retail is now a pure player on its segment.

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

DISPOSAL OF THE EUROPA BUILDING

On 28 June 2017, the Lagardère group sold a 6,500 sq.m. office building in Levallois-Perret, occupied by various Lagardère subsidiaries until their departure prior to the restructuring of the building, to LaSalle Investment Management and Ardian, acting in a joint venture.

1.7.2 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 5, note 27 to the 2017 consolidated financial statements, particularly the following:

- 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 been extended for a total of two additional years.
- 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%.
- On 14 June 2017, Lagardère SCA issued a total of €300 million worth of seven-year bonds on the Luxembourg stock market, maturing in June 2024 and paying an annual coupon of 1.625%.

The order book reached an amount above €1 billion, with the issue more than 3.3 times oversubscribed.

The proceeds of this issue were used for general corporate purposes, notably the reimbursement of the bond issued in 2012, which matured in October 2017. This new bond issue enables Lagardère to extend the maturity of its debt profile, to decrease the cost of its long-term debt and to maintain its liquidity.

1.8 REAL ESTATE PROPERTY

The total net value of property, plant and equipment belonging to the Lagardère group is €733 million.

This includes the gross value of land (€47 million) and buildings (€383 million). The net book value of land and buildings is €226 million, i.e., approximately 3.05% of the balance sheet total. A property complex in the eighth *arrondissement* of Paris owned by Lagardère Active was classified within assets held for sale for its carrying amount at 31 December 2017.

In addition, an office property complex in Levallois-Perret, which was classified within assets held for sale at 31 December 2016, was sold on 28 June 2017 by Compagnie Immobilière Europa (Other Activities). The transaction generated a pre-tax capital gain of €40 million.

The Group no longer owned any investment property at 31 December 2017. In view of the nature of the Group's business activities, the value represented by real estate property is not significant.

2

CORPORATE GOVERNANCE

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

1 2 3 4 5 6 7 8

2.1 CORPORATE GOVERNANCE REPORT AFR

Ladies and Gentlemen,

This report contains all of the information required by article L. 226-10-1 of the French Commercial Code (*Code de commerce*), including the information where appropriate adapted to French partnerships limited by shares, as set out in articles L. 225-37-3 to L. 225-37-5. It was prepared with the assistance of the Board Secretary and Group Legal Department, and was approved by the Supervisory Board on 8 March 2018.

2.1.1 GENERAL PRESENTATION OF FRENCH PARTNERSHIPS LIMITED BY SHARES AND OF LAGARDÈRE SCA

2.1.1.1 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.

2.1.1.2 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 2.1.2), 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 2.1.2.6). 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*), as well as encouraging the development of a long-term strategy.

2.1.2 PRINCIPAL PROVISIONS OF THE COMPANY'S ARTICLES OF ASSOCIATION

2.1.2.1 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.

2.1.2.2 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 managed by two Managing Partners: Arnaud Lagardère and the French joint-stock corporation (*société anonyme*) Arjil Commanditée-Arco.

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

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, as Chairman and Chief Executive Officer;
- Pierre Leroy, as Deputy Chairman and Chief Operating Officer;
- Thierry Funck-Brentano, as 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 cannot exceed six years but is renewable.

Any Managing Partner wishing to resign must inform the other Managing Partners, the General Partners and the Chairman of the Supervisory Board by registered letter with acknowledgement of receipt, at least three months before the date on which the said resignation is to take effect.

In the event that a corporate General Partner that is also a Managing Partner of the Company changes its own Managing Partner(s), the Chairman of its Board of Directors and/or its Chief Operating Officer(s), it is deemed to have resigned as Managing Partner of the Company, with immediate effect. This is also the case in the event of the sale or subscription of shares which the Supervisory Board has not approved, as described in section 2.1.2.3.

When a Managing Partner's office terminates, the management of the Company is carried out by the Managing Partner or Partners who remain in office, without prejudice to the right of the General Partners to appoint a new Managing Partner as a replacement, or to renew the appointment of the outgoing Managing Partner, under the conditions 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 2.1.2.3. A Managing Partner may also be dismissed for just cause, by decision of the courts.

2.1.2.3 SUPERVISORY BOARD

COMPOSITION OF THE SUPERVISORY BOARD (ARTICLE 12 OF THE ARTICLES OF ASSOCIATION)

1. The Company has a Supervisory Board comprising a maximum of 15 members, selected exclusively among shareholders who are neither General nor Managing Partners.

In accordance with corporate governance best practice, the Annual General Meeting of 3 May 2018 will be asked to reduce the size of the Supervisory Board by two members, further to the departure of two of its members. If this resolution is adopted by the shareholders, the Supervisory Board will comprise a maximum of 13 members.

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 one-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.

2.1.2.4 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 2017 are as follows (in thousands of euros):

Balance sheet

Assets	
Accounts receivable	25,972
Cash and cash equivalents	10
Total	**25,982**

Liabilities and shareholders' equity	
Shareholders' equity	25,785
Accounts payable	197
Total	**25,982**

Income statement

Operating revenues	0
Operating expenses	31
Operating loss	*(31)*
Financial income	916
Financial expenses	0
Net financial income	*916*
Net exceptional income	*0*
Income tax benefit	295
Profit for the year	**590**

RIGHTS OF THE GENERAL PARTNERS (ARTICLE 18 A 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 B 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 or her 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 appropriate.

   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.

2.1.2.5 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.

2.1.2.6 GENERAL MEETINGS OF SHAREHOLDERS

2.1.2.6.1 GENERAL MEETINGS (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.

2.1.2.6.2 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 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 2.1.2.3 – 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 2.1.2.3 – 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.

2.1.2.6.3 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 purposes 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.

2.1.2.6.4 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 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 establish the procedures of attendance and voting after consulting the Supervisory Board. Any technologies used must guarantee the continuous and simultaneous transmission of the deliberations of the meeting, secure communication, authentication 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:

- give proxy to any other person of their choice; or
- vote remotely; or
- 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 electronically, the electronic signature must:

- either take the form of a secure electronic signature as defined by the applicable legislation;
- or result from the use of a reliable identification procedure guaranteeing the connection between the shareholder and the document to which his or her identity is attached, or from any other identification and/or verification procedure admitted by the applicable legislation.

At each General Meeting, each shareholder has a number of votes equal to the number of shares he or she 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, double voting rights are 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 double voting rights. However, transfer of title 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.

2.1.2.7 REQUIREMENTS FOR A CHANGE IN CONTROL OF THE COMPANY

As stated above at the beginning of section 2.1.1, 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, 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.

2.1.2.8 DISCLOSURE OF SHAREHOLDINGS EXCEEDING SPECIFIC THRESHOLDS (ARTICLE 9 A OF THE ARTICLES OF ASSOCIATION)

Without prejudice to the provisions of article L. 233-7 of the French Commercial Code, any shareholder holding directly or indirectly, as defined in said article L. 233-7, 1% or more of the voting rights, must, within five days following registration to his account of the shares that brought his holding to or above such threshold, disclose to the Company the total number of shares and voting rights he holds by registered letter with acknowledgement of receipt 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 according to 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 a proper declaration has not been made cannot be exercised by the shareholder at fault, nor may he or she delegate such rights to others.

In accordance with the applicable legal regulations, particularly article L. 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.

2.1.3 SHARE CAPITAL

2.1.3.1 AMOUNT AND CHANGES IN THE SHARE CAPITAL

2.1.3.1.1 AMOUNT

At 31 December 2017, 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.

2.1.3.1.2 CHANGES IN THE SHARE CAPITAL OVER THE LAST SIX YEARS

Amounts

Years	Type of transaction	Number of shares	Nominal amount (in euros)	Premium (in euros)	Total share capital (in euros)	Total number of shares
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
2017	Award of free shares to employees	250,992	1,531,051.20		801,444,095.80	131,384,278
	Capital reduction by cancelling shares	250,992	1,531,051.20		799,913,044.60	131,133,286
	Award of free shares to employees	172,365	1,051,426.50		800,964,471.10	131,305,651
	Capital reduction by cancelling shares	172,365	1,051,426.50		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.

2.1.3.2 TREASURY SHARES

2.1.3.2.1 AMOUNT

At 31 December 2017, the Company directly held 1,575,218 of its own shares (par value: €6.10), representing 1.20% of the total share capital at that date. The total cost of these shares was €44,941,967.82.

Based on the average weighted market price of Lagardère SCA's shares in December 2017 (€27.43 per share) a provision of €1,731,068.48 was recorded, reducing the total carrying amount of treasury shares directly held by the Company to €43,210,899.34.

2.1.3.2.2 SHARE BUYBACK PROGRAMMES: SHARES ACQUIRED, SOLD, TRANSFERRED OR CANCELLED

A) Transactions carried out in 2017

Buyback transactions carried out by the Company in 2017 under the authorisations granted by the Annual General Meetings of 3 May 2016 and 4 May 2017 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 holding them to be 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 2017 the Company:

- purchased 677,231 shares for a total price of €17,854,625.91 or an average per-share price of €26.36;
- sold 631,231 shares for a total price of €16,523,890.20 or an average per-share price of €26.18.

2. Capital reduction

The Company cancelled 423,357 shares in 2017.

3. Partial reallocation for other uses

The Company reallocated 423,357 shares from the “award to employees” objective to the "capital reduction" objective.

B) Position at 31 December 2017

At the end of 2017, the 1,575,218 shares directly held by the Company representing 1.20% of the share capital were allocated as follows:

- 1,510,218 shares allocated to the objective "award to employees", representing 1.15% of the share capital, for a total cost of €43,174,166.11;
- 65,000 shares allocated to the objective "promotion of market liquidity", representing 0.050% of the share capital, for a total cost of €1,767,801.71.

C) Transactions carried out under the authorisation granted by the Annual General Meeting of 4 May 2017

The Annual General Meeting of 4 May 2017 renewed the authorisation granted to the Managing Partners by the Annual General Meeting of 3 May 2016 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 4 May 2017.

The corresponding share buyback programme was described in a press release issued on 10 May 2017.

Under this authorisation, the Company carried out the following transactions from 10 May 2017 to 28 February 2018:

1. Market liquidity transactions

The Company purchased 650,612 shares for a total price of €17,356,995.48 and sold 512,833 shares for a total price of €13,964,347.09 on the market, under the liquidity agreement referred to above.

2. Capital reduction

The Company cancelled 172,365 shares.

3. Partial reallocation for other uses

The Company reallocated 172,365 shares from the “award to employees” objective to the "capital reduction" objective.

The Annual General Meeting of 3 May 2018 will be asked to renew this authorisation.

2.1.3.3 OTHER SECURITIES AND RIGHTS GIVING ACCESS TO THE COMPANY'S SHARE CAPITAL

2.1.3.3.1 MARKETABLE SECURITIES

None of the existing securities give or potentially give immediate or future access to the Company's share capital.

2.1.3.3.2 SHARE SUBSCRIPTION OPTIONS

At 31 December 2017, 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.

2.1.3.3.3 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 2018 and 2021 as a result of free share awards made in 2014, 2015, 2016 and 2017 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 2,165,010 shares with a par value of €6.10 each, representing a maximum share capital dilution of 1.65% which will in principle be neutralised by cancelling an equivalent number of treasury shares, as has historically been the case.

2.1.3.4 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 4 May 2017 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 rights: €80 million,
  - maximum nominal amount of capital increases which may result from authorised issues with pre-emptive subscription rights or with priority rights: €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 4 May 2017 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 2017, only the authorisations relating to awards of free shares were used.

Summary table of authorisations to increase the share capital given by shareholders to the Managing Partners

Description of authorisation	Delegations of authority									
Date of meeting	Ordinary and Extraordinary General Meeting of 4 May 2017							Ordinary and Extraordinary General Meeting of 3 May 2016		
Purpose of authorisation	Issue of all securities giving access to the share capital (shares, convertible bonds, bonds with share warrants, bonds redeemable for shares, etc.)			Issue of securities in consideration for securities tendered as part of a contribution in kind or a public exchange offer		Capitalisation of reserves, profits and/ or premiums and creation of shares and/ or increase of the par value of shares	Issue of free shares to employees (Group savings scheme)	Award of free shares		
								Free shares	Performance shares	
								Group employees and senior executives (other than ECO)	Group employees and senior executives (other than ECO)	Executive corporate officers of Lagardère SCA (ECO)
Sub-limits authorised (nominal amount)	With pre-emptive subscription rights €265m (~33% of the share capital)	Without pre-emptive subscription rights but with priority rights €160m (~20% of the share capital)	Without pre-emptive subscription rights and without priority rights €80m (~10% of the share capital)	In the event of a public exchange offer €80m (~10% of the share capital)	In the event of a contribution in kind €80m (~10% of the share capital)	€300m (~37.5% of the share capital)	0.5% of the share capital per year (~€4m)	0.4% of the share capital per year (~€3.2m)	0.4% of the share capital per year (~€3.2m)	0.025% of the share capital per year and per ECO (~€0.2m)
Maximum aggregate nominal amount authorised	€300 million (~37.5% of the share capital)		€80 million (~10% of the share capital)							
	€1,500m for debt securities									
Used in 2017	None		None	None		None	None	(1)	(2)	(3)
Term of authorisations	26 months							38 months		

(1) A free share award plan was established by the Managing Partners on 6 April 2017 covering 374,950 shares representing 0.286% of the share capital, with 428 beneficiaries.
(2) A performance share award plan was established by the Managing Partners on 6 April 2017 covering 378,710 shares representing 0.289% of the share capital, with 39 beneficiaries.
(3) A free performance share award plan was established by the Managing Partners on 6 April 2017 covering 64,000 shares representing 0.049% of the share capital, for the two executive corporate officers of Lagardère SCA.

2.1.3.5 PLEDGES OF COMPANY SHARES

2.1.3.5.1 PLEDGES OF REGISTERED SHARES OF THE COMPANY AT 31 DECEMBER 2017

- Number of shareholders: 117
- Number of shares: 9,816,433 (7.48% of the share capital)

2.1.3.5.2 PLEDGES OF COMPANY SHARES REGISTERED IN THE NAMES OF SHAREHOLDERS HOLDING MORE THAN 0.5% OF THE SHARE CAPITAL AT 31 DECEMBER 2017

Pledges concern 9,685,147 shares held by Lagardère Capital & Management (LC&M), representing 7.38% of the share capital.

2.1.3.6 STOCK MARKET INFORMATION

2.1.3.6.1 GENERAL INFORMATION

- Number of shares making up the share capital at 31 December 2017: 131,133,286
- Number of shares listed on 31 December 2017: 131,133,286
- Listed on: Euronext Paris, Compartment A

2.1.3.6.2 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 dividend (in millions of euros)
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
2017	129,438,203	1.30	None	1.30	168.27

(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 the 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
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
March	27.61	31 March	23.74	1 March	27.61	25.56	25.71	10,535,409	271.35	23
April	28.24	28 April	26.97	21 April	28.12	27.57	27.62	5,964,197	164.48	18
May	28.95	5 May	27.07	18 May	27.98	27.90	27.94	7,772,469	216.62	22
June	28.68	20 June	27.50	12 June	27.65	28.15	28.11	7,133,960	200.48	22
July	28.21	31 July	26.69	10 July	27.75	27.46	27.46	5,788,649	159.08	21
August	27.91	1 Aug.	25.78	29 Aug.	26.99	27.20	27.18	5,837,292	158.41	23
September	28.32	29 Sept.	26.77	7 Sept.	28.32	27.35	27.42	4,230,899	116.09	21
October	28.66	27 Oct.	27.87	25 Oct.	28.27	28.26	28.25	5,212,553	147.23	22
November	28.69	13 Nov.	26.59	15 Nov.	27.53	27.72	27.67	7,873,711	217.44	22
December	28.02	18 Dec.	26.59	29 Dec.	26.73	27.47	27.44	5,515,184	151.63	19
2018										
January	27.17	8 Jan.	25.10	31 Jan.	25.12	26.06	26.00	8,327,735	216.27	22
February	25.32	01 Feb.	23.46	06 Feb.	24.20	24.52	24.49	7,702,237	188.13	20

2.1.3.7 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 5 of this Reference Document. At the date of filing, there were no other put options concerning all or part of any significant investment held directly or indirectly by Lagardère SCA.

2.1.3.8 SHARE OWNERSHIP STRUCTURE – PRINCIPAL SHAREHOLDERS

2.1.3.8.1 CHANGES IN SHARE OWNERSHIP STRUCTURE AND VOTING RIGHTS OVER THE LAST THREE YEARS

	At 31 December 2017				At 31 December 2016				At 31 December 2015		
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	% of theoretical voting rights	Number of shares	% of share capital	% of voting rights exercisable at General Meetings
Non-French investors(*)	90,084,603	68.7	61.62	61.08	89,553,317	68.29	61.46	60.76	90,470,143	68.99	63.54
French institutional investors	19,278,001	14.7	16.84	16.69	19,071,631	14.54	16.75	16.56	16,724,722	12.76	13.9
Lagardère Capital & Management(**)	9,694,807	7.39	11.08	10.98	10,026,836	7.65	11.90	11.76	10,438,225	7.96	12.3
Private investors	6,897,139	5.25	7.29	7.21	6,889,544	5.26	6.76	6.68	7,322,140	5.58	7.12
Employees and Group Savings Plan investment funds	3,620,695	2.76	3.17	3.14	3,646,845	2.78	3.13	3.10	3,854,491	2.94	3.14
Treasury shares	1,558,041	1.2	-	0.9	1,945,113	1.48	-	1.14	2,323,565	1.77	-
Total	**131,133,286**	**100**	**100**	**100**	**131,133,286**	**100**	**100**	**100**	**131,133,286**	**100**	**100**

(*) Including Qatar Holding LLC (see section 2.1.3.8.5 - Principal shareholders).
(**) Arnaud Lagardère, LM Holding, Lagardère SAS and its subsidiary Lagardère Capital & Management.

Of the 2.76% of capital held by Group employees, 0.52% 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.

At 31 December 2017, the share capital was held by 50,188 shareholders and intermediaries directly registered in the Company's register; intermediaries registered in the Company's register on behalf of shareholders who are not tax residents in France constitute the majority of the non-French investors listed in the table above, holding 68.70% 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 2017 (readers should however refer to shareholding threshold disclosures submitted by BlackRock, Inc. since 1 January 2018).

2.1.3.8.2 REGULATORY SHAREHOLDING THRESHOLD CROSSINGS

Date of AMF notice	Shareholder	Threshold crossed
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
3 May 2017	Qatar Holding LLC	Above 15% of voting rights on 28 April 2017
17 July 2017	Schroders Investment Management Limited	Below 5% of share capital on 11 July 2017
28 July 2017	Schroders Investment Management Limited	Above 5% of share capital on 25 July 2017
30 August 2017	Schroders Investment Management Limited	Below 5% of share capital on 28 August 2017
27 September 2017	Arnaud Lagardère	None
10 October 2017	DNCA Finance	Above 5% of share capital on 3 October 2017
18 January 2018	BlackRock, Inc.	Above 5% of voting rights on 17 January 2018
19 January 2018	BlackRock, Inc.	Below 5% of voting rights on 17 January 2018
23 January 2018	BlackRock, Inc.	Above 5% of voting rights on 19 January 2018
24 January 2018	BlackRock, Inc.	Below 5% of voting rights on 23 January 2018
8 February 2018	BlackRock, Inc.	Above 5% of voting rights on 7 February 2018
12 February 2018	BlackRock, Inc.	Below 5% of voting rights on 8 February 2018
12 February 2018	BlackRock, Inc.	Above 5% of voting rights on 9 February 2018
14 February 2018	BlackRock, Inc.	Below 5% of voting rights on 13 February 2018
27 February 2018	BlackRock, Inc.	Above 5% of voting rights on 26 February 2018
1 March 2018	BlackRock, Inc.	Below 5% of voting rights on 27 February 2018

2.1.3.8.3 ACTIONS IN CONCERT WITH OTHER GROUPS

None.

2.1.3.8.4 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 2.1.2.6.4) the total number of rights to vote at General Meetings at 31 December 2017 was 174,961,810.

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 2017 amounted to 176,519,851.

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., 174,961,810 at 31 December 2017.

The percentage of voting rights held by Supervisory Board members was 0.0054% at 31 December 2017 (0.0057% of the share capital).

2.1.3.8.5 PRINCIPAL SHAREHOLDERS

Further to a reorganisation of the control exercised over Lagardère Capital & Management (LC&M), Arnaud Lagardère, personally and via his three companies, Lagardère SAS, LM Holding and LC&M, holds 7.39% of the share capital and 11.08% of the rights to vote at General Meetings as of 31 December 2017. In accordance with the Company's Articles of Association (see section 2.1.2.6.4), 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.

At 31 December 2017, based on the shareholdings indicated in the latest threshold declaration received by the Company prior to that date, Qatar Investment Authority (via its subsidiary Qatar Holding LLC) held 13.03% of the share capital and 19.54% of the rights to vote at General Meetings.

At 31 December 2017, based on the shareholdings indicated in the latest threshold declaration received by the Company prior to that date, DNCA held 5.001% of the share capital and 3.75% of the rights to vote at General Meetings, on behalf of its customers and the funds it manages solely or in concert with DNCA Finance Luxembourg.

At 31 December 2017, based on the shareholdings indicated in the latest threshold declaration received by the Company prior to that date, BlackRock, Inc. held 6.01% of the share capital and 4.50%

of the rights to vote at General Meetings, on behalf of its customers and the funds it manages.

To the best of the Company's knowledge, at 31 December 2017 no other shareholder held more than 5% of the share capital or voting rights, directly or indirectly, alone or in concert.

Between 18 January 2018 and 28 February 2018, BlackRock, Inc. submitted several declarations to the Company and to the French financial markets authority, stating that it had crossed above and below the 5% voting rights threshold. At 27 February 2018, based on the shareholdings indicated in the latest threshold declaration on 28 February 2018, BlackRock, Inc. held 6.60% of the share capital and 4.96% of the rights to vote at General Meetings, on behalf of its customers and the funds it manages.

2.1.3.8.6 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 2018 in section 1.3.

2.1.4 INFORMATION CONCERNING THE GENERAL PARTNERS AND MANAGING PARTNERS

2.1.4.1 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

2.1.4.2 MANAGING PARTNERS

At 31 December 2017, the Company was managed by two Managing Partners:

- Arnaud Lagardère; and
- Arjil Commanditée-Arco

2.1.4.2.1 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 2017 (see section 2.1.3.8.1): 9,694,807

Arnaud Lagardère holds a DEA post-graduate 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, LM Holding SAS and Lagardère Capital & Management SAS, through which he held a 7.39% stake in Lagardère SCA at 31 December 2017 (see section 2.1.3.8.1).

A) Principal positions (at 31 December 2017)

Managing Partner, Lagardère SCA

Chairman and Chief Executive Officer, Arjil Commanditée-Arco SA, and Managing Partner, Lagardère SCA

B) Directorships and other positions held in the Group (at 31 December 2017)

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, Lagardère Sports US, LLC (formerly 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)

General Manager, Lagardère News SARL

General Manager, Europe News SNC

Chairman, Europe 1 Télécompagnie SAS

Deputy Chairman, Lagardère Active Broadcast (a Monaco-based joint-stock corporation)

C) Directorships and other positions held outside the Group (at 31 December 2017)

Chairman, Lagardère SAS

Chairman, Lagardère Capital & Management SAS

Chairman, LM Holding 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*)

2.1.4.2.2 ARJIL COMMANDITÉE-ARCO

A French joint-stock corporation with share capital of €40,000

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 2017):

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 2017: 87,304

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 2017)

Co-Managing Partner of Lagardère SCA

Secretary General of the Lagardère group

B) Directorships and other positions held in the Group (at 31 December 2017)

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

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 2017)

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

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*)

Representative, Lagardère Participations, Chairman, Hélios SAS (*until January 2017*)

Director, Ecrinvest 4 SA (*until June 2017*)

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 2017: 140,643

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.

A) Principal positions (at 31 December 2017)

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 2017)

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

Member of the Supervisory Board, Société d'Exploitation des Folies Bergère SAS

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 2017)

Director, Lagardère Capital & Management SAS

D) Directorships and other positions held during the last five years

Chairman and Chief Executive Officer, Sopredis SA (*until January 2013*)

Representative, Lagardère Sports and Entertainment, Chairman, Lagardère Unlimited Stadium Solutions SAS (*until January 2017*)

Chairman of the Supervisory Board, Matra Manufacturing & Services SAS (*until June 2017*)

Director, Ecrinvest 4 SA (*until June 2017*)

2.1.4.3 REMUNERATION OF THE MANAGING PARTNERS AND OF THE EXECUTIVE COMMITTEE

Since the remuneration of the Managing Partners and of the Executive Committee is not paid by Lagardère SCA or by a company controlled by or that controls Lagardère SCA, but by Lagardère Capital & Management, it is not included in this report. This information is however disclosed in section 2.2 of the Reference Document. In addition, articles L. 225-37-2 and L. 225-82-2, II of the French Commercial Code introduced by act no. 2016-1691 of 9 December 2016 (*loi Sapin 2*) concerning the approval by the General Meeting of the remuneration policy for executive corporate officers, are not applicable to French partnerships limited by shares.

2.1.5 THE SUPERVISORY BOARD

A) MEMBERS

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 2017, the Board comprised 14 members.

List of members of the Supervisory Board during 2017

		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)	4 May 2017	2020 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)	4 May 2017	2020 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 2017	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)	4 May 2017	2021 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)	4 May 2017	Resigned, 22 November 2017
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)	4 May 2017	2021 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 for independence applied by the Supervisory Board (see 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

Date of re-appointment: 6 May 2014

End of current term of office: 2018 OGM[(1)]

Number of Lagardère SCA shares held: 750

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[(2)]

Chairman of the Audit Committee and Ethics Committee, JC Decaux[(2)]

Outside France:

Chairman of the Board, Thala SA (Switzerland)

Director, Verny Capital (Kazakhstan)

Director, Gordon S. Blair (Monaco)

General and Managing Partner, SCS Sarrau et Cie (Monaco)

Directorships and other positions held during the last five years

Director, Oredon Associates (United Kingdom)

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[(1)]

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), and 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 Board of Directors and Compensation Committee, Casino, Guichard-Perrachon[(2)]

Member of the Strategy Committee, Groupe Open[(2)]

Member of the Strategy Committee, Geolid

Directorships and other positions held during the last five years

Member of the Scientific Advisory Board, Institut Mines-Telecom

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

Director, Mix Commerce

(1) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.
(2) Listed company.

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: 4 May 2017

End of current term of office: 2020 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 exercises no positions in any other companies.

Directorships and other positions held during the last five years

Martine Chêne has not held any other directorships or other positions in the last five years.

GEORGES CHODRON DE COURCEL

7 bis rue de Monceau - 75008 Paris, 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, France

Date of birth: 5 December 1941

Nationality: French

First appointed: 29 April 2008

Date of re-appointment: 4 May 2017

End of current term of office: 2020 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.

(1) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.
(2) Listed company.

François David is a graduate of the Institut d'Études Politiques de Paris and École Nationale d'Administration, and holds a degree in sociology. He began his career at the French Finance Ministry in 1969 as an administrative officer with a range of duties in the Foreign Trade Mission. In 1986, he was appointed Chief of Staff at the Foreign Trade Ministry. He became Head of Foreign Trade Relations at the French Ministry of Finance and Economics in 1987, and was the General Director of International Affairs at Aerospatiale from 1990 to 1994. François David was Chairman of the Board of Directors of Coface from 1994 to 2012, 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

Board advisor, SPIE Batignolles

Directorships and other positions held during the last five years

Member of the Board, Order of the Legion of Honour

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 12,000 talented people across 30 countries, who create and sell video games published by Ubisoft and its partners across five continents.

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 United Kingdom in 2011.

Directorships and other positions held in other companies

In France:

Chairman and Chief Executive Officer and Director, Ubisoft Entertainment SA[(1)]

Deputy Chief Executive Officer, Guillemot Corporation SA[(1)]

Director, Rémy Cointreau SA, AMA SA[(1)]

Outside France:

Director and Deputy Chief Executive Officer, Guillemot Brothers SE (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 Paris SAS, Ubisoft Production Internationale SAS, Nadéo SAS, Owlient SAS, Ubisoft Création SAS, Ivory Tower SAS, Ubisoft Bordeaux 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 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), Script Movie 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)

Director, Playwing Ltd (United Kingdom), AMA Corporation Ltd (United Kingdom)

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), Ubisoft Fastigheter AB (Sweden), Ubisoft DOO Beograd (Serbia), Guillemot Inc. (Canada), Guillemot Inc. (United States), Guillemot Ltd (United Kingdom)

(1) Listed company.
(2) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

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, Ubisoft Motion Pictures Assassin's Creed SAS, Ubisoft Motion Pictures Splinter Cell SAS, Ketchapp SAS, Krysalide SAS

Executive Vice-President and Director of Guillemot Brothers SE, Gameloft SE

Director of Guillemot Corporation SA

Outside France:

Chairman and Director of Technologies Quazal Inc. (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)

Chairman of Ubisoft LLC (United States)

General Manager of Spieleentwicklungskombinat GmbH (Germany), Related Designs Software GmbH (Germany), Ubisoft Entertainment SARL (Luxembourg)

Director of Ubisoft Sweden AB (Sweden), 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 1 July 2014.

Directorships and other positions held in other companies

In France:

Chairman, AnnaRose Productions SAS

Deputy Chairman, Molotov

President of the *Marché du Film* at the Cannes Film Festival

President of the *Fonds de dotation* at the Cannes Film Festival

Outside France:

Member of the Board of Directors, Kudelski[2] (Switzerland)

Directorships and other positions held during the last five years

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 law weekly *Édition générale de la Semaine Juridique* on 15 July 2013.

Directorships and other positions held in other companies

Chairman of the Ethics Committee, Véolia

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

(1) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.
(2) Listed company.

SOUMIA BELAIDI MALINBAUM

17 rue des Acacias - 75017 Paris, France

Date of birth: 8 April 1962

Nationality: French

First appointed: 3 May 2013

Date of re-appointment: 4 May 2017

End of current term of office: 2021 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 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(2)

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(1)

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(2)

Member of the Steering Committee, *Tout le monde chante contre le cancer* (cancer charity)

Member of the Steering Committee, *Prix de la femme d'infuence*

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 – 28002 Madrid, Spain

Date of birth: 29 March 1956

Nationality: Spanish

First appointed: 29 April 2008

Date of re-appointment: 4 May 2017

Resignation date: 22 November 2017

Number of Lagardère SCA shares held: 150

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. Having been a Partner at Arthur Andersen in Corporate Finance Consulting Services, he became Chief Financial Officer and subsequently Executive Vice Chairman of Telefónica, responsible for corporate development, while at the same time holding 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 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.

(1) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.
(2) Listed company.

Directorships and other positions held in other companies

Outside France:

Member of the Board, Prisa (Spain)

Member of the Board, and Chairman of the Compensation Committee, Ferroglobe[1] (United Kingdom)

Member of the Board, Banco Santander[1], and Senior Advisor to the Executive Chairman, Santander Group (Spain)

Member of the Board, ACS Servicios y Concesiones (Spain)

Member of the Advisory Council, Trident Cybersecurity and Member of the Board, 4IQ Inc. (United States)

Chairman of the Executive Committee, Knowledge and Development Foundation (Fundacion 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)

Vice-President of the Board, Carlos III University (Spain)

Member of the Advisory Board, Chemo Group (Spain)

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[2]

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, in the Ministry of the Interior and then the Ministry of Defence 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

Date of re-appointment: 4 May 2017

End of current term of office: 2021 OGM[2]

Number of Lagardère SCA shares held: 610

Member of the Audit Committee of Lagardère SCA.

A graduate of HEC Business School, Institut d'Etudes 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 does not exercise any 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[2]

Number of Lagardère SCA shares held: 600

Susan M. Tolson graduated from Smith College in 1984 with a B.A. cum laude before obtaining an MBA from Harvard in 1988. She joined Prudential Bache Securities as a corporate finance analyst in 1984 and subsequently took on the position of Investment Officer in Private Placements at Aetna Investment Management in 1988. In 1990, she joined The Capital Group Companies – a major private US investment fund formed in 1931 which currently manages assets of over a trillion dollars – where between April 1990 and June 2010 she successively served as a financial analyst, senior account manager and then Senior Vice-President, a position she left to join her husband in Paris.

Over the last 20 years, Susan M. Tolson has issued recommendations and made decisions relating to investments in numerous business sectors, including the media and entertainment industries.

(1) Listed company.
(2) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

Directorships and other positions held in other companies

In France:

Director, WorldLine E-Payment Services[1] and Member of the Audit, Governance and Remuneration Committees

Outside France:

Director, the American Cinémathèque

Director, Terra Alpha LLC

Director, Outfront Media[1], Chair of the Governance and Appointments Committee and member of the Audit Committee

Director, Take-Two Interactive[1], 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

Honorary Chair, American Friends of The Musée d'Orsay

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[2]

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 Chief Executive Officer of Sofinco. From May 2008 to December 2010, Patrick Valroff was Chief Executive Officer of Crédit Agricole Corporate and Investment Bank.

Patrick Valroff is an honorary magistrate at the French National Audit Office (*Cour des Comptes*).

Directorships and other positions held in other companies

Senior Advisor to Omnes Capital

Director of not-for-profit association La Protection sociale de Vaugirard

Director, Néovacs[1]

Member of the Financial Committee of the International Chamber of Commerce

Directorships and other positions held during the last five years

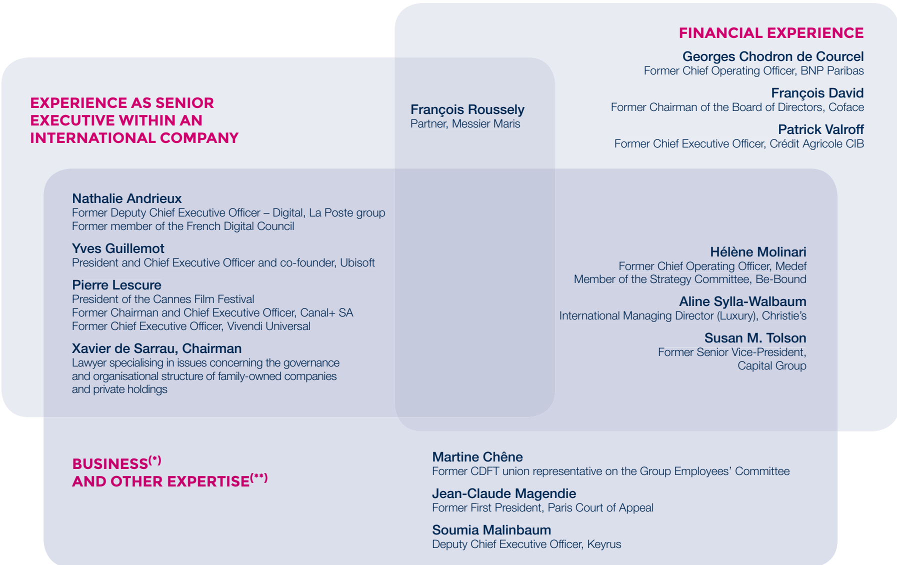
Patrick Valroff has not held any other directorships or other positions in the last five years.

(1) Listed company.
(2) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

These members form a competent, independent and attentive Supervisory Board, fully able to represent shareholders' interests.

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 addition, as Lagardère SCA fulfils the eligibility criteria set out in the French Commercial Code for the exemption applicable to holding companies, it is not subject to the obligation to include employee representatives on the Supervisory Board.

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, 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 2017

	X. de Sarrau	N. Andrieux	M. Chêne	G. Chodron de Courcel	F. David	Y. Guillemot	P. Lescure	J.C. Magendie	S. Malinbaum	H. Molinari	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
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 12 years	✓	✓	✓	✗	✓	✓	✗	✓	✓	✓	✗	✓	✓	✓

B) BOARD'S INTERNAL RULES AND OPERATION

The terms and conditions of the Supervisory Board's organisation and operations are set out in its internal rules, which also define the duties incumbent on each member and the code of professional ethics each individual member is bound to respect. These internal rules are updated regularly, most recently on 30 November 2016.

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 restrictions 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.

C) ACTIVITIES IN 2017

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, five of which are planned for 2018. During 2017, the Supervisory Board met four times:

- on 8 March with an attendance rate of 100%, 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 adopt its report to the shareholders. 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, nominated for re-appointment members whose terms of office are set to expire at the General Meeting, and reviewed the agreement signed and authorised during a previous year that remains in effect;
- on 7 June with an attendance rate of 86.6%, to review recent developments within the Group, in particular the situation at Hachette Livre (presentation given by Arnaud Nourry, Marie-Claire Wastiaux and Ronald Blunden) and developments in the Group's Compliance programme;
- on 6 September with an attendance rate of 93.3%, mainly to review the general business position and outlook as well as the interim parent company and consolidated financial statements. The Board was also briefed on Group IT security by the Group IT Director and his deputy, and approved its work plan for 2017;
- on 13 December with an attendance rate of 100%, to examine the Group's general business position as well as the organisation of the Group's financial communications. Dag Rasmussen also presented a briefing on 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. The Board also accepted the resignation of one of its members.

Following this Board meeting, the members met without the Managing Partners in attendance.

In June 2017, 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 the Radio business, notably the positioning of the Europe 1 radio station, as well as on the partnerships forged by Lagardère Travel Retail.

In addition to his traditional duties, the Chairman of the Supervisory Board also performs other specific services in view of his professional experience. The Group considers it beneficial not only to draw on his opinions on matters within the traditional remit of the Supervisory Board, but also to engage in a regular dialogue that affords him a better understanding of the key events and developments impacting the Group, so that he can in turn share that insight with the other members of the Board. As such, he may be consulted by General Management on certain key or strategic events for the Group. The Chairman of the Supervisory Board must also ensure the appropriate balance between advising, taking part in the process for appointing and renewing the Board, and ensuring that any comments expressed by members of the Board, especially in meetings in which the Managing Partners are not present, are dealt with adequately. In 2017, these duties gave rise to numerous meetings with the Managing Partners, Secretary General, Chief Financial Officer, division senior executives in France and abroad, Statutory Auditors, as well as to working sessions with the Internal Audit and Risk departments.

Members' attendance at Supervisory Board and Committee meetings in 2017

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%	100%	-
Martine Chêne	100%	-	-
Georges Chodron de Courcel	100%	-	80%
François David	100%	80%	100%
Yves Guillemot	75%	-	-
Pierre Lescure	75%	-	40%
Jean-Claude Magendie	100%	-	-
Soumia Malinbaum	100%	-	100%
Hélène Molinari	100%	-	100%
Javier Monzón	66.6%	-	-
François Roussely	100%	-	-
Xavier de Sarrau	100%	100%	-
Aline Sylla-Walbaum	100%	100%	-
Susan M. Tolson	100%	-	-
Patrick Valroff	100%	100%	-

D) SUPERVISORY BOARD COMMITTEES

D.1 AUDIT COMMITTEE

Members (at 31 Dec. 2017)	▸ **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 expert knowledge of the members of the Audit Committee is described in section 2.1.5.A of the Reference Document. At 31 December 2017, 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 executives of Lagardère SCA. Readers are reminded that the executive corporate officers' salaries are paid by Lagardère Capital & Management, which is bound to the Group by a service agreement. The appropriate 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 2017	During 2017, the Audit Committee met five times with an average attendance rate of 96%, 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. All members were present at the meetings in March, May, July and November, and 80% of members were present at the meeting in October. ▸ The meeting of 2 March was held to examine the impairment tests carried out on intangible assets for the 2016 financial statements, to review the 2016 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 23 May, the Committee focused on the Group's internal audit activity during the first half of 2017 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, as well as the audit approach for the year to come. The Group's risk map and the results of the internal control self-assessment were also presented to the Audit Committee. ▸ On 26 July, the Committee reviewed the Group's consolidated financial statements for the first half of 2017, and was given a presentation of the Group's return on equity. ▸ The meeting of 5 October was held to present the Group's IT security processes and the findings of its IT security survey, along with a review of the Group's tax policy. ▸ Lastly, at the meeting of 23 November, the Committee reviewed internal audit activities during the second half of 2017 and the audit plan for 2018. It also received a briefing on the challenges related to changes in European copyright regulations, the new format of the Statutory Auditors' reports, and an update on legal disputes. Lastly, the Committee was given a presentation on identifying and monitoring key personnel within the Finance 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, Internal Audit Director, Risk and Internal Control Director, and the Statutory Auditors. Depending on the issues discussed, other executives, including the Secretary General, Accounting Director, Group IT Director, Group General Counsel and Deputy Group Tax Director, as well as certain members of their teams, were asked to provide input as needed.

D.2 APPOINTMENTS, REMUNERATION AND GOVERNANCE COMMITTEE

Members (at 31 Dec. 2017)	▸ **François David (Chairman)** ▸ **Georges Chodron de Courcel** ▸ **Pierre Lescure** ▸ **Soumia Malinbaum** ▸ **Hélène Molinari** At 31 December 2017, 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 recommending Supervisory Board and Committee candidates 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 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 labour, environmental and social 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 ESG data; – 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 of their choice when necessary. The Chairman of the Committee reports to the members of the Board on the work conducted by the Committee.

Main activities in 2017	In 2017, the Committee met five times with an average attendance rate of 84%. All members were present at the meetings in March and September, 80% of members were present at the meetings in April and November, and 60% of members were present at the meeting in January. ▸ 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 terms of office were set to expire, and reviewed the conditions for awarding performance shares to the executive corporate officers. ▸ In March, the Committee reviewed and adopted the draft report of the Chairman relating to membership of the Supervisory Board, the application of the principle of balanced representation of women and men on the Board and the conditions under which the Board's work is prepared and organised. ▸ 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 for 2017 on the Group's CSR roadmap. The Committee also approved its schedule and work plan for the coming year. ▸ Lastly, during its meeting in November, the Committee received a briefing on the Group's ESG ratings. The Group Secretary General also presented the remuneration policy for the Managing Partners and its various components and criteria. The Committee also reviewed the findings of the self-assessment on the membership and operation of the Board and its Committees and commissioned a study on millennials to be carried out by two Committee members in 2018. These meetings took place in the presence of the Group Secretary General and, when discussions fell within their areas of expertise, the Corporate Social Responsibility Director and her deputy.

E) 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 2017 under the supervision of the Appointments, Remuneration and Governance Committee. The findings were presented to the Supervisory Board on 13 December 2017.

The members were mostly very satisfied with the membership, organisation and operation of the Board and its Committees. The Board's seminar, the topics presented and the participants proved especially popular. Suggested areas for improvement included broader access to certain documents and information on the Group, such as press reviews.

F) COMPLIANCE WITH FRENCH CORPORATE GOVERNANCE REGULATIONS – AFEP-MEDEF

The Company has applied the corporate governance principles brought together in the Afep-Medef Corporate Governance Code 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.

G) REMUNERATION OF THE SUPERVISORY BOARD

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 2016, 2017 and 2018 (in euros):

	2016 for 2015	2017 for 2016	2018 for 2017
Nathalie Andrieux	57,931.03	51,578.95	55,629.14
Martine Chêne	19,310.34	18,421.05	18,543.05
Georges Chodron de Courcel	53,103.45	52,500.00	51,178.81
François David	103,310.34	106,842.11	106,807.95
Xavier de Sarrau	96,551.72(1)	92,105.26(1)	92,715.23(1)
Yves Guillemot	19,310.34	18,421.05	15,761.59
Pierre Lescure	50,206.90	43,657.89	39,496.69
Jean-Claude Magendie	19,310.34	18,421.05	18,543.05
Soumia Malinbaum	48,275.86	55,263.16	55,629.14
Hélène Molinari	48,275.86	55,263.16	55,629.14
Javier Monzón	16,413.79(1)	18,421.05(1)	11,125.83(1)
François Roussely	19,310.34	15,657.89	18,543.05
Aline Sylla-Walbaum	52,137.93(1)	51,578.95(1)	55,629.14(1)
Susan M. Tolson	19,310.34(1)	15,657.89(1)	18,543.05(1)
Patrick Valroff	57,931.03	55,263.16	55,629.14
Total	**680,689.61(1)**	**669,052.62(1)**	**669,404.00(1)**

(1) Less withholding tax.

Raymond Levy received €75,419.52 in retirement benefits for 2017, 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 above and beyond his remit 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.

2.1.6 ADDITIONAL INFORMATION ON THE MANAGING PARTNERS AND MEMBERS OF THE SUPERVISORY BOARD

2.1.6.1 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.

2.1.6.2 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 2.1.7 below and the Statutory Auditors' report on related party agreements and commitments in section 5.8.

2.1.6.3 CONFLICTS OF INTEREST

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.

2.1.6.4 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 2.1.5).
- 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 and the recommendations of the Afep-Medef Corporate Governance Code (see the Special Report of the Managing Partners in section 2.2.4).

2.1.7 TRANSACTIONS WITH RELATED PARTIES (EXECUTIVE CORPORATE OFFICERS AND MEMBERS OF THE SUPERVISORY BOARD)

2.1.7.1 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 development; assessing factors in different market environments that may create new opportunities for action;
  - monitoring potential investments and divestments;
  - managing business negotiations such as divestments, mergers and acquisitions;
  - orchestrating corporate actions, including state-of-the-art finance and capital management techniques;
  - establishing and maintaining relations in banking and finance, with particular attention to the characteristics of the various countries in which the Group does, or plans to do, business;
  - enhancing human resources by attracting high-potential management personnel;
  - providing overall management of the Group's image.

To accomplish its mission, LC&M employs the principal senior executives forming the Group's Executive Committee. The role of the Executive Committee is to assist the Managing Partners in their duties, i.e., to determine the Group's strategy and lead its development, and to take the resulting key management decisions and implement them globally at parent company level and in the Group's different business activities. LC&M bears all the costs related to the remuneration of these senior executives (remuneration and the related payroll taxes, taxes on performance share awards, business taxes and provisions for supplementary pensions) and the related overheads (office space, secretarial support, company cars, telecommunications, miscellaneous administrative expenditure, etc.) as well as the fees billed by any French and/or international consultants that they may call upon.

LC&M's mission is carried out within the framework of the Service Agreement with Lagardère Ressources (formerly Matra Hachette Général), which is responsible for managing all of the Group's corporate resources.

Since 2004, the remuneration paid to LC&M under the Service Agreement has been equal to the amount of expenses it incurs in carrying out its mission, plus a margin of 10%, with an absolute upper limit set at €1 million. These expenses are examined each financial year by the Audit Committee, which issues an opinion on any developments. After examination by the Audit Committee, this remuneration package was approved by the Supervisory Board on 12 March 2004.

This contractual framework brings together in a clear and transparent manner within the scope of the statutory review of related-party agreements, the expenses corresponding to the total cost of General Management, which would, under all circumstances, have been borne by the Group.

The Service Agreement and the provisions related to it concerning the supplementary pension plan for eligible employees of LC&M, 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 and commitments, 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 Service Agreement and the related commitment concerning the supplementary pension plan is also subject to an annual review by the Supervisory Board, in accordance with article L. 225-88-1 of the French Commercial Code.

Lastly, these agreements and commitments are 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.

In 2017, LC&M invoiced €23.8 million to the Group in respect of the Service Agreement which was reviewed by the Supervisory Board at its meeting of 8 March 2018, versus €26 million in 2016. In addition to gross salaries, this amount included the related taxes, payroll taxes and pension provisions. After deducting other expenses, total costs amounted to €22.8 million. Operating profit after tax from the above agreement amounted to €0.7 million.

2.1.7.2 AGREEMENTS ENTERED INTO WITH MEMBERS OF THE SUPERVISORY BOARD

None – See section 2.1.6.2.

2.1.7.3 OTHER TRANSACTIONS

The other transactions with related parties in 2017 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 2017 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.

2.2 REMUNERATION AND BENEFITS OF THE MANAGING PARTNERS AND OF THE EXECUTIVE COMMITTEE

2.2.1 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 2017, two of them were, along with Arnaud Lagardère, Managing Partners and executive corporate officers.

At 31 December 2017, 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	
Gérard Adsuar	Chief Financial Officer of Lagardère SCA	

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 2.1.7 and 5.8 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 in detail each year by the Audit Committee, Supervisory Board and the Statutory Auditors of Lagardère SCA.

2.2.1.1 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 may also be granted, in very specific and exceptional circumstances, especially 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 conditions of any exceptional bonus awards and payments would be determined in accordance with the conditions set out in the Afep-Medef Corporate Governance Code. The circumstances leading to the payment of such bonuses should be disclosed in detail and duly substantiated. In addition, any exceptional bonus may not exceed 150% of the annual fixed remuneration of the Executive Committee member concerned. Since 2011, executive corporate officers have only once been awarded an exceptional bonus: in 2014, when the Group sold its stake in EADS and Canal+ France. The total amount of the bonuses paid to the executive corporate officers (with the exception of Arnaud Lagardère) represented 0.1% of the proceeds from these divestments, of which 58% was paid over to shareholders and on average, represented 85.68% of the annual fixed remuneration of the executive corporate officers.

The members of the Executive Committee have a conditional right to receive a supplementary pension in addition to benefits under the basic pension system. This is taken into account when calculating their overall remuneration. 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.

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.

2.2.1.2 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 63.95% 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 2017, the relevant input-based formula detailed below results in the application of a factor of 0.932 to the quantitative benchmark amounts (versus 1.37 in 2016 and 1.47975 in 2015), leading to a quantitative variable portion of €1,304,800 for Arnaud Lagardère, and €279,600 for Pierre Leroy and Thierry Funck-Brentano.

	Recurring operating profit of fully consolidated companies	Net cash from operating activities	Average
2017 guidance	+6.50%		
2017 budget		€379.1 million	
2017 achievement	+6.74%	€318.2 million(*)	
Difference	+0.24 points	€(61) million	
Impact	+2.4%	-16.08%	
Applicable factor	1.024	0.839	0.932
Change vs. 2016 recurring operating profit of fully consolidated companies			Positive
Final factor			0.932

(*) This amount was calculated based on the previous definition of net cash from operating activities which was also used to prepare the estimated consolidated budget and estimated consolidated cash flow statement for 2017, in order to enable accounting years to be compared based on the same definition (see note 1.1 to the consolidated financial statements in Chapter 5.3 of this Reference Document, which describes the change in the method of presenting interest paid and received in 2017).

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 2017 was good or very good depending on the area assessed and that overall, the targets set had largely been met with significant 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 1.166 in 2016 and 1.083 in 2015).

Rollout of the Group's strategic plan

In 2017, the Group's strategic transformation continued to be 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's February 2017 sale of the holding company LS Distribution SAS, including the operating activities in Hungary, marked the final stage in the process of withdrawing from integrated distribution and retail activities that was begun in 2014, and makes Lagardère Travel Retail a pure retail player.

Regarding the second strategic priority, Lagardère Active continued to expand its audiovisual activities in North Africa and the Middle East, particularly through the launch of Gulli Bil Arabi in 18 countries of the Arab world.

The acquisition of the Shopcade marketplace also heralded a new stage in strengthening Lagardère Active's digital expertise and diversifying its digital revenue streams for its premium brands.

Lagardère Studios also accelerated its international development by acquiring a majority stake in Finnish production company Aito Media Group. Northern Europe is a particularly dynamic and innovative region for the production business.

Lagardère Sports continued to broaden its expertise, signing new partnership agreements with Formula 1, the WWE and the Commonwealth Games Federation, and launching Lagardère Plus, a new global partnership marketing agency.

Lagardère Publishing enhanced its capabilities with its acquisition of Bookouture, a leading UK e-book publisher, Summersdale, an independent UK publishing firm, and IsCool Entertainment, a developer of social games for web and mobile in France. These acquisitions consolidate the division's positions in the United Kingdom and advance its digital expertise in the context of its ongoing diversification.

The third strategic priority was particularly in evidence in 2017, with Lagardère Travel Retail continuing to expand and develop its network of concessions in a fiercely competitive market. The company opened new stores and won several major tenders across the globe (namely Gdansk, Prague, Rome, Geneva, Dakar, Riyadh, Tampa, Vancouver and Hong Kong).

Quality of governance and management

As in 2016, 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, driven by a firm belief in the strategic importance of human capital development which is directly related to the Group's performance and growth, in 2017 the Executive Committee had extensive input in the actions described below.

On the initiative of the Managing Partners, the Appointments, Remuneration and Governance Committee of the Supervisory Board launched a project looking at how the Group manages millennials, who account for over 56% of its workforce.

Spurred by the Executive Committee's commitment to promote constructive interactive relationships within the Group, in 2017 several business networks were set up aimed at enabling employees within the same departments (finance, accounting, HR, legal, IT, innovation, etc.) to discuss and share their experiences around common themes. Each network is managed by the competent corporate department and rolled out across the Group's four divisions.

As part of its internal and external talent management policy, the Executive Committee strongly encouraged the following initiatives:

- adoption of a new recruitment tool facilitating application procedures and improving the visibility of the Group's businesses, in a bid to continue attracting candidates suited to the broad spectrum of business activities;
- setting up new training courses on common management issues, such as management basics, conflict management, negotiation, managerial communication and public speaking: developing employee skills and expertise is considered key to the Group's success.

In terms of organisational changes, the Executive Committee focused particularly on corporate departments, with renewed efforts to forge closer links between related functions and the promotion of several women and young managers. A plan to identify, monitor and replace key personnel in the Finance Department was also drawn up.

Regarding the second priority, in 2017 the Compliance Department continued its activities working closely alongside the divisions, updating its programmes and accelerating their rollout in order to improve their efficiency, spurred by the Managing Partners who also provided coordination assistance.

Regarding the fight against corruption, as announced in 2016 the policy and procedures put in place in this respect were updated to reflect new French legal requirements introduced by the Sapin 2 law of 9 December 2016. The anti-corruption programme, which will be applicable to all Group entities, has been circulated among a wider audience. Specific training and briefings will be given to the Group's oversight bodies to enable implementation of the programme to be tracked more efficiently.

In parallel, as part of ongoing compliance improvement efforts, the Compliance programme relating to international economic sanctions was also updated in close liaison with the Group Treasury Department and the divisions. The program update was also an opportunity to give compliance officers more extensive training on the subject, helping to better safeguard the Group's assets.

Compliance risk assessments are now generally included in reviews of files submitted to the Financial Committee and systematically give rise to a risk summary drawn up by the divisions and presented in support of their investment requests.

The Compliance strategy is defined at Group level for cross-divisional issues and is approved by the Managing Partners. The four divisions are responsible for deploying Compliance programmes as part of their day-to-day activities, in coordination with other support functions. The scope of deployment is verified by the Group's various oversight bodies and its support functions. Specific Group Internal Audit training was provided on this matter in 2017. Finance Departments have been alerted to specific points requiring vigilance in the financial statements, so that any suspicious movements of funds can be identified.

Lastly, the Managing Partners are particularly vigilant as regards the protection of personal data, which underpins the Group's digital development and business strategy. The adoption of the General Data Protection Regulation (GDPR) applicable in France and all EU Member States as of 25 May 2018 has brought data protection issues into the spotlight and has required the close involvement of the Managing Partners in its implementation. After initial awareness-raising initiatives run by the Group in its divisions as from mid-2016, followed by the creation of a dedicated task force at Group level, coordinated by three departments and comprising the Data Protection Officer (DPO), the Group IT Director and the Chief Compliance Officer, significant progress was made in 2017 in bringing the Group's activities into line with the GDPR.

A Steering Committee was set up with the divisions under the responsibility of the DPO, and a network of officers created in the divisions. This has enabled an IT application to be validated for compiling information on data processed and ensuring that personal data are duly protected. Going forward, this data compilation process begun in 2017 will be gradually supplemented as new personal data processing tasks are created in the Group's different businesses. In parallel to this project, the Compliance Department, together with the divisions, prepared support documentation explaining the issues at stake in terms of data protection. This includes a list of control points to be circulated throughout the Group.

Implementation of the Group's CSR policy

The Group's five priority targets in 2015 and 2016 were redefined in light of the CSR materiality analysis performed in 2017 with all of the Group's stakeholders. The redefined targets are consistent with the Group's CSR policy (described in Chapter 4 of this Reference Document).

Particular note was taken of the following achievements in respect of each of the targets during the year:

1. **Promoting diversity and gender balance in the workplace**
   - Training on decisional bias caused by stereotypes, which in 2015 and 2016 had helped raise awareness of these issues among members of divisional Executive Committees and a group of executive managers, was extended to some 100 managers in 2017.
   - The second analysis of the Group's recruitment procedures assessed the progress made by the Group and helped identify potential areas for improvement. The Group continued its partnership with the "*Nos Quartiers ont des Talents*" association during the year.
   - Regarding gender balance, the Managing Partners firmly believe in the importance of promoting equal opportunities for men and women in the Group's businesses, and look to provide support for female employees in accessing top management positions. Managing Partners were personally involved in defining targets and setting up the LL Network. In 2017, 43% of executives were women, compared to 36% in 2011, a significant improvement.
2. **Attracting and retaining talent, particularly in the digital age**

   The Managing Partners strongly encouraged the following initiatives in 2017:
   - ongoing partnership with the digital innovation observatory Netexplo and its online training platform;
   - new projects set up to raise awareness among Group employees of management approaches in the age of digital and artificial intelligence. These themes were also the focus of the first innovation meetings held by the Group Innovation Network (GIN) and the first LL Network conference;

- the third year of funding for employees involved in community initiatives, which supports employees' need to engage in meaningful action.

3. Encouraging responsible cultural content

Supported by a CSR materiality matrix which placed access to education and knowledge and the promotion of free thinking and cultural diversity at the top of Lagardère stakeholders' agenda, the Group continued to demonstrate its commitment in this area in 2017, both through its activities and through its two foundations (Jean-Luc Lagardère and Elle).

In addition to content, Lagardère Active media led and organised debates on major CSR issues in 2017. These included the place of women as discussed during the Elle Active forum, where one of the Co-Managing Partners this year again acted as mentor; Europe going forward, discussed during the second €.Day Paris organised by *Le Journal du Dimanche* and Paris-Dauphine University, and the social economy, discussed on the new *Circuits Courts* programme on the Europe 1 radio station, which also organised the third edition of the Trophées de l'Avenir awards.

In addition to the books it publishes, Lagardère Publishing also acted decisively in support of education and innovation, taking a stake in Educapital, the first European investment fund dedicated to education and training, in October 2017.

4. Fighting climate change

After the *Bilan Carbone®* audit carried out for the entire Group in 2016, the Group renewed efforts to reduce its carbon footprint in 2017. In November, it decided that it would only use clean electricity for power supplies that it controls in France.

The Group, which has a well-established footprint in Paris and its surrounding areas, signed the Paris Climate Action charter during the year, reflecting its commitment to meeting the targets set out in the city's climate change plan.

5. Improving the Group's CSR performance

The materiality matrix drawn up in 2017 following extensive consultation of the Group's internal and external stakeholders enabled Lagardère to fine-tune its CSR roadmap in order to boost its sustainability performance.

The Managing Partners paid close attention to the adoption of the law introducing a duty of care for parent and contracting companies in 2017. The Group drew up a CSR risk map regarding its subcontractors and suppliers, representing the first stage in the duty of care plan discussed in more detail in Chapter 4 of this Reference Document.

The Lagardère group remained in the following four ESG indices in 2017: Euronext Vigeo Europe 120, Eurozone 120, MSCI (Global Sustainability Indices) and STOXX® Global ESG Leaders.

Components of variable remuneration granted for 2017

Based on the quantitative and qualitative criteria described above, the variable remuneration granted for 2017 is set out below.

Since variable remuneration can only be calculated after the year end, it will only be paid in 2018.

(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%	0.932	1,304,800	114.38%
Qualitative	N/A	N/A	N/A	N/A	N/A	N/A
Total			**150%**		**1,304,800**	**114.38%**
Pierre Leroy						
Quantitative	0	300,000		0.932	279,600	18.97%
Qualitative	0	300,000	33%	1.166	349,800	23.73%
Total			**75%**		**629,400**	**42.70%**
Thierry Funck-Brentano						
Quantitative	0	300,000		0.932	279,600	23.18%
Qualitative	0	300,000	33%	1.166	349,800	29.00%
Total			**75%**		**629,400**	**52.19%**

C) EXTRAORDINARY REMUNERATION

The members of the Executive Committee did not receive any extraordinary remuneration for 2017.

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. During 2017, no options were therefore 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 five plans completed to date and their measurement in accordance with IFRS, the initial rights granted to the executive corporate officers represented 31.19% of the total remuneration received overall. The average aggregate ratio of the initial awards actually confirmed was 86.52% and the average number of shares vested to each executive corporate officer represented 0.021% of the share capital per year.

On 6 April 2017, under the authorisation granted by shareholders at the 2016 General Meeting, the members of the Executive Committee were awarded a total of 108,000 performance share rights (representing 0.082% of the total number of shares comprising the share capital and a carrying amount of €2,445,120 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 7 April 2020 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 6 April 2020; however, this condition will still be deemed met in the event of death, incapacity, retirement or forced termination for reasons other than misconduct, it being specified that the performance conditions will continue to apply in all cases. For the other Executive Committee members, the shares will only vest on the condition that at midnight on 6 April 2020, the beneficiaries have neither resigned nor been terminated and/or dismissed for serious or gross misconduct. Free share rights will therefore be forfeited in the event of resignation, dismissal or termination due to misconduct. Free share rights will not be forfeited in the event of a forced termination for reasons other than misconduct, since rights to performance shares are an essential part of the executive's annual remuneration and awarded in consideration for duties discharged in the year of the award. Free share rights continue to be subject to demanding long-term performance conditions, which encourage executives to act in the long-term interests of the Group.
- **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 2017-2019 period being equal to or more than 11.16% (representing an increase of at least one-third compared with the average annual growth rate for 2014-2016).
  - *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 2017-2019 period being equal to or more than €529.6 million (representing an increase of at least one-third compared with the average amount for 2014-2016).

For each of these two objectives, a minimum performance level has been set, corresponding to a 66% achievement rate for the objective (i.e., 7.36% for the Group recurring operating profit target and €349.5 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 7 April 2020 to 7 April 2022 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.

Being employees of Lagardère Capital & Management (with the exception of Arnaud Lagardère), Executive Committee members may however be eligible for benefits applicable in certain cases of contract termination pursuant to mandatory provisions of applicable laws, regulations and collective agreements in force. Any benefits paid to Executive Committee members may not in any event exceed the ceiling of two years' worth of fixed and variable remuneration recommended in the Afep-Medef Corporate Governance Code.

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 executives 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 €1,961,400 in 2017.

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 €686,490 in 2017.

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 2017, 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 €686,490 for Arnaud Lagardère and Pierre Leroy, and €656,966 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 10.1%, of which 5.9% 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.

2.2.1.3 REMUNERATION AND BENEFITS OF MEMBERS OF THE EXECUTIVE COMMITTEE

A) GROSS REMUNERATION AWARDED (BEFORE DEDUCTING SOCIAL SECURITY CONTRIBUTIONS)

	2015	2016	**2017**
	(1)	(2)	(3)
Fixed remuneration	6,022,729	5,724,579	**5,316,729**
Variable portion due	4,530,484	4,239,893	**3,402,800**
Extraordinary compensation	550,000	-	**-**
Attendance fees	-	-	**-**
Total	11,103,213	9,964,472	**8,719,529**

(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.
(3) Arnaud Lagardère, Pierre Leroy, Thierry Funck-Brentano, Ramzi Khiroun and Gérard Adsuar (full-time).

B) SHARE OPTIONS

Date of plan/ AGM authorisation	No of options originally granted	Exercise price	Number of beneficiaries	Options exercised in 2017	Options forfeited at end-2017	Options outstanding at end-2017	Exercise period
Subscription options:							
None							
Purchase options:							
Plans expired:							
18 Dec. 2003 25 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 adjustment on 20 June 2014.

C) FREE SHARE AWARDS

Date of the plan	No. of shares awarded	Number of beneficiaries	No. of shares vested at end-2017	No. of shares forfeited at end-2017	Number of shares outstanding at end-2017	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(***)
26 Dec. 2013	115,000	4	133,012(****)	4,769(****)	0	1 April 2017
Plans in force:						
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
6 April 2017	108,000	4	0	0	108,000	7 April 2020

(*) No shares vested under this plan since 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 Managing Partner who is not a French tax resident.
(***) For the executive corporate officers.
(****) After the adjustment of 20 June 2014.

2.2.1.4 MANAGING PARTNERS

Arnaud Lagardère

Summary of gross remuneration and benefits (before deducting social security contributions)				
	Fiscal year 2016		**Fiscal year 2017**	
	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)]	1,711,093	**1,304,800[(1)]**	**1,711,093**
Extraordinary remuneration	-	-	**-**	**-**
Attendance fees	-	-	**-**	**-**
Benefits in kind	18,616	18,616	**18,616**	**18,616**
Total	2,870,438	2,870,438	**2,464,145**	**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		
	Fiscal year 2016	**Fiscal year 2017**
Remuneration and benefits receivable for the year (details in previous table)	2,870,438	**2,464,145**
Value of multi-annual variable remuneration granted during the year	None	**None**
Value of share options granted during the year	None	**None**
Value of performance share rights granted during the year	None	**None**
Total	2,870,438	**2,464,145**

Pierre Leroy

Summary of gross remuneration and benefits (before deducting social security contributions)				
	Fiscal year 2016		**Fiscal year 2017**	
	Amounts receivable	Amounts received	Amounts receivable	Amounts received
Fixed remuneration	1,474,000	1,474,000	**1,474,000**	**1,474,000**
Variable remuneration	760,800(1)	768,925	**629,400(1)**	**760,800**
Extraordinary remuneration	-	-	**-**	**-**
Attendance fees	-	-	**-**	**-**
Benefits in kind	16,281	16,281	**16,281**	**16,281**
Total	2,251,081	2,259,206	**2,119,681**	**2,251,081**

(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 2017						
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	6 April 2017	32,000	724,480	7 April 2020	8 April 2022(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 2.2.1.2.G above).
(2) For further details, see section 2.2.1.2.G above.

- Performance shares that became available during the year: 17,375.

The mandatory holding period for the 34,751 performance shares which vested to Pierre Leroy on 1 April 2015 under the 25 June 2012 plan ended on 1 April 2017. 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 vested during the year: 37,012.

Of the 38,339 performance shares granted to Pierre Leroy under the 26 December 2013 plan, 37,012 shares (i.e., 96.54%) vested on 1 April 2017, following the application of performance conditions provided for in the decision to award the shares:

- average achievement of target recurring operating profit of fully consolidated companies: ≥100%;
- average achievement of objectives relating to net cash from operating activities of fully consolidated companies: 93.08%;
- change in 2016 recurring operating profit of fully consolidated companies compared with the 2014-2015 average: positive.

Total remuneration and benefits, share options and performance shares granted		
	Fiscal year 2016	**Fiscal year 2017**
Remuneration and benefits receivable for the year (details in previous table)	2,251,081	**2,119,681**
Value of multi-annual variable remuneration granted during the year	None	**None**
Value of share options granted during the year	None	**None**
Value of performance share rights granted during the year	594,560	**724,480**
Total	2,845,641	**2,844,161**

Thierry Funck-Brentano

Summary of gross remuneration and benefits (before deducting social security contributions)	Fiscal year 2016		**Fiscal year 2017**	
	Amounts receivable	Amounts received	Amounts receivable	Amounts received
Fixed remuneration	1,206,000	1,206,000	**1,206,000**	**1,206,000**
Variable remuneration	760,800(1)	768,925	**629,400(1)**	**760,800**
Extraordinary remuneration	-	-	**-**	**-**
Attendance fees	-	-	**-**	**-**
Benefits in kind	13,644	13,644	**13,644**	**13,644**
Total	1,980,444	1,988,569	**1,849,044**	**1,980,444**

(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 2017						
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	6 April 2017	32,000	724,480	7 April 2020	8 April 2022(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 2.2.1.2.G above).
(2) For further details, see section 2.2.1.2.G above.

- Performance shares that became available during the year: 26,063.

The mandatory holding period for the 34,751 performance shares which vested to Thierry Funck-Brentano on 1 April 2015 under the 25 June 2012 plan ended on 1 April 2017. 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 vested during the year: 37,012.

Of the 38,339 performance shares granted to Thierry Funck-Brentano under the 26 December 2013 plan, 37,012 shares (i.e., 96.54%) vested on 1 April 2017, following the application of performance conditions provided for in the decision to award the shares:

- average achievement of target recurring operating profit of fully consolidated companies: ≥100%;
- average achievement of objectives relating to net cash from operating activities of fully consolidated companies: 93.08%;
- change in 2016 recurring operating profit of fully consolidated companies compared with the 2014-2015 average: positive.

Total remuneration and benefits, share options and performance shares granted	Fiscal year 2016	**Fiscal year 2017**
Remuneration and benefits receivable for the year (details in previous table)	1,980,444	**1,849,044**
Value of multi-annual variable remuneration granted during the year	None	**None**
Value of share options granted during the year	None	**None**
Value of performance share rights granted during the year	594,560	**724,480**
Total	2,575,004	**2,573,524**

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					
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 2018	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-2017:						
Arnaud Lagardère	0	0	-	-	-	-
Pierre Leroy	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.

Historical information on performance share awards

	Plan 1	Plan 2	Plan 3	Plan 4	Plan 5	Plan 6	Plan 7	Plan 8
Date of AGM	28 April 2009	28 April 2009	28 April 2009	28 April 2009	3 May 2013	3 May 2013	3 May 2016	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	6 April 2017
Total number of free shares granted(**)	50,000	116,000	104,000	115,017	115,017	96,000	64,000	64,000
Of which granted to:								
Arnaud Lagardère(***)	-	-	-	-	-	-	-	-
Pierre Leroy	25,000	29,000	26,000	38,339	38,339	32,000	32,000	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	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	7 April 2020
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	7 April 2022
Performance conditions	yes	yes	yes	yes	yes	yes	yes	yes
Number of shares vested at 28 February 2018	42,310	59,547	72,054	104,253	111,036	-	-	-
Total number of shares cancelled or forfeited	7,690	56,453	31,946	10,764	3,981	-	-	-
Arnaud Lagardère	-	-	-	-	-	-	-	-
Pierre Leroy	3,845	9,151	1,982	3,588	1,327	-	-	-
Philippe Camus	3,845	29,000	26,000	-	-	-	-	-
Dominique D'Hinnin	-	9,151	1,982	3,588	1,327	-	-	-
Thierry Funck-Brentano	-	9,151	1,982	3,588	1,327	-	-	-
Performance shares outstanding at end-2017(**):	-	-	-	-	-	96,000	64,000	64,000
Arnaud Lagardère	-	-	-	-	-	-	-	-
Pierre Leroy	-	-	-	-	-	32,000	32,000	32,000
Philippe Camus	-	-	-	-	-	-	-	-
Dominique D'Hinnin	-	-	-	-	-	32,000	-	-
Thierry Funck-Brentano	-	-	-	-	-	32,000	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 2.2.1.2.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: Managing Partner[(a)] Date of appointment: End of term of office:	N.A.[(1)]		X[(2)]			X[(3)]		X
Thierry Funck-Brentano Position: Managing Partner[(b)] Date of appointment: End of term of office:	N.A.[(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.
(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 2.2.1.2.J above.
(3) See section 2.2.1.2.H above.

2.2.2 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 2017

Articles L. 225-37-2, L. 225-82-2 and L. 225-100, II of the French Commercial Code introduced by the act no. 2016-1691 of 9 December 2016 (loi Sapin 2) concerning the approval by the General Meeting of the remuneration policy for executive corporate officers and components of remuneration paid or granted for the prior fiscal year to said executive corporate officers, are not applicable to French partnerships limited by shares (*sociétés en commandite par actions* – SCA). However, in application of the recommendation set out in section 26 of 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 2017 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.
- 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 2017, 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 2017	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	€1,304,800	▸ Arnaud Lagardère's annual variable remuneration is based solely on quantitative criteria related to the Group's performance in 2017 (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 2017 and that generated in 2016) (see section 2.2.1 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 2017 (0.932 versus 1.37 in 2016 and 1.47975 in 2015), Arnaud Lagardère's annual variable remuneration amounted to 114.38% of his annual fixed remuneration in 2017.
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 2017.
Attendance fees	N/A	▸ Arnaud Lagardère was not entitled to and did not receive any attendance fees for 2017.
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 €1,961,400 in 2017). ▸ 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 €686,490 in 2017. ▸ At 31 December 2017, the estimated amount of Arnaud Lagardère's annuity, calculated in accordance with the applicable regulations, would represent approximately 24.07% of his total gross remuneration (fixed and variable) paid in 2017. ▸ No benefits were due or paid to Arnaud Lagardère under this plan for 2017.

Pierre Leroy

Components of remuneration payable or granted for 2017	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	€629,400	▸ Pierre Leroy's annual variable remuneration includes: – a portion based on quantitative criteria, determined by reference to the Group's performance in 2017 (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 2017 and that generated in 2016) (see section 2.2.1 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 2.2.1 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 2017 (0.932 for the quantitative objectives versus 1.37 in 2016 and 1.47975 in 2015; and 1.166 for the qualitative objectives versus 1.166 in 2016 and 1.083 in 2015), Pierre Leroy's annual variable remuneration amounted to 42.70% of his annual fixed remuneration in 2017.
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	€724,480	▸ In 2017 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 2020, 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 2017-2019: – for 50% of the shares, the average annual growth rate for Group recurring operating profit must be equal to or more than 11.16% (representing an increase of at least one-third compared with the average rate for 2014-2016); – for 50% of the shares, the average annual amount of consolidated net cash from operating activities must be equal to or more than €529.6 million (representing an average amount at least one-third higher than the average amount for 2014-2016). ▸ 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 8 March 2017 – was carried out by the Managing Partners on 6 April 2017 using the authorisation given at the 3 May 2016 Annual General Meeting (12th resolution). ▸ Pierre Leroy did not receive any share options in 2017 and was not granted any securities other than the above-described performance shares.

Components of remuneration payable or granted for 2017	Gross amount or accounting value	Comments
Extraordinary remuneration	N/A	▸ Pierre Leroy did not receive any extraordinary remuneration for 2017.
Attendance fees	N/A	▸ Pierre Leroy was not entitled to and did not receive any attendance fees for 2017.
Benefits in kind	€16,281	▸ This corresponds to Pierre Leroy's potential personal use of his company car.
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 €1,961,400 in 2017). ▸ 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 €686,490 in 2017. ▸ At 31 December 2017, the estimated amount of Pierre Leroy's annuity, calculated in accordance with the applicable regulations, would represent approximately 30.72% of his total gross remuneration (fixed and variable) paid in 2017. ▸ No benefits were due or paid to Pierre Leroy under this plan for 2017.

Thierry Funck-Brentano

Components of remuneration payable or granted for 2017	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	€629,400	▸ Thierry Funck-Brentano's annual variable remuneration includes: – a portion based on quantitative criteria, determined by reference to the Group's performance in 2017 (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 2017 and that generated in 2016) (see section 2.2.1 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 2.2.1 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 2017 (0.932 for the quantitative objectives versus 1.37 in 2016 and 1.47975 in 2015; and 1.166 for the qualitative objectives versus 1.166 in 2016 and 1.083 in 2015), Thierry Funck-Brentano's variable remuneration amounted to 52.19% of his annual fixed remuneration in 2017.
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	€724,480	▸ In 2017 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 2020, 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 2017-2019: – for 50% of the shares, the average annual growth rate for Group recurring operating profit must be equal to or more than 11.16% (representing an increase of at least one-third compared with the average rate for 2014-2016); – for 50% of the shares, the average annual amount of consolidated net cash from operating activities must be equal to or more than €529.6 million (representing an average amount at least one-third higher than the average amount for 2014-2016). ▸ 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 8 March 2017 – was carried out by the Managing Partners on 6 April 2017 using the authorisation given at the 3 May 2016 Annual General Meeting (12th resolution). ▸ Thierry Funck-Brentano did not receive any share options in 2017 and was not granted any securities other than the above-described performance shares.

Components of remuneration payable or granted for 2017	Gross amount or accounting value	Comments
Extraordinary remuneration	N/A	▸ Thierry Funck-Brentano did not receive any extraordinary remuneration for 2017.
Attendance fees	N/A	▸ Thierry Funck-Brentano was not entitled to and did not receive any attendance fees for 2017.
Benefits in kind	€13,644	▸ This corresponds to Thierry Funck-Brentano's potential personal use of his company car.
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 €1,961,400 in 2017). ▸ 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 €686,490 in 2017. ▸ At 31 December 2017, the estimated amount of Thierry Funck-Brentano's annuity, calculated in accordance with the applicable regulations, would represent approximately 33.40% of his total gross remuneration (fixed and variable) paid in 2017. ▸ No benefits were due or paid to Thierry Funck-Brentano under this plan for 2017.

Xavier de Sarrau

Components of remuneration payable or granted for 2017	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	€92,715.23	▸ This amount – which is subject to withholding tax – corresponds to the attendance fees due to Xavier de Sarrau in 2018 for the duties he performed as Chairman of the Supervisory Board and the Audit Committee in 2017. ▸ 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 2017 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.

2.2.3 TRANSACTIONS IN LAGARDÈRE SCA SHARES BY THE CORPORATE OFFICERS AND THEIR RELATIVES DURING 2017

2.2.3.1 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 2017, 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 332,029 Lagardère SCA shares for a total gross amount of €8,879,853.77 between 14-17 March 2017 and 25-28 April 2017.

PIERRE LEROY

Pierre Leroy, Co-Managing Partner, sold 17,000 Lagardère SCA shares for a total gross amount of €463,839.90 on 3 April 2017.

2.2.3.2 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 2017 by any executive or non-executive corporate officer or any parties related to them.

2.2.4 FREE SHARE AWARDS BY LAGARDÈRE SCA OR BY 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 2017.

***

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 2017

In the course of 2017, 423,357 free shares vested. All of these shares were issued through a share capital increase carried out by capitalising reserves, which was followed by a share capital reduction by cancelling the same number of treasury shares, as part of the Company's share buyback programme.

- 250,992 shares vested in April 2017 for beneficiaries of the 26 December 2013 performance share plan.
- 172,365 shares vested on 27 December 2017 for beneficiaries of the 26 December 2013 free share plan residing overseas for tax purposes, and for the heirs of a deceased beneficiary of the 9 May 2016 free share plan.

2. Rights to free shares awarded in 2017

Based on the authorisations given by the General Meeting of 3 May 2016 (12th and 13th resolutions), on 6 April 2017, the Managing Partners of the Company carried out the following awards:

- 374,950 rights to free shares (representing 0.286% of the total number of shares comprising the share capital) to 428 beneficiaries, employees and executive corporate officers of entities related to the Company;
- 442,710 rights to performance shares (representing 0.338% of the total number of shares comprising the share capital) to 41 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 2017-2019 period being equal to or more than 11.16% (representing an increase of at least one-third compared with the average annual growth rate for 2014-2016).

  No shares will vest in the event that the average annual growth rate for Group recurring operating profit over the 2017-2019 period is less than 7.36% (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 2017-2019 period is between 7.36% and 11.16% (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 2017-2019 period being equal to or more than €529.6 million (representing an increase of at least one-third compared with the average amount for 2014-2016).

  No shares will vest in the event that the average amount of Group net cash from operating activities of fully consolidated companies over the 2017-2019 period is less than €349.5 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 2017-2019 period is between €349.5 million and €529.6 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 6 April 2020, the beneficiaries have neither resigned nor been terminated or dismissed for serious or gross misconduct.

  Similarly, the executive corporate officers of the four divisional holding companies of Lagardère Publishing, Lagardère Active, Lagardère Travel Retail and Lagardère Sports and Entertainment who are members of the Enlarged Committee must still be in their positions at midnight on 6 April 2020, 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 6 April 2017, the shares will vest on 7 April 2020 following a three-year vesting period.

  For beneficiaries residing in overseas for tax purposes at 6 April 2017, the shares will vest on 7 April 2021 following a four-year vesting period.

- *Holding periods:*

  For beneficiaries residing in France for tax purposes at 6 April 2017, the holding period has been set at two years (i.e., the shares must be kept in a registered account until 7 April 2022 inclusive).

  Beneficiaries residing overseas for tax purposes at 6 April 2017 are not subject to a holding period once their shares have 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 €27.22 per share at the opening of trading on the Paris stock exchange on 6 April 2017. In accordance with IFRS, this same value was €22.64 per share for the shares vesting on 7 April 2020, and €21.48 per share for the shares vesting on 7 April 2021.

3. Free share award plans in force in 2017

The main characteristics of all of the free share award plans which expired in 2017 or were in force as of 31 December 2017 are summarised in the table below.

Date of the plan	Total number of rights awarded	Total number of rights eliminated	Total number of of shares definitively vested	Total number of outstanding rights
26 December 2013	712,950(*)	18,230(**)	836,209(**)	-
22 December 2014	306,120	16,900	201,420	87,800
1 April 2015	444,440	-	-	444,440
9 May 2016	829,660	6,500	1,200	821,960
6 April 2017	817,660	6,850	-	810,810
Total	**3,110,830**	**48,480**	**1,038,829**	**2,165,010**

(*) Before the adjustment of 20 June 2014.
(**) After adjustment on 20 June 2014.

***

Free share awards granted by entities or groups related to the Company

1. On 4 December 2017, Moneytag, an entity in the Lagardère Active division, granted two beneficiaries a total of 255 free shares subject to a two-year vesting period and a one-year holding period.

2. On 19 December 2017, Ice Participations, an entity in the Lagardère Publishing division, granted its two chief operating officers a total of 1,060,134 free shares, subject to performance and presence conditions, as well as a minimum two-year vesting period.

3. In the course of 2017, 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 2017, 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 6 April 2017 plan described above (representing 0.024% of the total number of shares comprising the share capital and a carrying amount of €724,480 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 8 March 2017, 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 6 April 2020), except in cases of forced termination for reasons other than misconduct.

On top of the standard holding period applicable from 7 April 2020 to 7 April 2022 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 2017, 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 the companies that it controls within the meaning of article L. 233-16 of said Code.

3. In 2017, Lagardère SCA's eight employees were awarded a total number of 35,670 rights to performance shares under the 6 April 2017 plan described above (representing 0.027% of the total number of shares comprising the share capital and a carrying amount of €807,568.80 under IFRS), i.e., an average number of 4,459 rights to shares awarded per person (representing 0.003% of the total number of shares comprising the share capital and a carrying amount of €100,952 under IFRS).

4. In 2017, 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.

2.2.5 OPTIONS TO SUBSCRIBE FOR OR PURCHASE SHARES OF LAGARDÈRE SCA OR ITS RELATED ENTITIES

During 2017, no new options to subscribe for or purchase Lagardère SCA shares were awarded. There were no longer any share option plans in force, or which expired in 2017, within the aforementioned entities or groups.

3

RISK FACTORS AND CONTROL SYSTEM

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

3.1 RISK FACTORS AFR

The following description concerns the Group's exposure to certain risks considered significant. Risk management procedures are described in section 3.2.8 – 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.

3.1.1 RISKS ASSOCIATED WITH BUSINESS ACTIVITY AND THE ECONOMIC ENVIRONMENT

3.1.1.1 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.

There is no guarantee that these agreements will be renewed once they expire. This depends notably on the stance taken by the sector's economic players, including rights holders and Group competitors, whether long-standing or newcomers to the market.

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

Certain sports federations have also been shifting media rights marketing strategy for their competitions. UEFA has centralised the marketing of broadcasting rights for the 2018 World Cup qualifiers in Europe.

In addition, in 2018 the Asian Football Confederation (AFC) is issuing a call for tenders to renew the commercial rights held by Lagardère Sports and Entertainment until 2020.

The risks described here also concern, on a smaller scale, certain contracts that Lagardère Publishing has entered into with authors and rights holders, or for the distribution of third-party publishers.

3.1.1.2 IMPACT OF DIGITAL AND MOBILE TECHNOLOGIES ON THE GROUP'S BUSINESS MODELS

The Group is faced with rapid changes in its customers' consumption habits as digital and mobile technologies develop, and this too has 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 33 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 three business lines: Travel Essentials, Duty Free & Fashion, and Foodservice.

With regard to Lagardère Active, digital media exercise strong competitive pressure on print media, impacting both sales and advertising revenue. As part of its development strategy, the division is investing in the digital sector, which exposes it to the aforementioned risks inherent to the digital-based business models of companies operating in this sector. The big global social media and search engine operators also have a strong influence on web store traffic as well as on online media and advertising.

3.1.1.3 RISKS ASSOCIATED WITH STRATEGY IMPLEMENTATION

The Group may carry out acquisitions and enter into partnerships as part of its strategy. The success of these transactions 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 return on investment and on the Group's earnings.

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.

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

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.

3.1.1.4 CYCLICAL RISKS SPECIFIC TO THE GROUP'S BUSINESS LINES

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 full-year operating profit, before any adjustments.

In addition, cuts in the funding allocated by certain governments to buy textbooks can have a negative impact on Lagardère Publishing's business. Similarly, pressure on the financing of public channels may negatively influence the Group's audiovisual production activities.

With regard to Lagardère Travel Retail, a cyclical or structural reduction in air traffic towards a given destination and currency volatility may materially impact the number or purchasing power of travellers in Duty Free stores in the currencies concerned.

Lastly, cases of force majeure could threaten or delay the staging of sporting events in which Lagardère Sports and Entertainment is involved.

3.1.2 LEGAL RISKS

3.1.2.1 SPECIFIC REGULATIONS APPLICABLE TO THE GROUP

3.1.2.1.1 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 audiovisual broadcasting services described in section 3.1.2.1.2, are subject to broadcasting regulations set out in the French law of 30 September 1986 and its implementing decrees, and in inter-professional 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 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 rights) operate under the aegis of the relevant legislation, in particular restrictions on tobacco and alcohol advertising, online gambling laws, and laws concerning false and 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.).

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

3.1.2.1.2 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.

3.1.2.1.3 COMPLIANCE WITH GROUP-WIDE 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 such as anti-corruption measures, international economic sanctions, duty of care and personal data protection, as described in section 3.2.6.4.C.

As specifically regards personal data protection, the General Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on Personal Data Protection (GDPR), which will come into effect on 25 May 2018, requires companies to take the necessary measures to protect personal data throughout the life cycle (collection, use, storage or deletion) and to be able to account for them.

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.

3.1.2.2 RISKS ASSOCIATED WITH BRANDS AND OTHER INTELLECTUAL PROPERTY RIGHTS

The Group's brands and intellectual property rights are an essential part of its overall portfolio of property and rights, and it pays particular attention to safeguarding them (see section 3.2.6.5).

3.1.2.3 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 3.1.3.2 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.

3.1.2.4 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 26.2 to the 2017 consolidated financial statements.

The main litigation involving the Group are presented in note 33 to the 2017 consolidated financial statements (see Chapter 5).

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.

3.1.2.5 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 1.4, 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 parallel, the European Parliament adopted on 1 June 2017 a proposal from the European Commission giving Member States the option of applying a reduced

VAT rate on electronic books. No agreement has yet been reached by the EU Economic and Financial Affairs Council on this subject which requires unanimity.

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. The Commission's draft wording is being discussed in the European Parliament which should adopt its own version in the spring of 2018. It is currently being negotiated by the governments within the European Council.

Lastly, EU has tabled a draft regulation concerning respect for privacy and the protection of personal data in digital communications ("ePrivacy Regulation"). This proposal presents major challenges for digital players inasmuch as it stipulates the time and manner in which people may accept or refuse cookies and other tracking mechanisms when they browse a web or mobile site, or in a mobile application with browser-related functions.

3.1.3 FINANCIAL OR MARKET RISKS

3.1.3.1 LIQUIDITY, INTEREST RATE, EXCHANGE RATE AND EQUITY RISKS

Market risks (liquidity, interest rate, exchange rate and equity risks) are described in note 28.1 to the 2017 consolidated financial statements (see Chapter 5 of this Reference Document).

3.1.3.2 CREDIT AND COUNTERPARTY RISKS

Credit and counterparty risks are described in note 28.2 to the 2017 consolidated financial statements (see Chapter 5 of this Reference Document).

3.1.3.3 RISK 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 181,000 tonnes in 2017, as described in section 4.2.5 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.

3.1.4 OPERATIONAL RISKS

3.1.4.1 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, developments have shown that media organisations and events open to the public may be the target of terrorist violence.

3.1.4.2 RISKS ASSOCIATED WITH INFORMATION SYSTEMS AND DATA SECURITY

Information systems are critically important for all of the Group's activities. The operations of the businesses concerned could therefore be disrupted or even interrupted permanently in the event of degraded system availability or reliability.

The Group's IT systems also contain confidential data related to how its businesses are run as well as personal data concerning third parties (particularly customers, suppliers and internet users) or the Group's employees. In the event of challenges to the confidentiality, integrity or availability of this data, the Group could be exposed to various risks in terms of image, loss of revenue, third party disputes and fines.

These risks are growing as systems become increasingly complex, computer hacking more prevalent and regulatory requirements weigh more heavily on the Group. With regard to this last point, it should be noted that General Regulation 2016/679 of the European Parliament and the Council of 27 April 2016 on the protection of personal data (GDPR) referred to in section 3.1.2.1.3 will come into force on 25 May 2018.

3.1.4.3 RISKS ASSOCIATED WITH THE LOSS OF 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.

3.1.4.4 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 11%, 21% and 29%.

3.1.4.5 RISKS ASSOCIATED WITH A HYGIENE INCIDENT

Within the scope of the Foodservice business line of Lagardère Travel Retail, the Group could be faced with an incident involving the quality of its food products. In such a situation, it could be declared liable, which would impact its reputation with concession grantors and the brands concerned.

3.1.4.6 RISKS OF ERRORS AND FRAUD

In the course of its business operations, the Group may have to bear losses related namely to errors or fraud that had not been prevented or detected in time, despite the existing internal control system.

3.1.4.7 INDUSTRIAL AND ENVIRONMENTAL RISKS

3.1.4.7.1 RISKS IDENTIFIED

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.

3.1.4.7.2 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 consolidated financial statements for 2017 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.

3.2 DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

AFR

3.2.1 CONTROL ENVIRONMENT

3.2.1.1 GENERAL ORGANISATION OF THE GROUP

The consolidated financial statements of the Lagardère group included 627 companies in 2017 (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 of the Group's subsidiaries and investments, draws up its strategy, 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.

3.2.1.2 THE GROUP'S MANAGEMENT BODIES

3.2.1.2.1 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 2.2.1 and 2.1.7 of this document.

3.2.1.2.2 GOVERNING, MANAGING AND SUPERVISORY BODIES OF THE DIVISIONS

Operating activities are conducted by legally independent companies grouped together in the following business divisions: Lagardère Publishing, Lagardère 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.

3.2.1.3 INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORK, RESPONSIBILITIES, OBJECTIVES AND SCOPE

3.2.1.3.1 INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORK AND ACTIVITIES

The Group applies the Risk Management and Internal Control System – Reference 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.

3.2.1.3.2 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 organisational system.

3.2.1.3.3 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.

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

3.2.2 DEFINITION OF RESPONSIBILITIES AND POWERS

The role of the Group's main strategic management bodies is described in section 3.2.1. In order to fulfil their responsibilities, the Managing Partners rely on various committees and the Group's Corporate Departments.

3.2.2.1 MAIN MANAGEMENT COMMITTEES AND MONITORING ACTIVITY

3.2.2.1.1 THE EXECUTIVE COMMITTEE AND THE 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 2017, it comprised the executive corporate officers, the Group Chief Financial Officer 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 and division senior executives, as well as the General Counsel of Lagardère SCA. It meets every month.

3.2.2.1.2 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.

3.2.2.1.3 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 28 to the consolidated financial statements, presented in Chapter 5 of this Reference Document.

Lastly, the Counterparty Risks Committee regularly analyses the counterparty described in the above-mentioned note presented in Chapter 5 of this Reference Document.

3.2.2.2 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 130 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 (including the Compliance Department), the Management Control Department, the Accounting Department, the Group IT Department and the Risk and Internal Control Department.

3.2.3 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 Chapter 4 – Corporate Social Responsibility and corporate citizenship – Ethics.

3.2.4 APPLICABLE LAWS AND STANDARDS

The Group's business is governed by specific laws and regulations, as set out in section 3.1.2.

As explained in section 4.1.2 – CSR players and governance, the Lagardère group endeavours to respect a certain number of rules established by national and international bodies regarding business enterprises.

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.

The Group generally adapts its procedures or develops new ones in accordance with legislative or regulatory requirements which set out the framework for new obligations applicable to French companies.

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 3.2.10.2 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.

3.2.5 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 3.2.6.7 – 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.

3.2.5.1 SINGLE MANAGEMENT SYSTEM FOR CONSOLIDATED FINANCIAL AND ACCOUNTING INFORMATION

As explained below in section 3.2.6.7 – 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.

3.2.5.2 RELIABILITY OF DATA ENTRY

The single management system includes blocking controls which help prevent incidents and anomalies, and improve the reliability of data entry.

3.2.6 PROCEDURES, METHODS, TOOLS AND PRACTICES

3.2.6.1 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.

3.2.6.2 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.

3.2.6.2.A 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.

3.2.6.2.B 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.

3.2.6.2.C HEDGING POLICY AND MARKET RISK MONITORING

The hedging policy and market risk monitoring is described in note 28 to the consolidated financial statements presented in Chapter 5 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.

3.2.6.3 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.

3.2.6.4 COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

3.2.6.4.A 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.

3.2.6.4.B 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.

3.2.6.4.C BUSINESS ETHICS

The Lagardère group attaches the utmost importance to maintaining business ethics in all its activities and regions.

Under the initiative of the Managing Partners and the responsibility of the Legal Department, in 2013 it set up a Compliance Department to design, at Group level, programmes common to the four divisions and aimed at preventing, detecting and handling the occurrence of certain business ethics-related risks.

Designed to support the operating teams in their daily activities, these programmes are supervised at Group level and implemented on the ground by each division's Compliance Department through the international Compliance Correspondent network. The network is made up of experienced and recognised professionals, mainly drawn from support functions such as legal, human resources and finance. Each Compliance Correspondent covers a geographic area and one or more businesses for which he or she serves as the point of reference. The composition of the network changes according to businesses and international developments.

The Group is continually improving its programmes, raising awareness among its employees and applying the procedures aimed at preventing and handling the potential risks associated with its international presence and the diversity of its operations.

In the course of 2017, the Group Compliance Department worked closely with the divisions to pursue its activities in the following areas:

- Anti-corruption: the Group applies a zero tolerance policy in respect of corruption. It prohibits any form of corruption, active or passive, regardless of whether the contact person is a public or private individual.

  In 2017, the anti-corruption programme and its accompanying procedures were updated to bring them in line with the French law of 9 December 2016, known as the Sapin 2 law.

  The anti-corruption programme is an all-encompassing system that incorporates the standards in this area, as reflected by international regulations (OECD's 1977 Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, European anti-corruption conventions, the United Nations Convention against Corruption, the 2003 African Union Convention on Preventing and Combating Corruption, etc.) as well as national legislation such as the updated version of the1977 US Foreign Corrupt Practices Act, the 2010 UK Bribery Act and the French Sapin 2 law. The Group also endeavours to comply with the regulations in force in the countries in which it operates.

  The Group's anti-corruption policy and specific procedures are accessible to employees via the Group's intranet. In addition, training sessions are organised at all levels for employees most exposed to such risks.

  Among the procedures in force, those related to contracts with third parties provide for checks on the potential partners prior to contractualising the relationship. In 2017, these checks were intensified.

- Compliance with international economic sanctions: the Group operates on five continents and complies with the applicable regulations regarding economic sanctions. Accordingly, it strives to ensure that its potential partners are not subject to restrictions (particularly on assets) and that the projects it plans to develop are not prohibited.

  As part of the Compliance programmes' continuous improvement approach, the International Economic Sanctions policy was completely overhauled in 2017 in collaboration with the Group's Treasury Department. Additional tools were made available to the Compliance network in order to train the Compliance Correspondents to detect and prevent high-risk situations.

  The use of the tools created in 2016 (a management dashboard, a consolidated external database of the different sanctions and the insertion of standard clauses) was expanded in 2017.

  Lastly, training sessions in this area were organised as well in order to raise awareness among the employees most exposed to these risks.

- Personal data protection: in view of the coming into force of the General Data Protection Regulation (GDPR), Compliance has pursued its projects, in coordination with the IT Department and the Data Protection Officer within a dedicated working group as well as with the different divisions. The objective of these joint efforts is to explain and raise awareness among employees of GDPR issues and to implement the necessary tools to ensure compliance. The Group has set up a network of Data Protection Officers to promote all of these initiatives within the divisions.
- Duty of care: the Group pays special attention to its subcontractors and suppliers and adopted a duty of care approach even before enactment of the duty of care law. The Group's Sustainable Development, Purchasing and Compliance functions are drafting a duty of care plan that summarises the actions undertaken and the areas for improvement (see section 4.7).

3.2.6.5 PROTECTION OF THE GROUP'S PROPERTY AND RIGHTS

3.2.6.5.A 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.

3.2.6.5.B LITIGATION MANAGEMENT

The Group Legal Department manages all litigation involving Lagardère SCA and the divisions, 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.

3.2.6.6 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.

3.2.6.7 REPORTING SYSTEM: FREQUENCY AND TIMING

3.2.6.7.A OPERATION, FREQUENCY AND TIMING OF REPORTING

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.

3.2.6.7.B 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 before finance costs and tax;
- net finance costs;
- profit for the year;
- cash flows from operations;
- free cash flow;
- total cash from 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.

3.2.6.7.C 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 a Monthly Group Report established by the Group's Management Control Department and submitted to the Managing Partners and Group's principal executives. This document lists the changes in the following key indicators with comments by division:

- sales;
- operating profit of fully consolidated companies;
- income from equity-accounted companies and other information;
- net finance costs;
- income tax expense;
- profit 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 operating and investing activities;
- change in cash and cash equivalents or net debt;
- capital employed;
- cash and cash equivalents or net debt.

This management report is presented to the Group's Chief Financial Officer before issuance.

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 28 to the consolidated financial statements (see Chapter 5). Through its Counterparty Risks Committee, the Finance Department also produces regular analyses of the counterparty risks described in the same note (see Chapter 5).

3.2.6.7.D INTERIM AND ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

Additional information is supplied for the preparation of the interim and annual consolidated financial statements for publication.

Chapter 5 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.

3.2.6.7.E 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.

3.2.7 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.

3.2.8 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 section 3.1 – 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.

3.2.8.1 ORGANISATION OF RISK MANAGEMENT

3.2.8.1.A 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.

3.2.8.1.B 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.

3.2.8.2 RISK IDENTIFICATION AND ANALYSIS PROCESS

A certain number of the Group's procedures contribute to risk identification, particularly:

- the commitment procedure, which includes a section specifically dedicated to risks, and more generally pre-acquisition or pre-sale audits;
- audit reviews;
- surveys to assess the security of the IT systems and networks;
- review and regular renegotiation of insurance programmes;
- reporting activities described in section 3.2.6.7 – Financial reporting, particularly impairment tests and monitoring of off-balance sheet commitments;
- legal reporting, as described in section 3.2.9.2.B – Monitoring legal affairs;
- risk intelligence activities by the various Corporate Departments and divisions;
- 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 each year to the Managing Partners and to the Audit Committee.

3.2.8.3 MANAGEMENT PROCEDURES FOR THE PRINCIPAL RISKS

3.2.8.3.A RISKS ASSOCIATED WITH BUSINESS ACTIVITY AND THE ECONOMIC ENVIRONMENT

The management of the risks related to business activity and the economic environment described in section 3.1.1 of this Reference Document is an integral part of the Group's strategic decision-making process.

Among other duties, General Management of each division is responsible for monitoring risks related to the contracts with a high unit value, 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, the Group carries out a regular review of major contracts for sports events in order to monitor developments and profitability prospects for those contracts.

3.2.8.3.B LEGAL RISKS

The management procedures for legal risks are an integral part of the relevant internal control procedures as described in section 3.2.6.4.

3.2.8.3.C MARKET RISKS (LIQUIDITY, INTEREST RATE, EXCHANGE RATE AND EQUITY RISK)

The methods for managing these risks is described in detail in note 28.1 to the consolidated financial statements.

3.2.8.3.D CREDIT AND COUNTERPARTY RISKS

The methods for managing these risks is described in detail in note 28.2 to the consolidated financial statements.

3.2.8.3.E 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.

3.2.8.3.F OPERATIONAL RISKS

F.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.

F.2 Risks associated with information systems and data security

As mentioned in section 3.2.6.6, the Group's IT Department regularly updates and circulates an information system security policy that the operating entities are responsible for rolling out locally. This policy is accompanied by technical tools and awareness-raising media.

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. A survey was launched in 2018, 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 section 3.1 of the Reference Document, the Group has bolstered its technical and human expertise since 2015, under the supervision of the Group IT Department.

In addition, the Lagardère group is implementing a programme relating to personal data protection which aims to ensure the compliance of the Group's operations with the General Data Protection Regulation (GDPR) (EU 2016/679) which comes into force on 25 May 2018.

F.3 Risks associated with the loss of key talent and skills

The Group has had a talent management policy for several years aimed at identifying talented Lagardère group employees and supporting their development, offering them mobility opportunities and defining talent succession plans.

F.4 Risks associated with a hygiene incident

The Lagardère Travel Retail division is implementing a series of measures to ensure compliance with the regulations and professional standards that apply in the countries where its Foodservice business operates. These measures are subject to centralised supervision by the Foodservice business line and are supplemented by regular external audits organised at the points of sale.

F.5 Risks of errors and fraud

The control activities carried out by the divisions for operating activities are set out in section 3.2.9.

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.

F.6 Industrial and environmental risks

The Group pays careful attention to industrial risk prevention and environmental protection, in line with its social and environmental policy, which is presented in Chapter 4.

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.

3.2.8.4 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.

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.

3.2.8.4.A INSURANCE POLICIES SUBSCRIBED

The major insurance policies cover property damage and in some cases business interruption, liability and cyber risks. 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.

In 2017 and for the policies covering 2018, 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.

However, given the diversity of situations in all of the divisions and the local 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.

3.2.8.4.B COVERAGE LEVEL

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.

3.2.8.4.C INSURANCE FOR PROPERTY DAMAGE AND BUSINESS INTERRUPTION

- 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.

- Limits of coverage

As a general rule, insurance for property damage is subscribed for the replacement value of the property and, where applicable, business interruption is subscribed for the gross margin. In some cases, these amounts may include limits agreed with the insurer.

For 2018, 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).

3.2.8.4.D LIABILITY INSURANCE

- Risks covered

Liability insurance policies, depending on the nature of the business and local regulations, include coverage for public, product and professional liability in the event of bodily injury, material damage or consequential loss caused to third parties.

- 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 2018, 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 €68 million.

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

3.2.8.4.E CYBER RISK INSURANCE

- Risks covered

Cyber insurance covers the consequences of either a breach of data held and/or managed or damage to information systems. It offers damage coverage that includes research, resolution and notification costs. It also offers liability coverage including losses caused to third parties.

- Limits of coverage

For 2018, the highest insurance coverage limit subscribed by the Group is €30 million for certain Lagardère Publishing facilities.

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

3.2.8.4.F PREMIUMS

In 2017, the overall budget for the main permanent insurance policies subscribed by the Group was estimated at 0.15% of revenue (excluding collective insurance).

3.2.9 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.

3.2.9.1 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 3.2.10.2, and cover the following areas:

- 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;

The information systems self-assessment questionnaire is rolled out separately.

3.2.9.2 CONTROL BY THE CORPORATE DEPARTMENTS OF PROCESSING CARRIED OUT WITHIN THE GROUP

3.2.9.2.A 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.

3.2.9.2.B MONITORING LEGAL AFFAIRS

The Group Legal Department is informed by the divisions of any exceptional transactions planned, reported under the procedure described in section 3.2.4, 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.

3.2.9.2.C 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, the roll out of Group Compliance programmes, 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.

3.2.10 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, a Risk Management and Internal Control Committee, whose members include representatives of Lagardère SCA, the senior executive of the division concerned and the persons in the division responsible for risk management and internal control, meets once a year and is tasked with monitoring the effectiveness of risk management and internal control with each division.

3.2.10.1 PERMANENT MONITORING OF THE RISK AND INSURANCE MANAGEMENT SYSTEM

As mentioned in section 3.2.8.1.B, the Risk and Internal Control Department develops 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. 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. It also provides its technical expertise to Group entities requesting assistance in managing 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.

3.2.10.2 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 3.2.9 – 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 self-assessment is based on defining a Group reference framework (shared with all the divisions) which was fully reviewed in 2017. It 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 3.2.8.3.F.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.

3.2.10.3 PERMANENT MONITORING OF INFORMATION SYSTEMS

3.2.10.3.A SECURITY

As described in section 3.2.8.3.F.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, thereby helping to improve their security. A survey was launched in 2018.

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. It also presents the results of an annual review of these recommendations to the senior executives of each division and the Managing Partners.

3.2.10.3.B UPGRADES TO THE SINGLE MANAGEMENT SYSTEM

The single management system described in section 3.2.6.7 – Financial reporting, as well as its configuration, are upgraded to the latest versions as often as necessary. Specific resources (as described in section 3.2.5) are dedicated to data integrity, availability and confidentiality.

3.2.10.4 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.

3.2.10.5 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.

This page is left intentionally blank.

4

CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE CITIZENSHIP – ETHICS

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

4.1 CSR – KEY PRIORITIES, STAKEHOLDERS AND RESPONSIBLE GOVERNANCE

AFR

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, environmental and societal 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.

4.1.1 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 sixth year in a row, 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 had the disclosure and fairness of the social, and environmental societal information in this report verified by an independent third-party (see the independent third-party report in section 4.6).

For the 2017 report, this chapter on CSR information has been divided into three sections to improve readability and to differentiate between information provided on the strategic priorities of the CSR roadmap and other social, environmental and societal information included in line with the French Commercial Code. A cross-reference index, provided in section 8.3 of this Reference Document, enables readers to locate the information required by the French Commercial Code.

Internationally, Lagardère applies a number of founding documents on CSR, such as the ILO[3] and the OECD[4] guidelines aimed at multinational corporations.

The Lagardère group also refers to other standards for guidance in conducting its operations. For example, ISO 26000 was used as a reference when the Lagardère group Code of Conduct 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.

As in previous years, the Group's General and Managing Partner Arnaud Lagardère is renewing his commitment to the principles of the United Nations Global Compact which the Group has adhered to since 2003 and which have guided its CSR strategy for fifteen years now.

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 amends articles R. 225-105-1 and R. 225-105-2 of the French Commercial Code and those featuring in the group's own management report.
(2) Hachette Livre is also subject to the verification requirement concerning the disclosures published in its management report, set out in the French Commercial Code.
(3) International Labour Organization. Its principles are included in the commitments of the United Nations Global Compact.
(4) 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

B) ADAPTING CSR TO GROUP STRATEGY AND DEVELOPMENT

The Lagardère group aligns its CSR policy with its development strategy for its various businesses. For several years, its roadmap has therefore paid special attention to:

- changes in the Group's activities. The development of activities offering growth potential, as well as changes in the business models of the more historical activities, to the extent that innovation is an essential component that affects the social, environmental and societal impacts that the Group's activities have on society;
- the Group's increasingly international footprint. The international expansion of the Lagardère group's activities, entry into new emerging markets and the objective of ensuring that growth becomes less centred on France are also factors to bear in mind since they alter the contours of the Group's CSR strategy (inclusion of issues with an international reach, impacts on local communities, promotion of cultural diversity, etc.).

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-based – are mapped out in the diagram below.

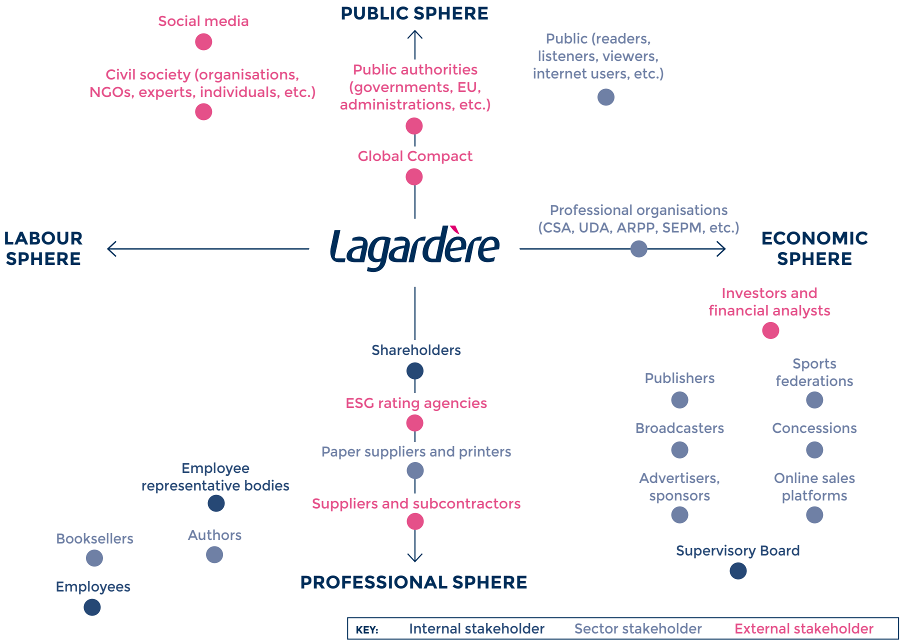
To strengthen relations with its stakeholders, in 2015 Lagardère set up a **stakeholder panel**, an advisory body that seeks to improve the Group's CSR practices. Lagardère's stakeholder panel is chaired by Thierry Funck-Brentano, one of the Co-Managing Partners of Lagardère SCA, and coordinated by the 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 2017 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, environmental and societal priorities.

In 2017, the stakeholder panel focused on the materiality matrix, which was set up in the first quarter, as well as on ideas to attract and retain talented employees. Then, in December, the panel discussed ethical issues relating to artificial intelligence and big data.

Additionally, since it first rolled out its CSR strategy, Lagardère has maintained frequent and ongoing dialogue with non-financial investment analysts. This continued collaboration, together with the progress it achieves each year, has enabled the Group to remain in the following ESG indexes (as at 31 December 2017): Euronext Vigeo Europe 120, Eurozone 120, MSCI (Global Sustainability Indices) and STOXX® Global ESG Leaders.



4.1.2 CSR PLAYERS AND GOVERNANCE

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. 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 practices between the divisions.

At the same time, the Sustainable Development Department 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. The Sustainable Development Department came before the committee to provide two updates over the course of 2017; one in September on the new CSR roadmap and the second in November on ESG rankings.

Responsible governance forms the basis of the Lagardère group's CSR roadmap. The Group's approach to responsible governance is reflected in its ethical principles, in Compliance programmes (see section 3.2.6.4.C) 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 section 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".

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.

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.

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.

4.1.3 THE CSR ROADMAP

Guided by the principles of responsible governance, the Lagardère group updated its CSR roadmap in 2017 after setting out its first materiality matrix. The matrix represents the culmination of work that began in 2015 with the stakeholder panel, to identify and pre-prioritise the 14 CSR priorities that are important for the Group in view of its activities and geographical positioning.

Starting with this initial list, the Group wanted to develop the ideas by incorporating a broader consultation process to enable a wider range of internal and external points of view to be taken into account and obtain some measure of consensus regarding the most important priorities.

The Group started by reworking the definition of each of the 14 priorities and classifying them into five main groups of risks and opportunities (contribution to the community, value of human capital, environmental costs and risks, cost of non-compliance, ethics and quality).

Afterwards, two additional screenings were applied in order to refine the analysis and identify the most important priorities:

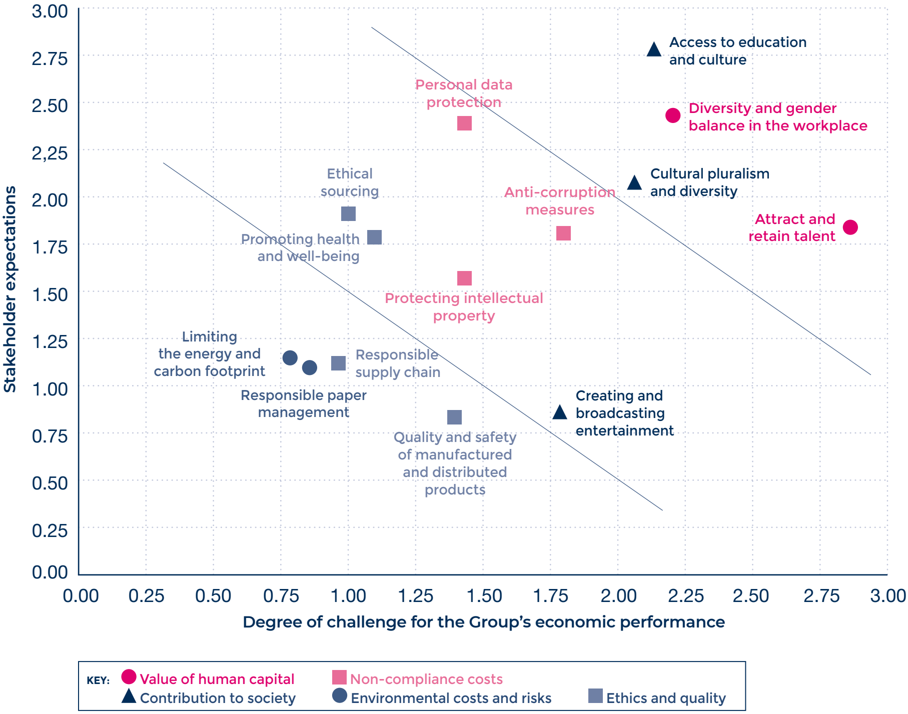
- a qualitative screening based on 15 interviews held with Group executives, heads of cross-disciplinary functions (finance, risk, investor relations, communications, etc.) and operational managers from the various divisions;
- a quantitative screening that involved sending out questionnaires to all employees, and also to a selection of external stakeholders (financial and non-financial analysts, suppliers, end-customers, institutional partners, etc.).

The 15 "management" interviews enabled the Group to position each priority on the x-axis, with regard to its potential impact (in economic, reputational, regulatory terms, etc.) and therefore its importance to the Group from a business perspective.

The quantitative screening, based on the questionnaire (which was filled in by more than a 1,000 employees and around 50 external stakeholders), enabled the Group to position each priority on the y-axis with regard to stakeholder expectations.

The final matrix, shown below, was then reworked with the aim of simplifying the CSR roadmap and merging any themes that were judged to be too complementary to be analysed separately. Additionally, the paper issue was upgraded despite the results of the matrix. As a significant historical theme for the Group, it seemed difficult not to consider paper as strategic from a CSR perspective.

The Lagardère group materiality matrix



The Group's new roadmap is built around ten priorities, five strategic "core business" priorities and five priority action areas.

Finally, in order to give the CSR approach a broader, cross-disciplinary and international scope, the Group added a final touch to its materiality assessment by linking its new roadmap to the Sustainable Development Goals adopted by the United Nations in 2015.

4.2 IMPLEMENTATION OF THE STRATEGIC "CORE BUSINESS" PRIORITIES

AFR

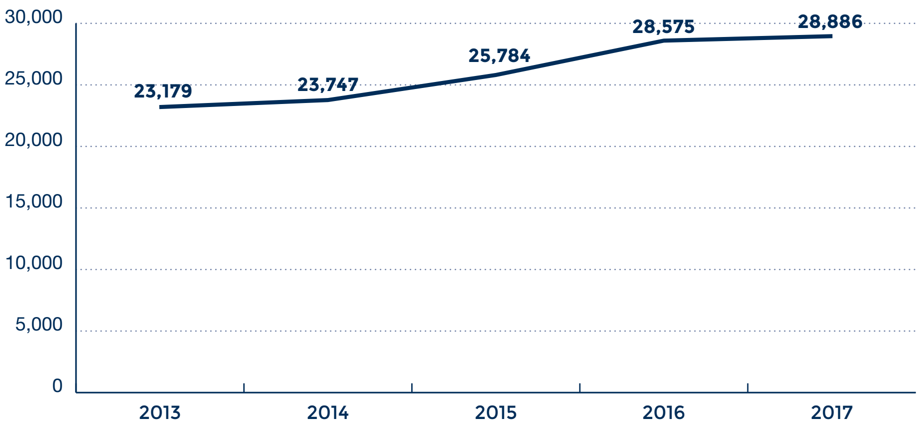
The strategic "core business" priorities are the key priorities for the Group. Directly linked to the performance of the divisions and the business sectors in which they operate, and creating value over the long term, these priorities have for many years formed the foundation of the Group's CSR initiative.

These five priorities are rounded out by the Group's philanthropic strategy, which is channelled into the Jean-Luc Lagardère and Elle foundations, which are in turn very much in tune with the Lagardère group's businesses:

- promoting diversity and gender balance in the workplace;
- strengthening employer attractiveness and talent retention;
- promoting access to education, culture and entertainment;
- defending cultural pluralism and diversity;
- ensuring responsible paper cycle management

4.2.1 PROMOTING DIVERSITY AND GENDER BALANCE IN THE WORKPLACE

Changes in permanent workforce at 31 December 2017[1]



Workforce by division at 31 December 2017

Division	Women	Men	Total	2016/2017 change
Lagardère Publishing	4,117	2,760	**6,877**	+3.37%
Lagardère Travel Retail	11,689	5,546	**17,235**	+1.09%
Lagardère Active	1,770	1,437	**3,207**	-2.37%
Lagardère Sports and Entertainment	513	918	**1,431**	-0.63%
Other Activities	75	61	**136**	-7.48%
Group total 2017	**18,164**	**10,722**	**28,886**	**+1.09%**

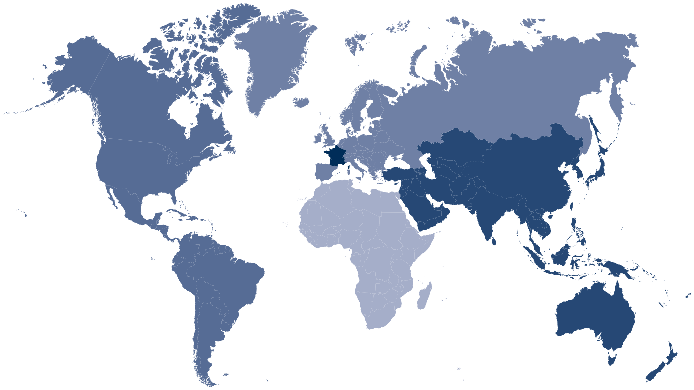
Items appearing in the Annual Financial Report are cross-referenced with the following symbol AFR

(1) Permanent workforce numbers set out here and in the following paragraphs correspond to the number of employees on permanent contracts who were actually in service on the last day of the year concerned. This definition is not always applied consistently over time, especially outside Europe.

The main changes between 2016 and 2017 include:

- **Lagardère Publishing:** the increase in headcount is attributable to organic growth which reflects the strong business performance recorded by the division across all territories in 2017.
- **Lagardère Travel Retail:** the increase in the workforce stems from organic growth and business expansion (particularly Foodservice and Duty Free) in France, Europe and Asia.
- **Lagardère Active:** the slight drop in headcount resulted from the contraction of certain operations amid difficult and demanding economic conditions.
- **Lagardère Sports and Entertainment:** this division also saw a very slight decrease in headcount due to a decline in certain activities.

Workforce by geographic area at 31 December 2017



FRANCE

Lagardère Publishing	2,365
Lagardère Travel Retail	4,228
Lagardère Active	2,416
Lagardère Sports and Entertainment	467
Other Activities	136
Total	**9,612**

EUROPE (EXCL. FRANCE)

Lagardère Publishing	2,666
Lagardère Travel Retail	4,860
Lagardère Active	766
Lagardère Sports and Entertainment	572
Total	**8,864**

NORTH AND SOUTH AMERICA

Lagardère Publishing	1,631
Lagardère Travel Retail	6,098
Lagardère Sports and Entertainment	175
Total	**7,904**

ASIA-PACIFIC

Lagardère Publishing	133
Lagardère Travel Retail	2,049
Lagardère Sports and Entertainment	217
Total	**2,399**

AFRICA

Lagardère Publishing	82
Lagardère Active	25
Total	**107**

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 strategy has translated these principles into three main focuses:

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

This priority also responds to goals 5, "Gender Equality", and 10 "Reduced Inequality", of the Sustainable Development Goals.

A.2 APPLICATION

THE PLACE OF WOMEN IN THE GROUP

Women continue to occupy a central position in the Group's workforce. In 2017, they represented 63% of the Group's total permanent workforce, 43% of executives and 55% of managers, Therefore, they naturally also made up the majority of training participants (women took 62% of the training hours given, and 67% of the total number of trained employees were women).

Promotions and pay rises were also in line with the proportion of women and men in the workforce, since 65% of promotions concerned women and 63% of pay rises 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. The proportion of female executives can vary by division, ranging from 6% at Lagardère Sports and Entertainment to 55% at Lagardère Publishing. Similarly, in the upper occupational groups, the proportion of women ranges from 29% at Largardère Sports and Entertainment to 62% at Lagardère Publishing.

2017 was notably marked by the creation and end-of-year launch of the LL Network, an internal network that promotes diversity at the Group level and addresses all employees in France. This network has three goals:

- improve the gender balance in the Group's businesses:
- help women to attain management positions;
- strengthen constructive dialogue between members of the different Group entities.

These goals are to be pursued through four types of action:

- conferences;
- mentoring;
- master classes; and
- networking events.

Several weeks ahead of its official launch in November 2017, during a web conference that was retransmitted via the Group's intranet portal, the network already counted 270 members.

Among the Group's divisions and entities, a number of other initiatives have been set up to actively promote gender balance within the Group.

Within Lagardère Publishing, Hachette Livre in France signed a new agreement concerning gender equality in July 2017. The agreement commits to improve gender balance during recruitment processes for all types of employment (from publishing, to IT distribution to logistics) for the next three years. It also includes a commitment to offer promotions to an equal number of men and women and to balance the average percentage pay rise granted to women with that offered to men.

At Europe 1 in the Lagardère Active division, an agreement in respect of the mandatory annual wage bargaining was signed in 2017, which allocated a specific budget to reducing the pay gap between men and women. By deciding to double this budget in 2018, the management and union organisations of Europe 1 underlined their commitment to fighting this challenge faced by society.

BREAKING DOWN STEREOTYPES BASED ON RACE OR SOCIAL CLASS

This theme is relevant day to day, across all businesses. The broad diversity of employees reflects both the large number of regions in which the Group operates and the diversity of the customers and consumers that buy its products and services.

At the Group level, a second analysis of recruitment procedures took place between 2016 and 2017 to test the selection criteria for candidates applying for full employment and work placements at all of its entities. This second analysis helped to refine the measures and identify both progress made and new areas for improvement to focus on.

In the wake of awareness-raising workshops given to the human resources departments and executive committees of each division, the Group continued to run its programme to train managers on decisional bias linked to stereotypes. Several dozen managers received training in 2017.

At Lagardère Active, a number of companies – Lagardère Studios, Gulli, Europe 1 and HFA – have signed the Diversity Charter which expresses a company's willingness to improve the degree to which its workforce reflects the diversity of French society. The division also compiled a specific guide for recruiters which includes a section intended to raise awareness of the fight against discrimination.

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.

At Lagardère Publishing in the United Kingdom, the Changing the Story programme set up in 2016 was rolled out over the course of 2017. The programme aims to promote diversity of culture, race, gender, religious beliefs and sexual orientations, etc. in both the books it publishes and in terms of employees recruited.

INTEGRATING EMPLOYEES WITH A DISABILITY

At the Lagardère Active division, the new company-wide agreement signed in 2016, for a period of two years, sets out measures aimed at assisting disabled job applicants, students and employees. Also, 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 2017, the Mission Handicap project continued to organise activities throughout the division. These included film viewings, disabled sports events, cooking workshops, workshops involving the role-playing of motor and visual disabilities and sign language workshops and initiations, which were held across all parts of the division (press, digital, advertising, production, the Radio/Television unit, support functions, etc.).

Finally, in partnership with Arpejeh (a non-profit organisation which supports disabled school children and college students with educational projects), Lagardère Active set up a mentorship scheme. As a result, 15 employees received training on how to mentor students with disabilities.

The Lagardère Publishing division also set up a partnership with Arpejeh.

A.3 PERFORMANCE

GENDER BALANCE

Permanent workforce at 31 December 2017, by occupational group and by gender[1]

Occupational group and gender / Division	Executives		Managers		Journalists and photographers		Other employees		Total		
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Total
Lagardère Publishing	186	153	1,838	1,150	0	0	2,093	1,457	**4,117**	**2,760**	**6,877**
Lagardère Travel Retail	58	88	1,023	1,006	0	0	10,608	4,452	**11,689**	**5,546**	**17,235**
Lagardère Active	25	54	761	619	493	396	491	368	**1,770**	**1,437**	**3,207**
Lagardère Sports and Entertainment	4	65	117	291	0	3	392	559	**513**	**918**	**1,431**
Other Activities	6	17	36	37	0	0	33	7	**75**	**61**	**136**
Group total 2017	**279**	**377**	**3,775**	**3,103**	**493**	**399**	**13,617**	**6,843**	**18,164**	**10,722**	**28,886**
Group total 2016	270	374	3,743	3,091	499	401	13,459	6,738	17,191	10,604	28,575

Occupational group and gender / Division	Executives		Managers		Journalists and photographers		Other employees		Total	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Lagardère Publishing	55%	45%	62%	38%	0%	0%	59%	41%	60%	40%
Lagardère Travel Retail	40%	60%	50%	50%	0%	0%	70%	30%	68%	32%
Lagardère Active	32%	68%	55%	45%	55%	45%	57%	43%	55%	45%
Lagardère Sports and Entertainment	6%	94%	29%	71%	0%	100%	41%	59%	36%	64%
Other Activities	26%	74%	49%	51%	0%	0%	82%	18%	55%	45%
Group total 2017	**43%**	**57%**	**55%**	**45%**	**55%**	**45%**	**67%**	**33%**	**63%**	**37%**
Group total 2016	42%	58%	55%	45%	55%	45%	67%	33%	63%	37%

(1) Actual workforce in service at 31 December 2017.

Breakdown of staff recruitments in 2017, by occupational group and gender

Division	Recruitments		Merger/Absorption		Contract conversions		Internal mobility	
	Women	Men	Women	Men	Women	Men	Women	Men
Lagardère Publishing	504	273	79	25	62	35	37	12
Lagardère Travel Retail	5,591	2,773	82	23	239	126	6	10
Lagardère Active	181	182	5	9	56	39	9	15
Lagardère Sports and Entertainment	117	202	0	3	29	32	3	14
Other Activities	1	7	0	0	2	0	1	1
Group total 2017	**6,394**	**3,437**	**166**	**60**	**388**	**232**	**56**	**52**
Breakdown 2017	**65%**	**35%**	**73%**	**27%**	**63%**	**37%**	**52%**	**48%**
Breakdown 2016	66%	34%	67%	33%	56%	44%	53%	47%

Training expenditure by gender(1)

Division	Training expenditure (in €)			Breakdown in expenditure	
	Women	Men	Total	Women	Men
Lagardère Publishing	869,046	514,621	**1,383,667**	63%	37%
Lagardère Travel Retail	2,651,539	1,472,432	**4,123,971**	64%	36%
Lagardère Active	801,804	521,969	**1,323,773**	61%	39%
Lagardère Sports and Entertainment	138,691	217,514	**356,205**	39%	61%
Other Activities	66,632	57,457	**124,089**	54%	46%
Group total 2017	**4,527,712**	**2,783,993**	**7,311,705**	**62%**	**38%**
Group total 2016	4,567,779	2,719,323	7,287,102	63%	37%

(1) The average budget per employee came to more than €263 in 2017.

Hours of training by gender

Division	Training hours			Breakdown in hours	
	Women	Men	Total	Women	Men
Lagardère Publishing	29,375	23,521	**52,896**	56%	44%
Lagardère Travel Retail	123,473	66,001	**189,474**	65%	35%
Lagardère Active	27,298	18,633	**45,931**	59%	41%
Lagardère Sports and Entertainment	3,721	5,746	**9,467**	39%	61%
Other Activities	1,355	880	**2,235**	61%	39%
Group total 2017	**185,222**	**114,782**	**300,004**	**62%**	**38%**
Group total 2016	195,852	125,947	321,799	61%	39%

DISABILITY

Number of employees with a disability(1)

Division	France	Europe	Americas	Asia-Pacific	Africa	Total
Lagardère Publishing	65	13	1	0	0	79
Lagardère Travel Retail	50	75	1	0	NA	126
Lagardère Active	36	7	NA	NA	0	43
Lagardère Sports and Entertainment	5	3	0	0	NA	8
Other Activities	2	NA	NA	NA	NA	2
Group total 2017	**158**	**98**	**2**	**0**	**0**	**258**
Group total 2016	134	99	5	0	0	238

BREAKING STEREOTYPES

Number of formal disputes involving discrimination(2)

None of the Group's companies recorded any formal disputes involving discrimination in 2017.

(1) Actual workforce in service at 31 December 2017.
(2) Formal disputes 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.

4.2.2 STRENGTHENING EMPLOYER ATTRACTIVENESS AND TALENT RETENTION

A.1 STRATEGY

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. All divisions must nevertheless adhere to a set of common commitments that are subject to regular monitoring by the Group's Human Resources Department, with meetings held every two weeks.

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.

This challenge also responds to goals 4, "Quality Education", and 8, "Decent Work and Economic Growth" of the Sustainable Development Goals.

A.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 initial 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 2017, 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.

Training is equally important at Lagardère Travel Retail, which has for many years provided an internal training programme for its commercial teams. In addition, the division set up the Lagardère Travel Retail Academy at the beginning of 2017, with the aim of developing the skills of high-potential employees and top managers by organising three-day seminars for participants from various countries. Over the course of the year, a total of six seminars were held, in Europe, the United States and Singapore. Several renowned international experts from major universities (MIT, Harvard, ESSEC, Sciences Po Paris, etc.) were invited to talk at these events where around 15 employees received training on subjects such as change management, leadership, finance, innovation and marketing.

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 participation in 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 Lagardère group which has developed a special process in France to evaluate the different opportunities and profiles of the candidates who have put in a request for mobility.

The inter-divisional committee (made up of HR representatives in charge of mobility) handled around four mobility transfers in 2017 and reviewed more than 121 jobs and 29 candidates.

A.3 PERFORMANCE

OFFERING GUIDANCE FOR YOUNG PEOPLE

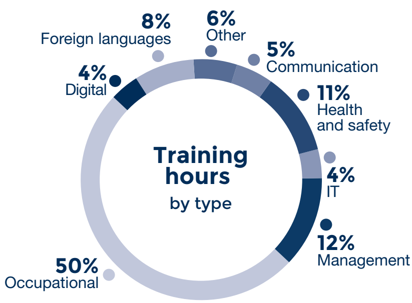
Number of work placements and work-study programmes

Division	Number of work-study programmes	Number of interns
Lagardère Publishing	107	475
Lagardère Travel Retail	142	234
Lagardère Active	205	436
Lagardère Sports and Entertainment	20	259
Other Activities	6	25
Group total 2017	**480**	**1,429**
Group total 2016	526	1,354

TRAINING

Training hours by occupational group

Division	Executives	Managers (excluding executives)	Journalists and photographers	Other employees	Total
Lagardère Publishing	2,709	22,517	0	27,670	**52,896**
Lagardère Travel Retail	2,053	41,766	0	145,655	**189,474**
Lagardère Active	756	19,494	10,083	15,598	**45,931**
Lagardère Sports and Entertainment	231	1,248	0	7,988	**9,467**
Other Activities	205	1,759	0	271	**2,235**
Group total 2017	**5,954**	**86,784**	**10,083**	**197,182**	**300,003**
Group total 2016	7,455	88,823	7,293	218,228	321,799



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, 67% 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.

4.2.3 PROMOTING ACCESS TO EDUCATION, CULTURE AND ENTERTAINMENT

A.1 STRATEGY

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 particular 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 and in partnership with ORSE. This forum leads discussion and exchange of best practices specific to the responsibility of the media sector.

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 [...] are an important part of our contemporary culture."

As a world-leading content producer, publisher, broadcaster and distributor, Lagardère must therefore make its content accessible to all, especially those who have difficulty accessing content, for instance because they live in remote locations, or due to social insecurity or physical disability.

Child protection is also part of the corporate social responsibility of the Lagardère group, which creates, produces and disseminates content for young audiences in different formats. Certain media, such as television and radio, 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 relationship of trust that they have forged with children, parents and teachers. Over the last eight years, Lagardère Active, has run a global campaign on its "youth" channels, Gulli, Canal J and TiJi, which aims to promote healthy eating and physical activity through programmes and advertising messages broadcast on television or the radio, via digital media and also through non-media events.

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. The Group is also committed to applying Unicef's Implementation Handbook for the Convention on the Rights of the Child.

Additional priorities include the development of critical thinking, the responsible use of content and the ability to analyse. Thus, 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.).

These commitments mainly respond to goal 4, "Quality Education", of the Sustainable Development Goals. However, through their repercussions, and because the content helps to educate, inform and raise awareness, they also respond indirectly to goals 3, "Good Health and Well-being", 5 "Gender Equality", 8 "Decent Work and Economic Growth", 10 "Reduced Inequality", 12 "Responsible Consumption and Production" and 16 "Peace, Justice and Strong Institutions".

A.2 APPLICATION

PROVIDING ACCESS TO BOOKS AND PROMOTING READING

As is the case every year, all of Lagardère Active's television channels, including those targeted at both young (TiJi, Gulli, Canal J) and young adult/adult (MCM, RFM TV, Elle Girl, Mezzo) audiences, surpassed the requirements set by the French broadcasting authority (*Conseil supérieur de l'audiovisuel* – CSA) with regard to the accessibility of programmes for deaf people and people with hearing impairments in 2017.

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 in particular helped people with a visual impairment or with reading difficulties, such as young dyslexics. However, the audiobooks also enjoy broader appeal, for the quality of the voice of the reader, the convenience or even for educational goals, as the appreciation of the text itself can be enhanced when the effort of reading is removed from the equation. The audiobook also offers an ideal way of transmitting the enjoyment of reading and encouraging people to read.

The division also organises numerous activities to promote reading, in all the regions in which it is present. One of the most iconic activities is "Camion qui livre", a bus that has travelled up and down the beaches of France every summer for the past four years, in search of readers and offering a selection of Le Livre de Poche paperbacks. At each stage of the tour, a local bookseller takes charge of the bus, lays out its own selection of books, and welcomes and advises customers. In 2017, 14 independent booksellers took part in the tour. By going out in search of readers on the beaches and, above all, attracting people that might not otherwise have visited a bookshop, this operation ties in with Le Livre de Poche's historical core objective of making reading and culture accessible to all. In the United States, Hachette Book Group runs various initiatives aimed at facilitating access to reading among people with visual impairments or from underprivileged backgrounds, by donating books/e-books and providing free access to its catalogue of audiobooks, etc.

In terms of promoting reading, in addition to the daily activities of Lagardère Publishing and its involvement via the SNE (the French Publishers Union) in all public events related to combating illiteracy and inciting reading, 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.

EDUCATION AND CHILD PROTECTION

In addition to their activity of publishing youth works and teaching manuals, 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.

In the United States, Hachette Book Group continued its partnership with the Read Ahead organisation for the sixth year running. This has led a number of employees to help pupils of a public school in New York to practise and improve their reading abilities over a full school year, and more generally to provide mentoring throughout their course.

But the big event of the year was the announcement in October 2017 that Hachette Livre was to become a founding member of Educapital, a European investment fund dedicated to education and training. Educapital will identify and partner innovative start-ups in the education and training sectors, particularly in primary, secondary and higher education and extra-curricular activities.

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 pledged back in 2009, with the signing of the first Food Charter, to 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, which is more ambitious than the first, came into force in January 2014.

In May 2017, the three channels also once again marked European obesity day by adapting their schedule to educate young viewers on health and fitness, with a series of animations highlighting different sports, a short programme on healthy eating and a news programme in honour of obesity day, etc.

However, health education doesn't stop at combating obesity among young viewers. The Doctissimo website and its two offshoots, Mon Docteur and Doctipharma, are very prominent in the health domain. Largardère Studios, which produces the C'est la Vie series in Africa, and Lagardère Radio Internationale (LARI), which broadcasts through Vibe radio programmes to African audiences, also play a very active role each day in informing the public on health and preventative healthcare issues.

In terms of educating the media, Europe 1 and Gulli once again teamed up to take part in the 28th Press and Media Week at School (*Semaine de la presse et des médias dans l'école*) held on 22, 23 and 24 March 2017, 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. For the fourth consecutive year, the two Lagardère group media companies invited classes of secondary school pupils to their offices to discover the world of radio and television by participating in a variety of activities. Having behind-the-scenes access provides the children an opportunity to learn about new careers and project themselves in another way, and knowledge transmission is a key priority for the Group's media companies.

In 2017, and indeed every other year, Lagardère's media activities helped to explain, via their content, their opinions and/or their partnerships, many social issues of the day to various different audiences.

A good example of this is the programme *Circuits Courts* which has been broadcast by Europe 1, Monday to Friday, from 1.15pm to 2pm, since September 2017. The programme explores thought-provoking themes such as the environment, new consumer trends and land use planning. Each day, an expert is invited on to the show to shed some light on some of the positive initiatives of our time that restore faith in the economy and give a sense that there is still hope.

Finally, in October 2017, Lagardère Active's youth channels announced that they would no longer be broadcasting live entertainment involving wild animals in any of the countries in which they broadcast. From now on, programmes that show wild animals in their natural habitat are preferred.

A.3 PERFORMANCE[(1)]

Indicator	Unit	2017	2016	2015
Number of new books published in the Audiolib catalogue during the year	No.	**92**	73	78
Number of titles available in the Audiolib catalogue at year-end	No.	**623**	531	458
Percentage of Gulli air time per year with subtitled programmes	%	**50.88**	29.5	30.40
Percentage of Canal J air time per year with subtitled programmes	%	**53**	27.0	46.30
Number of hours of subtitled programmes devoted to the hearing impaired broadcast on youth channels during the year	Hours	**8,171**	4,680	6,521
Number of hours of subtitled programmes devoted to the hearing impaired broadcast on adult channels during the year	Hours	**11,555**	-	-

Indicator	Unit	2017	2016	2015
Number of hours of obesity prevention programmes broadcast on youth channels during the year	Hours	**505**	553	536
Total number of hours of obesity prevention programmes broadcast on youth channels since 2009	Hours	**3,098**	2,593	2,040
Number of formal disputes involving child labour	No.	**0**	0	0

4.2.4 DEFENDING CULTURAL PLURALISM AND DIVERSITY

A.1 STRATEGY

Content diversity, diversity in ideas and freedom of expression are all issues that relate to the activities and values 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 Studios broadcasts its audiovisual content, the number of editions of Elle published worldwide, the reach of the Lagardère Travel Retail network (4,431 retail stores at the end of 2017), the diversity of the teams and the broad range of products on offer, as well as the variety of sports and cultural talent represented by Lagardère Sports and Entertainment.

Promoting diversity also carries implications for social and societal issues. For a media group, the diversity of in-house teams (see section 4.2.1) must be reflected in the content broadcast through its various media and its radio and television programming, which is closely monitored by the CSA.

For example, Gulli has taken steps to ensure that social and cultural diversity is fairly represented in all of its programmes, drama series, animations, games, and so forth, from the programme ordering and production phases, right up to the moment of broadcasting. The channel has also progressively strengthened its requirements with regard to external content providers, to get them to step up their efforts to combat sexism.

As with the previous priority, this one responds mainly to Sustainable Development Goals 3, 4, 5, 8, 10, 12 and 16.

A.2 APPLICATION

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

Africa and Spain were key new deployment regions for the Group's media activities in 2015 and 2016, with Gulli Africa launched in 22 countries, the acquisition of Boomerang by Lagardère Studios, the launch of two new LARI radio stations in Abidjan and Dakar and the investment in two new radio stations in Cambodia. In 2017, Gulli continued its international expansion, more specifically in 18 countries of the Arab world, while at the beginning of November, *Paris Match* launched *Paris Match Afrique*, a monthly publication dedicated to economic, political and cultural news from the African continent, which is to be inserted inside magazines currently distributed across 22 French-speaking African countries. Finally, Lagardère Studios furthered its international expansion strategy with the acquisition, in October, of Finnish company Aito Media Group.

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 2017, 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 2018.

Throughout 2017, Europe 1 remained careful to ensure that all aspects of French society were properly represented among the participants on the air (hosts, journalists, guests, and 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.

(1) The 2017 data relating to air time are still being analysed by the CSA.

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 24 and 25 March 2017 at the Economic, Social and Environmental Council offices in Paris, and also on 22 June in Lyon and 28 September 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.

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 and Virgin Radio record both quantitative and qualitative data each year on the representation of the men and women – journalists, hosts, reporters, experts, politicians and other guests – used in their programmes.

The 2017 data show an increase in the exposure for women broadcasters at Europe 1 in most of the categories, especially hosts and reporters. Many women present or actively participate at prime time, thus helping to create a more feminine radio station and bring their expertise to a wider audience. Female guests frequently take part in the radio station's programmes, especially in the morning and in the programme *Europe 1 Social Club*, which is presented by Frédéric Taddeï.

Europe 1 has also 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 areas such as the environment, community support, social inclusion, access to education and culture, healthcare, disability, fighting poverty and the defence of human rights.

With regard to the decline in female representation at Virgin Radio between 2016 and 2017, two factors need to be taken into account:

- the *Virgin Tonic* prime time morning show is presented each day by Camille Combal together with a balanced team of participants;
- the Sébastien Cauet show, which was launched in the autumn of 2017 during the peak time slot of 6pm. to 9pm., is currently less balanced and predominantly masculine.

Additionally, the production team at Virgin Radio is strongly dedicated to putting across a positive and dynamic image of women in newspapers and magazine columns and helping to combat violence against women.

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 through its media activities, the Lagardère group also tries to promote democracy in its other ventures.

Every year for fifteen years, the network of Relay stores has supported the work of Reporters Sans Frontières (Reporters Without Borders) to uphold freedom of expression, by promoting the association's three annual publications, free of charge. Moreover, the amount raised from the sale of these publications is passed on to Reporters Sans Frontières in full. 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. Hachette Livre also helps to finance PEN and various other initiatives that seek to protect freedom of expression and publication around the world. Consequently, one of its representatives joined a delegation of international publishers brought together by PEN in Istanbul in January 2017 to demand the release of authors and journalists held in captivity.

A.3 PERFORMANCE(1)

Indicator	Unit	2017	2016
Air time allocated to women on Europe 1	%	**45**	33
Air time allocated to women on Virgin Radio	%	**27**	34
Air time allocated to women on Gulli	%	**41**	45

(1) The 2017 data relating to the air time allocated to women are still being analysed by the CSA.

4.2.5 ENSURING RESPONSIBLE PAPER CYCLE 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.

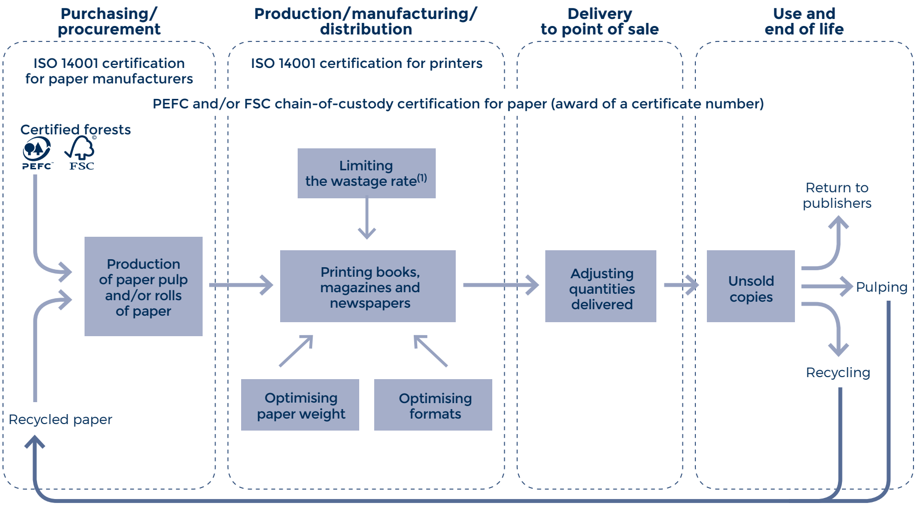
The main raw material used to make paper is wood, which is a renewable resource. The wood is processed into a pulp which is used to make reels of paper. The reels are shipped to the printer to be made into books, magazines and newspapers. Once used, these products can be collected and recycled to be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

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.

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. This sustainable approach 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.

Finally, this sustainable use of natural resources helps gradually eliminate any negative impact of the Group's operations on endangered forests and allows the Group to address Sustainable Development Goals 12, "Responsible Consumption and Production", 13 "Climate Action", and 15 "Life on Land".

The Paper Cycle



A.2 APPLICATION

PAPER PROCUREMENT

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.).

At the end of 2016, Hachette Book Group (in the United States) launched a new programme to verify the Asian fibres that enter into the paper it purchases. Each quarter, samples of the paper used for publications distributed by the American subsidiary are tested to obtain assurance that the paper purchased from Asian markets is from suppliers that respect their environmental commitments. To do this, Hachette Book Group has contracted a specialist laboratory to test the fibres of inside pages, cover pages, sleeves and book covers which are selected at random from among the publications printed in Asia. The aim is to ensure that no precious exotic woods are mixed into the weave and that the paper meets the specifications of Lagardère Publishing.

Over the course of 2017, this programme was progressively extended to all Lagardère Publishing entities in France, the United Kingdom and Spain. This represents a significant initiative that rounds out and reinforces the division's policy of purchasing certified and recycled paper.

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

In 2010, Lagardère Active launched a PEFC chain-of-custody certification process for paper that allows it to place the certification logo on the verso of the title leaf or the contents page of its magazines. This PEFC chain-of-custody certification process is now audited annually by an accredited independent firm(1).

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. The rate can vary greatly depending on the printing technology used (type of machine, colours) and the number of books or magazines produced (the 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.);
- 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 2017.

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), to enable a selection of more than 185,000 works from Bibliothèque Nationale de France's literary heritage to be made available for purchase via Hachette Livre's network of bookstores.

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 stores. 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.

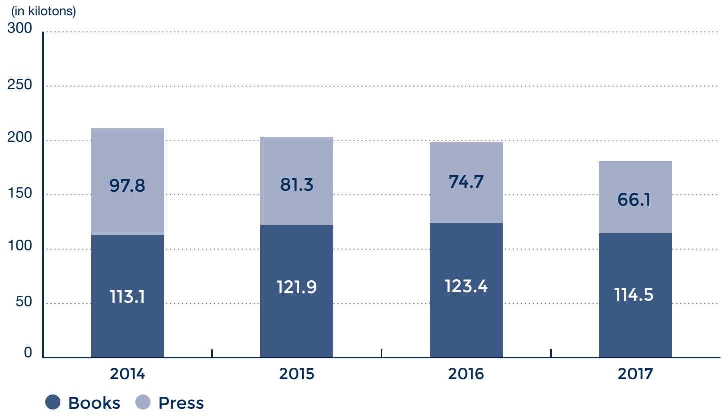
Faced with the important economic, environmental and social priorities of the recovery and recycling of press titles that are sold or distributed free of charge, a group of professional bodies from the press industry in France (including SEPM, the French Union of Magazine Publishers) signed a "Voluntary 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 2017.

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.

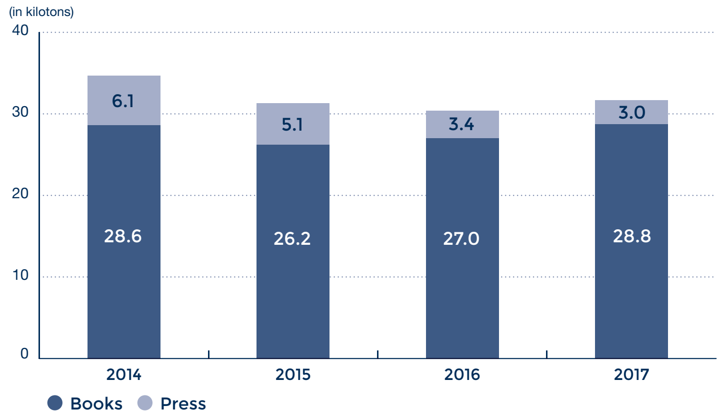
(1) The purpose of this audit is to check that all the physical and administrative flows provide adequate traceability throughout the service chain up to the layout service, which applies the logo to the magazine, certified under a unique number.

A.3 PERFORMANCE

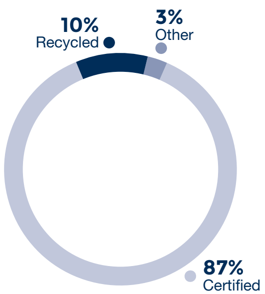
Total weight of paper purchased directly



Total weight of paper supplied by printers

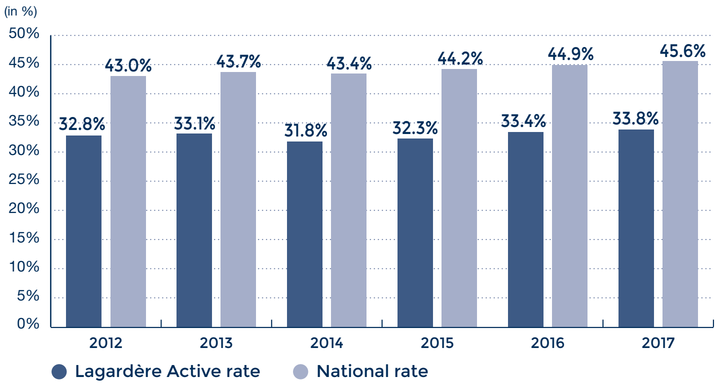


Breakdown of paper purchased and supplied in 2017



Indicator	Unit	2017	2016	2015
Total weight of paper purchased directly	kiloton	**180.6**	198.1	203.2
Total weight of paper purchased and supplied	kiloton	**212.4**	228.5	234.5
Percentage of certified paper	%	**87**	93	91
Percentage of recycled paper	%	**10**	5	5
Number of PEFC-certified magazines	No.	**30**	27	28
Number of pages of advertising granted to Ecofolio in Lagardère Active magazines	No.	**40**	40	42

Comparison of rates of magazine returns in France



Indicator	Unit	2017	2016	2015
Rate of returns for Lagardère Publishing	%	**21.7**	22	22
Percentage of returns pulped and recycled	%	**72.6**	73	76
Percentage of returns added back to inventories	%	**27.4**	27	24
Rate of returns for Lagardère Active	%	**33.8**	33.4	32.3
Percentage of returns recycled	%	**99.6**	96	94
Percentage of returns re-released on the market	%	**0.4**	4	6

4.2.6 THE FOUNDATIONS – COMMUNITY ENGAGEMENT PROGRAMMES LINKED TO THE GROUP'S ACTIVITIES

A.1 STRATEGY

The Group's philanthropic strategy is channelled into two Foundations, the Jean-Luc Lagardère Foundation and the Elle Foundation, which are focused on different but complementary challenges, and are very much in tune with the Lagardère group's activities. The Lagardère group is also keen for its two Foundations to encourage its employees to get involved in their community.

The Group's social 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 the 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.

The Elle Foundation, a corporate foundation set up by the Lagardère Active division in 2004 and run by *Elle* magazine, is committed to defending the place of women and their right to flourish and assert themselves in society. The Foundation promotes the idea that by educating girls on equal terms to boys, societies can establish the conditions for progress. The Foundation also aims to involve employees in its projects and keep them informed of its activities.

The programmes developed by the Foundations therefore address numerous Sustainable Development Goals, namely 1 to 5, 8 to 12 and 16.

A.2 DEPLOYMENT AND PERFORMANCE

The Jean-Luc Lagardère Foundation

At the heart of the Lagardère group's commitment to the creation of culture 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 the Jean-Luc Lagardère Foundation Awards was created in 1990, 288 prize-winners (16 in 2017) have received a total of €6,145,000 including €260,000 awarded in 2017.

Subsequently the winners regularly participate in other programmes run by the Foundation, as demonstrated by the three examples below:

- through its partnership with the Villa Medici, the French Academy in Rome welcomed three of the Foundation's prize-winners for a one-month residency in 2017. Two prize-winners that enjoyed residencies in 2016 were invited to present their work at the Viva Villa! festival, an event in Paris that showcases the work of the resident artists of three prestigious artist-in-residence institutions (Villa Medici in Rome, Villa Kujoyama in Kyoto and Casa de Velázquez in Madrid);
- as a result of the Foundation's collaboration with the Studio 13/16 cultural programme at the Pompidou Centre (targeted at adolescents), one prize-winner participated in the Hors les Murs (Outside the walls) programme in 2017, by running recreational and artistic workshops at three Parisian schools;
- lastly, four winners of the Bourse Écrivain (writer's award) visited prisons to talk to the inmates about their books during meetings organised by the Lire pour en Sortir (Read for Release) organisation, which is supported by the Foundation.

The Foundation also continued its efforts **to promote literature and cultural diversity** in 2017 by strengthening its links with the Institut du Monde Arabe (IMA):

- The Prize for Arabic Fiction - jointly created in 2013 by the Foundation and the IMA, and the only French award to recognise Arabic creative writing, was awarded to Iraqi author Sinan Antoon for his book *The Corpse Washer*, published by Sindbad/Actes Sud. Moroccan writer Yasmine Chami and Syrian author Khaled Khalifa also received special honours for their respective works *Dying is Enchanting* (Actes Sud), and *No Knives in the Kitchens of this City* (Sindbad/Actes Sud).
- In 2017, the Foundation supported the launch of a new fixture in the literary calendar of the IMA, entitled *L'Atelier - Les littératures arabes en mouvement*, an event that brings theatre actor Wissam Arbache to the venue one Sunday a month, to read passages of Arabic literature and allow the general public to experience the rich literary heritage of the Arab world.

The Foundation also very much honoured its commitment to promote **access to culture for all** in 2017, through three partnerships:

- the Divertimento orchestra and its academy, which accompanies hundreds of young beginners (mainly from priority education zones), as well as professionals, in their discovery of the symphonic orchestra;
- École 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 fifth edition of the Jules Rimet award, which promotes sporting fiction. In 2017, the award went to François-Guillaume Lorrain for his work *Le garçon qui courait* ("The Boy who Ran", Sarbacane).

Finally, the Foundation's support for the education and promotion of sport and its values went this year to the *Allez les Filles* sports initiation programme, run by the Paris Saint-Germain Foundation and its endowment fund. Each year the scheme enables around 20 girls, aged 8 to 13, to discover a range of sporting activities to which they would otherwise not have access.

In 2017, the Foundation also celebrated the tenth anniversary of its partnership with Science Po which offers adaptable educational programmes for high-level athletes, thus giving them access to top-quality academic training that is suited to the demands of practising sport at a very high level. Since 2007, 111 athletes have benefited from this vocational retraining programme, including Sarah Ourahmoune (boxing) and Teddy Riner (judo).

This partnership also enabled two employee mentors from Lagardère Sports and Entertainment to offer guidance to two sports students starting out in the professional world.

In terms of employee commitment, the Jean-Luc Lagardère Foundation has since 2014 presented solidarity awards (€10,000 each) to community projects sponsored by Group employees. Since 2016, Lagardère group employees have had the opportunity to vote online to select the three winning projects via the Group's intranet.

The Elle Foundation

In 2017, the Elle Foundation provided financial support to 19 projects in France and abroad, thus consolidating initiatives that began in previous years. Over the course of the year, no less than €224,415 was handed out, with 70% going to overseas projects.

Since the Foundation was set up in 2004, a total of nearly 85 projects have been supported across 30 different countries.

The Elle Foundation was a pioneer in supporting Lagardère Active employees in their community involvement. Since 2007, a total of 302 employees have given their time at least once, to help out on projects supported by the Foundation. In 2017, 22 new employees were welcomed and 42 activities were organised to support projects with the help of employees.

The individual business divisions

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.

Beyond the actions carried out by the Foundations, the Group's various entities and divisions also supported a large number of worthy causes over the course of 2017, in all the areas mentioned above, as well as in others, in the form of partnerships, charity events, prizes, competitions and donations.

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, 11 organisations received €43,800 worth of funding in 2017.

Within Largardère Travel Retail, Lagardère Duty Free renewed its partnership with Action Against Hunger (Action Contre la Faim) and collected just over €300,000 through its store network.

In addition to the Elle Foundation, Lagardère Active's audiovisual activities represent another important vehicle for the Group's community involvement efforts, through four 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 2017 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.

The Group and its divisions also supported the promotion of young external talent in areas close to Lagardère's activities by organising a number of competitions or awards to honour young journalists, writers, animation artists, musicians, photographers, and so on.

4.3 IMPLEMENTATION IN PRIORITY ACTION AREAS AFR

In addition to the five strategic "core business" priorities, the Lagardère group's CSR strategy also focuses on five priority action areas. These priorities are not specifically linked to the Group's activities and are targeted by many companies, regardless of their business.

The priority action areas are fighting climate change, integrating social responsibility in the supply chain, ensuring the quality, safety and ethical sourcing of products and content, responsible digital management and fighting corruption.

4.3.1 FIGHTING CLIMATE CHANGE

A.1 STRATEGY

The increase in greenhouse gas emissions caused by human activities is undeniably accelerating climate change, which is a global challenge that affects many regions and which calls for both a concerted international effort involving many different countries and smaller-scale initiatives led by individual countries, corporates and people. Fighting climate change constitutes a major challenge of our time that needs to be addressed by all companies, both public and private. Determining carbon footprints has therefore become essential for any company committed to pursuing a serious CSR strategy.

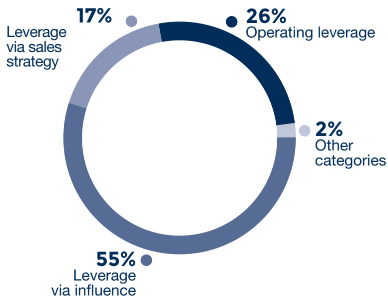
As a leading publisher, producer, broadcaster and distributor of content, the Lagardère group's main responsibility with regard to the issue of climate change is to use its capacity to raise awareness, inform and educate the general public on the issue. Helping to improve the development and sharing of knowledge around climate change, its origins, causes and the various options that exist for reducing its impacts are all topics addressed by the Group's various media over the course of the year as they cover, handle and analyse the latest developments in this area.

Beyond this specific responsibility, the Group's activities are largely tertiary in nature, which therefore limits the direct impact it has on the environment and therefore on climate change. Nevertheless, 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 *Bilan Carbone®* audit.

In terms of the methodology, the audit was carried out using 2015 data relating to the activities. It covered all the activities of the Group's four divisions and therefore included all direct and indirect emissions, both upstream and downstream, connected with its many operations and sites. The idea of this exercise was not so much to arrive at an exact number, but to get an idea of the orders of magnitude involved (particularly in scope 3 which includes the majority of indirect emissions) and to assess the level of carbon dependence in the value chain. This audit is effectively a strategic analysis tool that has enabled the Group to test numerous assumptions relating to its carbon priorities, assumptions it has formulated over the years thanks to its in-depth knowledge of its activities and divisions. Given that the Group's activities remained largely stable over the prior two years, it was not deemed necessary to rerun this audit in 2017.

The emissions were divided into three main categories in line with the scope for action available to the Group. The last category consists of residual items. The breakdown is illustrated in the chart below.

Breakdown of the Lagardère group's carbon emissions by scope for action



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

The highest emissions category is therefore the category offering leverage through influence includes the following:

- the production and use of the audiovisual and digital equipment used by end-customers for the consumption of the Group's media content (televisions, radios, computers, mobile phones, tablets, e-readers) = 39%;
- the transportation used by spectators to attend sporting and/or cultural events in the entertainment venues and/or stadiums operated by the Group = 13%;
- the transmission of TV/ radio/digital signals to disseminate the Group's media content = 3%.

In each of these categories, the scope for action is very limited:

- production and use of audiovisual and digital equipment: the only two actions that are possible for this item are lobbying equipment manufacturers and educating users on responsible ways of operating their equipment (energy consumption and depreciation over time), two areas over which the Group has little influence;
- transportation used by spectators to attend events: promoting sustainable mobility, partnerships that encourage the use of public transport, car-sharing, etc., providing valid options for spectators that are already at the venue or who live a reasonable distance away from the venue. Nevertheless, these actions do little to stop international travel, the majority of which is by air;
- transmission of TV/radio/digital signals: the Lagardère group is entirely dependent on these networks which are controlled by public and/or private operators.

The second highest emissions category is a category that offers scope for action via the sales strategy (17%). This category relates to the manufacture of the products sold at Lagardère Travel Retail division's various points of sale (food and drink, newspapers and magazines, miscellaneous accessories, fragrances and cosmetics, clothing and textiles, etc.). The scope for action is fairly clear in this category, namely offering products that are less carbon-intense and more locally-produced products. Many of Lagardère Travel Retail's stores already sell a large range of local products at points of sale around the world. Offering products that have a lower carbon impact involves implementing a major overhaul of the product offering sold across the store network.

These first two categories alone account for 72% of the Group's emissions.

The third category, and one that does offer scope for action, accounts for just over a quarter (26%) of the Group's emissions and includes the following categories:

- the production of paper goods (books, magazines and newspapers) = 11%;
- the distribution of products sold (logistics) = 10%;
- the energy consumed by the Group's buildings (offices, warehouses, points of sale, entertainment venues, etc.) = 5%.

These categories represent the main sources of greenhouse gas emissions that the Group can tackle with a certain amount of ease.

The fourth and last category, accounting for 2% of emissions, includes the three remaining emitters. These are emissions linked to the following activities: event organisation/production, production of TV/radio/digital content, end-of-life products.

Finally, it is worth highlighting that there is still a large amount of uncertainty surrounding this type of analysis, particularly with regard to the average emissions factors used, the assumptions retained, the extrapolations and estimates that need to be made, etc. The different levels of uncertainty relating to all the emitting activities included in the analysis are summarised in the table below.

Level of uncertainty of emitting items

Emitting item	Uncertainties
Manufacture and use of audiovisual and digital equipment	+++
Manufacture of goods sold at points of sale	++
Transportation of spectators	+++
Manufacture of paper goods	+
Distribution of goods sold (logistics)	++
Energy consumed by buildings	+
Television/radio/digital signals	+++
Event organisation/production	++
Production of TV/radio/digital content	+++
End-of-life products	++

In conclusion, the results of this analysis are used to support the initiatives started many years ago by the Group as part of its carbon-reduction strategy. This strategy consists of focusing on the areas in which the Group has genuine scope to take action, namely:

- the production of paper goods, books and magazines (see section 4.2.5);
- controlling energy consumption in offices, points of sale, warehouses and entertainment venues (see next section);
- optimisation of logistics (see next section).

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.

A.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.). The Group's buildings strategy also consists of opting for energy-efficient buildings and/or buildings with environmental certification in the event of relocations.

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 continued the initiative it began in 2016 to verify fibres used in the production of paper sourced from Asia. This new environmental performance tool which was 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. Elsewhere, across the international store network operated by the division, energy optimisation programmes have been set up involving, for example, switching to LED bulbs and using refrigerators with doors.

The Group and its divisions each organise their own approach to this challenge, for instance by 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.

Lastly, 2017 was also characterised by two major undertakings. First, in October 2017, the Lagardère group signed up to the *Paris Action Climat* charter alongside the Paris city council, demonstrating its support for the fight against climate change and its commitment to the shared effort to reduce the carbon footprint in the city. Secondly, since 1 November 2017, the Group has only sourced clean electricity for all of the sites that it controls in France.

A.3 PERFORMANCE

The consumption shown in the table below covers all the activities of the Lagardère group.

The data take into account the direct (scope 1) and indirect (scope 2; see section 4.5.2 for definitions) energy consumption of all the offices, points of sale, stores, 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.

For Lagardère Travel Retail, there is some uncertainty over the exact amount of consumption. The division operates more than 4,400 points of sale worldwide and doesn't always have access to energy bills detailing the consumption of each point of sale, as energy costs are often included in the charges paid to licensors (airport/station owners). As a result, the operating staff responsible for reporting the consumption data for the store network operated in each region sometimes have to resort to making estimates using average kWh/m2/month data based on the surface area and nature of the point of sale.

The Group's tertiary energy consumption, worldwide

Division	Year	Gas (GWh)	Oil (GWh)	Electricity (GWh)	District heating system (GWh)	Total (GWh)
Lagardère Publishing	**2017**	**24.5**	**7.0**	**36.8**	**0.4**	**68.8**
	2016	*30.4*	*4.6*	*36.5*	*0.4*	*71.9*
Lagardère Travel Retail	**2017**	**10.4**	**2.4**	**182.4**	**8.1**	**203.3**
	2016	*10.5*	*3.0*	*173.7*	*6.9*	*194.1*
Lagardère Active	**2017**	**2.7**	**0.2**	**16.3**	**2.1**	**21.3**
	2016	*2.9*	*0.2*	*18.0*	*2.0*	*23.0*
Lagardère Sports and Entertainment	**2017**	**7.9**	**0.1**	**10.5**	**0.7**	**19.2**
	2016	*8.4*	*0.3*	*10.8*	*0.7*	*20.2*
Other Activities	**2017**	**0.0**	**0.0**	**1.0**	**0.3**	**1.3**
	2016	*0.0*	*0.0*	*1.0*	*0.3*	*1.4*
Total	**2017**	**45.5**	**9.7**	**247.0**	**11.7**	**313.9**
	2016	*52.2*	*8.1*	*240.0*	*10.3*	*310.6*

Year-on-year increases and decreases in energy consumption varied by branch and by source. On the whole, the Group's global energy consumption has increased, with reductions observed at Lagardère Publishing, Lagardère Active and Lagardère Sports and Entertainment having been offset by the increase recorded by the Lagardère Travel Retail division (due to business expansion, but also due to better coverage of the scope of the store network across all regions in which it has operations).

CO_2 equivalents of the Group's tertiary energy consumption, worldwide

Division	Year	Scope 1	Scope 2	Total
Lagardère Publishing	**2017**	**7,513**	**11,326**	**18,839**
	2016	*7,998*	*11,032*	*19,030*
Lagardère Travel Retail	**2017**	**3,023**	**81,674**	**84,697**
	2016	*3,203*	*79,039*	*82,242*
Lagardère Active	**2017**	**616**	**4,503**	**5,119**
	2016	*671*	*4,855*	*5,526*
Lagardère Sports and Entertainment	**2017**	**1,718**	**2,331**	**4,049**
	2016	*1,906*	*2,353*	*4,259*
Other Activities	**2017**	**0**	**137**	**137**
	2016	*0*	*148*	*148*
Total	**2017**	**12,870**	**99,971**	**112,841**
	2016	*13,778*	*97,427*	*111,205*

Greenhouse gas emissions linked to the consumption identified above will have increased slightly at Group level in 2017. This is a direct consequence of the increase in consumption in connection with the improved coverage of the Lagardère Travel Retail store networks. 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.

4.3.2 INTEGRATING SOCIAL RESPONSIBILITY IN THE SUPPLY CHAIN

A.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 sign up to this Charter since 2013.

The Lagardère group has worked with EcoVadis since 2013 to conduct regular assessments of the environmental, social and ethical performance of its suppliers.

A.2 APPLICATION

Supplier assessments continued to be conducted in 2017 in partnership with EcoVadis.

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 2017 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 eight such audits in 2017. Seven audits validated compliance with the requirements. One audit revealed serious non-compliance that led to corrective action, which the Group is monitoring.

In 2017, the Group also started to work on its duty of care plan, in compliance with French law 2017-339 of 27 March 2017 which confers a duty of care on parent and contracting companies. The first phase consisted of mapping the CSR risks connected to the Group's subcontractors and suppliers. More details on this mapping as well as the preparation and implementation of this plan are provided in section 4.7 of this document.

A.3 PERFORMANCE

Indicator	Unit	**2017**	2016	2015
Number of active responsible supplier charters at year-end	No.	**409**	378	248
Number of suppliers and subcontractors assessed via the EcoVadis platform at 31 December	No.	**288**	238	164
Percentage of revenue generated with certified printers ISO 14001 - Lagardère Publishing	%	**60**	62	50
Percentage of revenue generated with certified printers ISO 14001 - Lagardère Active	%	**24.6**	23	25
Proportion of paper purchased directly from certified suppliers ISO 14001 - Lagardère Publishing	%	**99.6**	99.5	90
Proportion of paper purchased directly from certified suppliers ISO 14001 - Lagardère Active	%	**100**	100	100

4.3.3 ENSURING THE QUALITY, SAFETY AND ETHICAL SOURCING OF PRODUCTS AND CONTENT

A.1 STRATEGY

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), food products 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.).

The 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 860 points of sale in 19 countries. At the same time, the division has become increasingly vigilant with regards to food wastage.

At Lagardère Active, Lagardère Publicité has self-regulation procedures concerning the advertisements it sells.

A.2 DEPLOYMENT AND PERFORMANCE

Since the end of 2012, Lagardère Publishing has provided compliance certificates on both a systematic and intermittent basis on a dedicated portal to French retailers and booksellers for products requiring certification.

It is also 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.

Meanwhile, Lagardère Travel Retail has drawn up a policy with the help of Bureau Veritas and its local network of food safety and brand conformity experts. Starting in 2018, this policy is to be implemented in the following three areas:

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 point of sale, 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 point of sale and audits for the headquarters of each of the divisions. Audits were carried out in eight countries in 2016, followed by ten in 2017, and a further 14 are planned for 2018.

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

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 such as Danone, Unilever, Lavazza and Valrhona that are committed to improving the intrinsic quality of the products or to providing locally sourced products.

Beyond the food hygiene, safety and product traceability aspects, Lagardère Travel Retail tries to prevent food wastage by implementing four main measures:

1. Optimisation of production

- Where possible, Lagardère Travel Retail and its subsidiaries choose fresh, seasonal and less perishable ingredients, and favour on-site production in a bid to keep in line with demand and not overproduce. Products are produced in smaller quantities but more frequently.
- For example, the products produced or purchased by the Czech subsidiary are vacuum-packed to extend their shelf life.

2. Waste prevention

- In Bulgaria, the Czech Republic and Poland, “happy hours” are organised at the end of the day with a view to limiting waste.
- In Romania, communication campaigns have been run both online and in stores, with a view to educating customers on the fight against food wastage.
- In the Czech Republic, the Too Good To Go app will hopefully enable customers to buy unsold meals online at reduced prices (project still in the planning stage).

3. Waste transformation

- In the Czech Republic, the coffee grounds generated by Costa Coffee branches have been made available to both customers and a gardening association, and at UGO juice bars, there are plans to transform the unused fruit and vegetables into compost.

4. Transferral of unsold products

- Distribution of unsold products to zoos, circuses and animal shelters in the Czech Republic and Romania.
- Cooperation with charities for the homeless like the Salvation Army in the Czech Republic.
- Cooperation with local food banks in the United States and Italy.

Lastly, within Lagardère Active, Lagardère Publicité ensures compliance with advertising regulations with the support of the division’s legal department, which reviewed 350 advertising messages in 2017 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.

4.3.4 SUPPORTING RESPONSIBLE DIGITAL MANAGEMENT

A.1 STRATEGY

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.

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.

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.

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.

A.2 APPLICATION

With regard to data protection, the section on risk factors and control systems indicates all the measures that have been undertaken in the area of information system security and the application of the General Data Protection Regulation (see section 3.2).

ANTI-PIRACY MEASURES

At **Lagardère Publishing**, the legal and IT 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 specialised companies that carry out web monitoring, detect fraudulent use of files that are the property of the business line, and serve the offenders with notices to terminate their activities.

(1) HACCP: Hazard Analysis Critical Control Point.

1 2 3 4 5 6 7 8

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, the division 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.

A.3 PERFORMANCE

Indicator	Unit	**2017**	2016	2015
Weight of WEEE collected for recycling	Tonne	**18.5**	39.5	36.9
Total weight of WEEE collected for recycling (since 2013)	Tonne	**153.6**	135.1	95.6

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.

4.3.5 FIGHTING CORRUPTION

A.1 STRATEGY

Under the impetus of the Managing Partners and the Group Compliance Department, the Group implements a zero-tolerance policy towards corruption.

Lagardère is particularly conscientious in the application the OECD guidelines on corruption. The Group refuses to accept, offer, promise grant or solicit illicit payments or other improper advantages with a view to winning or retaining a market or other illegitimate advantage. More generally, in its dealings with government agencies or administrations (particularly for activities requiring authorisation), customers or suppliers, the Group refuses to get involved in any type of fraudulent practice or any form of corruption of any sort.

All employees are required to observe the applicable anti-corruption laws and regulations and to comply with the specific rules set out in relation to procurement contracts and other government transactions.

Details of the measures undertaken in this area are described in section 3.2.6.4.C – Description of internal control and risk management procedures – of this Reference Document, in the sub section on compliance with applicable laws and regulations.

4.4 MONITORING OF OTHER REGULATORY INFORMATION AFR

In addition to the information provided on the four "core business" priorities (see section 4.2.) and the action areas (see section 4.3), and in line with article R. 225-105-1 of the French Commercial Code (as shown in the cross-reference index in section 8.3), the disclosures shown below cover the other social, environmental and societal information required by law.

4.4.1 SOCIAL INFORMATION

Permanent workforce by age group

Division	Under 30	Age 31-40	Age 41-50	Age 51-60	Over 60	Total
Lagardère Publishing	1,359	1,894	1,890	1,414	320	**6,877**
Lagardère Travel Retail	5,896	4,410	3,425	2,580	924	**17,235**
Lagardère Active	548	984	1,006	597	72	**3,207**
Lagardère Sports and Entertainment	389	553	331	116	42	**1,431**
Other Activities	21	29	36	38	12	**136**
Group	**8,213**	**7,870**	**6,688**	**4,745**	**1,370**	**28,886**
Percentage	56%		23%	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	777	104	97	49	**1,027**
Lagardère Travel Retail	8,364	105	365	16	**8,850**
Lagardère Active	363	14	95	24	**496**
Lagardère Sports and Entertainment	319	3	61	17	**400**
Other Activities	8	0	2	2	**12**
Group total 2017	**9,831**	**226**	**620**	**108**	**10,785**
Group total 2016	8,092	309	655	137	9,193

Division	Resignations	Retirements	Redundancies	Dismissals for personal reasons	Separations by mutual agreement	Other reasons	Total
Lagardère Publishing	417	78	53	130	55	84	**817**
Lagardère Travel Retail	5,230	113	235	1,053	525	979	**8,135**
Lagardère Active	157	26	80	75	95	176	**609**
Lagardère Sports and Entertainment	175	1	25	32	49	53	**335**
Other Activities	10	6	0	1	4	1	**22**
Group total 2017	**5,989**	**224**	**393**	**1,291**	**728**	**1,293**	**9,918**
Group total 2016	4,659	179	148	1,268	810	817	7,881

In 2017, most staff recruitments at the Group – 93% of staff recruitments – involved new hires and conversions of fixed-term contracts into permanent contracts.

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

1 2 3 4 5 6 7 8

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 (points of sale located at transport hubs). This effect was 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 high level of staff recruitments and departures in 2017.

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 2.2).

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	213,517	56,720	70,695	28,283
Rest of Europe	134,742	46,656	16,893	24,085
Americas	370,679	92,803	NA	23,516
Asia-Pacific	171,718	59,080	6,307	28,552
Africa	35,486	40,486	7,502	9,205
Group average 2017	**180,990**	**58,471**	**58,663**	**25,227**
Group average 2016	173,806	59,979	52,012	22,978

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 in July 2017, French employees hold 12 seats and the remaining 18 seats are held by representatives from ten other European countries – Austria, Bulgaria, the Czech Republic, Germany, Italy, the Netherlands, Poland, Romania, Spain and the United Kingdom.

The articles of association of the Group Employees' Committee and the European Works Committee stipulate that each of these bodies must hold an annual ordinary meeting.

In addition to these annual meetings, extraordinary meetings or meetings between committee members and union representatives may be held if the situation so requires.

In 2017, 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 European Works Committee also held an extraordinary meeting during the year.

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	411	64
Rest of Europe	106	26
Americas	17	4
Asia-Pacific	2	0
Africa	1	0
Group total 2017	**537**	**94**
Group total 2016	**660**	**80**

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 2017	**51%**	**55%**	**50%**	**67%**	**79%**	**29%**	**75%**
Group total 2016	52%	55%	41%	57%	78%	36%	74%

Employee representation

Proportion of workforce covered by employee representation

Group total 2017	**71%**
Group total 2016	70%

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 contract 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 11.8% of the Lagardère group's total FTE workforce in 2016, compared with 12.3% in 2016.

(1) At 31 December 2017.
(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	217.2	237.4	252.2	252.8	263.3	**234.3**
Hours worked per day	7.1	7.8	7.5	7.9	8.0	**7.6**
Hours worked per year	1,552.0	1,857.2	1,891.5	2,004.3	2,106.7	**1,779.4**

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

Division	2017	2016
Lagardère Publishing	**379**	359
Lagardère Travel Retail	**1,906**	2,244
Lagardère Active	**304**	252
Lagardère Sports and Entertainment	**406**	259
Other Activities	**4**	3
Group	**2,999**	3,117

Contract employees(2) (Full-Time Equivalent basis)

Division	2017	2016
Lagardère Publishing	**94**	90
Lagardère Travel Retail	**38**	18
Lagardère Active	**1,190**	1,519
Lagardère Sports and Entertainment	**52**	86
Other Activities	**2**	2
Group	**1,375**	1,714

Number of overtime hours worked during the year on a Full-Time Equivalent basis

Division	2017	2016
Lagardère Publishing	**66**	71
Lagardère Travel Retail	**314**	278
Lagardère Active	**2**	4
Lagardère Sports and Entertainment	**9**	4
Other Activities	**0**	0
Group	**391**	356

(1) Non-permanent employees = employees on fixed-term contracts.
(2) Contract 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	2017	2016
Lagardère Publishing	**586**	544
Lagardère Travel Retail	**86**	145
Lagardère Active	**16**	37
Lagardère Sports and Entertainment	**46**	57
Other Activities	**0**	1
Group	**734**	784

Percentage of part-time employees

Division	Women	Men	Total
Lagardère Publishing	12%	2%	**8%**
Lagardère Travel Retail	27%	17%	**24%**
Lagardère Active	10%	5%	**8%**
Lagardère Sports and Entertainment	18%	8%	**12%**
Other Activities	3%	11%	**7%**
Group total 2017	**22%**	**11%**	**18%**
Group total 2016	23%	12%	19%

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	132	4,513
Lagardère Travel Retail	502	17,889
Lagardère Active	13	583
Lagardère Sports and Entertainment	20	943
Other Activities	0	0
Group total 2017	**667**	**23,928**
Group total 2016	654	21,314

(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	11.07	↓	0.38	↓
Lagardère Travel Retail	17.17	→	0.61	↑
Lagardère Active	2.27	↓	0.10	→
Lagardère Sports and Entertainment	8.35	↓	0.16	↓

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	2.49%	↑	0.29%	↓
Lagardère Travel Retail	3.34%	→	0.46%	↑
Lagardère Active	3.03%	→	0.08%	→
Lagardère Sports and Entertainment	2.35%	→	0.30%	↑
Other Activities	0.99%	→	NA	NA

4.4.2 ENVIRONMENTAL INFORMATION

The information relating to the identification of environmental risks and pollution, along with any provisions or guarantees is provided in section 3.1.4.7 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 stores, sports training academies etc.). The table below shows the amount of water used at each division worldwide in 2017.

(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).

The Group's water consumption (cu.m)

Division	Year	Water (cu.m)
Lagardère Publishing	**2017**	**58,746**
	2016	*54,930*
Lagardère Travel Retail	**2017**	**448,369**
	2016	*367,348*
Lagardère Active	**2017**	**39,038**
	2016	*34,357*
Lagardère Sports and Entertainment	**2017**	**87,297**
	2016	*104,908*
Total	**2017**	**633,450**
	2016	*561,543*

B) MEASURES TAKEN TO PRESERVE AND DEVELOP 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).

4.4.3 SOCIETAL INFORMATION

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

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 points of sale 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 2017.

4.5 METHODOLOGY AND SCOPE AFR

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 are 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.

4.5.1 SCOPE OF CONSOLIDATION

The reporting system used to collect social, environmental and societal 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 2017 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 social 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 2017:

- Editorial Savlat (Lagardère Publishing, Spain) was excluded from the scope of environmental reporting;
- Lagardère Travel Retail's Swiss activities were excluded from the scope of environmental reporting;
- Independencia Arena (Lagardère Sports and Entertainment, Brazil) was excluded the scope of social reporting;

Social, environmental and societal information presented in this document is reported using a dedicated software package, which covered a total of more than 300 Group operating companies in 2017.

By taking the global footprint into account, after the exclusions listed above, the information on energy consumption and greenhouse gas emissions encompasses 99% of the Group's workforce at 31 December 2017.

4.5.2 REFERENCE BASE FOR INDICATORS AND REPORTING METHODS

Labour reporting follows the Group's Human Resources policy, taking the specific needs of each business line and/or geographic area into account. After an initial update in 2006, the reference base was revised again in 2010, to redefine the reporting base for indicators. This redefinition, which was more in line with the spirit of the GRI, provided an opportunity to streamline the reference base and make it more accessible to contributors.

The reference base for social indicators was reviewed 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 social reporting procedure was updated in 2017.

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 2017.

Data on energy consumption disclosed therefore concern 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

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

(1) The list is provided in note 37 to the consolidated financial statements in this Reference Document.

in France (offices, storage warehouses and retail stores). Data on Lagardère Active's electricity consumption also includes electricity used by the radio broadcasting sites that are directly managed by the Group. Starting in 2015, all this information is reported on a per-building basis. With regards to Lagardère Travel Retail's store network, a common reporting line is defined at the level of each country to gather data on electricity consumption (as well as gas and oil, where applicable) for all points of sale to be consolidated on a country-by-country 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, the 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 protocol for societal data, which is mainly based on qualitative questions, has been in place since 2015 and comprises around 20 common indicators for all of the Group's divisions and 10 indicators specific to certain activities.

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

The reporting method for social, environmental and societal data follows the same process. Data are entered by a contributor for each Group company included in the reporting scope. This information is then validated/verified by the subsidiary'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.

4.6 REPORT OF THE INDEPENDENT THIRD-PARTY ENTITY AFR

Report by the independent third party on the consolidated social, environmental and societal information presented in the management report

To the Shareholders,

In our quality as an independent verifier, accredited by the COFRAC[1] under the number n° 3-1050, and as a member of the network of one of the statutory auditors of the company Lagardère SCA (hereafter referred to as the "company"), we present our report on the consolidated social, environmental and societal information established for the year ended on the 31 December 2017, presented in the management report[2], hereafter referred to as the "CSR Information," pursuant to the provisions of article L. 225-102-1 of the French Commercial code (*Code de commerce*).

RESPONSIBILITY OF THE COMPANY

It is the responsibility of the Managing Partners to establish a management report including CSR Information referred to in article R. 225-105-1 of the French Commercial code (*Code de commerce*), in accordance with the protocols used by the company (hereafter referred to as the "Criteria"), and of which a summary is included in the management report and available on request at the company's headquarters.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions of article L. 822-11-3 of the French Commercial code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

RESPONSIBILITY OF THE INDEPENDENT VERIFIER

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of article R. 225-105 of the French Commercial code (*Code de commerce*) (Attestation regarding the completeness of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in accordance with the Criteria (Conclusion on the fairness of CSR Information);

Nonetheless, it is not our role to give an opinion on the compliance with other legal provisions where applicable, in particular those provided for in article L. 225-102-4 of the French Commercial Code (vigilance plan) and in the Sapin II law n°2016-1691 of 9 December 2016 (anti-corruption).

Our verification work mobilized the skills of six people between November 2017 and March 2018 for an estimated duration of seven weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness, in accordance with the international standard ISAE 3000[3].

I. ATTESTATION REGARDING THE COMPLETENESS OF CSR INFORMATION

NATURE AND SCOPE OF THE WORK

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list provided in article R. 225-105-1 of the French Commercial code (*Code de commerce*).

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in article R. 225-105, paragraph 3, of the French Commercial code (*Code de commerce*).

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as defined by article L.233-1 and the entities which it controls, as defined by article L.233-3 of the French Commercial code (*Code de commerce*) with the limitations specified in the Methodological Note presented in the management report[4].

CONCLUSION

Based on this work 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 THE WORK

We conducted about ten interviews with the persons responsible for the preparation of the CSR Information in the different departments, in charge of the data collection process and, if applicable, the persons responsible for internal control processes and risk management, in order to:

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;

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

(1) Scope available at www.cofrac.fr.
(2) Chapter 4 of the Reference Document.
(3) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.
(4) Paragraph "4.5.2 Indicator standards and reporting methods" of the Reference Document.

- verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important[1] :

- at the level of the consolidated entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- at the level of the representative selection of entities that we selected[2], based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average 15% of the total workforce and 21% of the group energy consumption, that were considered as representative characteristics of the labour and environmental domains.

For the other consolidated CSR Information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sampling methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

CONCLUSION

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken as a whole, has not been fairly presented, in compliance with the Criteria.

French language original signed at Paris - La Défense,
on 30 March 2018

The independent verifier

ERNST & YOUNG et Associés

Eric Duvaud	**Bruno Perrin**
Partner, Sustainable Development	Partner

(1) **Social information:**
- *Indicators (quantitative information)*: permanent workforce at 31 December, permanent workforce by gender, by age group and by geographic area at 31 December, staff recruitments and separations by type and by gender, number of hours of training;
- *Qualitative information*: measures undertaken for gender equality employment, inclusion of disabled people, anti-discrimination policies, training policies and skills development.

Environmental and societal information:
- *Indicators (quantitative information)*: total weight of paper purchased directly and its breakdown between certified and recycled paper, total weight of paper supplied by printers and its breakdown between certified and recycled paper, tertiary energy consumptions (electricity, gas, fuel, district heating);
- *Qualitative information*: the relationships with the stakeholders (conditions for dialogue, partnership or sponsorship), the consumer health and safety protection initiatives undertaken, consideration of environmental and social issues in purchasing policy and relationships with suppliers and subcontractors, importance of subcontracting, raw material consumption and measures undertaken to enhance resource efficiency, measures undertaken to improve energy efficiency and to promote the use of renewable energy, significant sources of greenhouse gas emissions generated by the company's activity.

(2) Hachette Livre SA (France), Hachette Filipacchi Associés (France), Lagardère Sports and Entertainment UK Ltd (UK), Lagardère Travel Retail France and LSTR Italia.

4.7 IMPLEMENTATION OF THE DUTY OF CARE LAW FOR PARENT COMPANIES

AFR

4.7.1 INTRODUCTION

The Lagardère group drew up its first Code of Ethics in 1994. In 2005, this Code was updated to become the Code of Conduct. This Code, which was subsequently revised in 2012 and again in 2016, sets out a collection of guidelines on integrity and professional conduct for all the men and women that make up the Lagardère group. The issues of human rights and fundamental freedoms, and of the health and safety of people and the environment are integral to the principles covered by this Code.

Lagardère was also one of the first French companies to sign up to the principles of the Global Compact, having supported this initiative since 2003.

In addition, the Lagardère group has operated a sustainable procurement policy for many years (see sections 4.2.5 on the Group's paper strategy and 4.3.2 on the supply chain policy).

Lastly, the Lagardère group has since 2013 implemented an anti-corruption policy across all its activities (see section 3.2.4.6.C).

The aim of this introduction is to underline that, despite the diversity of its businesses and the complexity of its organisation, the Lagardère group has, for more than 20 years, observed the strictest respect for a number of universal principles while conducting its activities.

In the second half of 2017, while preparing to comply with French law 2017-339 of 27 March 2017 on the duty of care for parent and contracting companies, the Group drew up the following plan.

A cross-disciplinary working group was set up to enable a wide range of viewpoints to be taken into account and to address all the potential impacts that the new law might have on the Group's organisation. Under the supervision of the Sustainable Development Department, this committee drew together representatives from all divisions, as well as representatives from the directly affected corporate departments, namely the Group's Purchasing and Real Estate Department, the Legal Department, the Compliance Department and the Risk and Internal Control Department.

4.7.2 RISK MAPPING

It is worth distinguishing the process used to evaluate risks linked to the activities of subcontractors or suppliers with whom the Lagardère group has an established commercial relationship, from risks linked to the activities of the parent company (Lagardère SCA) and the companies it controls, these being detailed in section 3 of this Reference Document.

A.1 IDENTIFYING RISKS LINKED TO THE ACTIVITIES OF SUBCONTRACTORS OR SUPPLIERS

The mapping of the risks connected to the supply chain was conducted in three main stages.

The first stage involved collecting and centralising key data for each major category of purchases made by the Group's activities, specifically the total amounts spent and the number of suppliers involved.

In terms of the organisational scope of the risk-mapping process, the three divisions most affected by the purchase of end-products, semi-manufactured products and raw materials were included, namely Lagardère Publishing, Lagardère Travel Retail and Lagardère Active.

193 purchase categories were included in the mapping, representing more than 13,000 suppliers or subcontractors, and a total expenditure of nearly €2.8 billion.

The second stage of the mapping process involved ranking the CSR risk linked to each purchase category. This ranking took into account four criteria (environmental, social, ethical, supply chain integration), whereby each criterion was weighted according to the purchase category analysed to produce a risk profile rating ranging from 1 (very low risk) to 6 (very high risk).

This second stage yielded the following conclusions with regard to the CSR risks linked to the Group's supply chain:

- 21% of the total expenditure relates to transactions conducted with subcontractors or suppliers showing very low, or low levels of CSR risk (levels 1 and 2);
- 69% of the total expenditure relates to transactions conducted with subcontractors or suppliers showing a moderate level of CSR risk (levels 3 and 4);
- 10% of the total expenditure relates to transactions conducted with subcontractors or suppliers showing a high or very high level of CSR risk (levels 5 and 6).

The third stage of the mapping process involved weighting the CSR risk by a purchase risk determined by Lagardère on the basis of the strategic significance of certain purchases (level of importance, brand and logo exposure, amounts spent, market exposure, own brands versus international brands, etc.). The goal of this last stage was to generate a more customised view of the risk to the Group's activities and sites.

The purchase criterion effectively enabled the Group to weight the CSR view by taking into account criteria relating to the specific characteristics of its purchases and businesses, as well as its corporate culture. Ultimately, by averaging out the ranking obtained for the CSR risks and that obtained for the purchase risks, it was possible to assign a final ranking to each category of purchases.

At the end of this third stage, the following categories were identified as being most likely to lead to risks involving subcontractors or suppliers in view of their activities and the purchase amounts involved:

- printing activities and printing-related services;
- production of paper pulp;

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

- wholesale supply of accessories and household items;
- own-label products sold in the stores;
- disposable items used in restaurants;
- energy supply (electricity, gas, steam, air-conditioning);
- production of plastics.

The final criterion, country risk, was taken into account with a view to prioritising the implementation of the action plan (see section 3). Once the categories posing the highest risk were identified, the country screening, based on publicly-available data, played a decisive role when cross-checked against the purchase category ranking. The aim was to prioritise economic partners operating in activities that are seen as high risk and are located in high-risk countries (Asia, Africa, South America and certain Eastern European countries).

Once this prioritisation was completed, a final screening was conducted to take into account the purchase amounts. Consequently, the partners identified as posing the biggest risk (with regard to their activities and locations), and with whom the Group conducts the most purchases, are to be assessed in 2018 and 2019.

A.2 IDENTIFYING RISKS RESULTING FROM THE ACTIVITIES OF THE PARENT COMPANY AND THE COMPANIES IT CONTROLS

Like all companies, Lagardère (i.e., the parent company and the companies it controls) is exposed to a variety of risks in the course of conducting its activities. These risks are described in section 3.1 of this Reference Document.

Risk management is carried out both at the division level (the subsidiaries) and at the central level (parent company).

The Corporate Department focuses particularly on monitoring risks that can only be assessed at the Group level or that are considered significant at the Group level due to their individual or cumulative scale, whereas the operational and functional managers remain in charge of the risks related to their respective fields of activity.

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.

Additionally, the Lagardère group and its divisions continue to undertake general risk mapping exercises regularly with a view to identifying the main risks to which the Group is 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 future control measures.

The last risk-mapping exercise carried out in 2016 enabled the Group to detect potentially serious violations in the areas covered by the duty of care law:

- the risk of causing harm to persons, linked to the public event organisation activities, as well as to employees that travel to sensitive countries or regions (journalists and photographers, international event organisation, etc.);
- the risk of a hygiene incident linked to the Foodservice business of the Lagardère Travel Retail division.

The Group will update its risk mapping in 2018 by taking into account its exposure to potential risks relating to violations of human rights and fundamental liberties, and the health and security of people and the environment.

4.7.3 REGULAR ASSESSMENT PROCEDURES AND REMEDIAL AND PREVENTATIVE ACTION

A.1 IN RELATION TO SUBCONTRACTORS AND SUPPLIERS

The "subcontractors/suppliers" action plan will involve the following main measures:

1. the revision of the Sustainable Procurement Policy, which has been in place since 2013;

2. the further updating of the Responsible Supplier Charter, in force since 2013;

3. the implementation of a CSR assessment plan through EcoVadis.

The first two measures should be achieved in 2018 so that the updated documents can enter into force as soon as possible, with the Supplier Charter intended to be incorporated systematically in all new calls for tender and/or contracts.

The third measure requires more work to refine the analysis and to develop a coherent assessment programme that can be rolled out over the coming years. This work, which began at the end of 2017 and for some divisions is still in under way, involves carrying out a country screening and ascertaining the total amount of procurement expenditure, with a view to establishing the priorities. In this way, the plan is adapted to the level of risk identified for each purchase category.

Based on the results of these assessments, the Group will set out its operating rules with a view to taking appropriate measures for each subcontractor/supplier. These rules will be adapted to the purchase category to which the subcontractor or supply belongs.

For subcontractors or suppliers that obtain lower scores, an improvement plan will be formally set out indicating action points that must be completed after the assessment. A new assessment will then be conducted, leading to a possible delisting or discontinuation in the event that the subcontractor/supplier fails to show improvement in the second assessment. In the interests of maintaining positive and dynamic commercial relations with its economic partners, the Lagardère group prefers to assist and educate its partners with regard to CSR strategy, rather than to sanction them.

For suppliers or subcontractors that obtain mid-range scores in the assessment, only one further assessment will be conducted.

Finally, for those that obtain higher scores, the Group could extend its congratulations to them in writing.

For the medium term, the Group is also planning to strengthen its CSR criteria in the area of supplier listings and/or calls for tender.

A.2 IN RELATION TO THE SUBSIDIARIES

As stated in the introduction, the Lagardère group has a Code of Conduct that addresses the subjects covered by the duty of care law. Nevertheless, the Group plans to reinforce its Code of Conduct in the areas covered by the new law, by introducing the following policies and procedures:

- a human rights policy;
- an environmental policy.

Training and awareness-raising sessions, which could be organised to ensure that the new policies are taken on board properly across all Group entities.

Regular assessments (internal audits, self-assessment questionnaires) of the situation at the subsidiaries will be conducted in 2018.

4.7.4 WHISTLEBLOWING

The Lagardère group is still exploring the possibility of setting up a system to detect signs of problems and issue warnings.

4.7.5 MONITORING

The Lagardère group already has various monitoring systems in place as part of its effort to meet its supply chain responsibilities, (see section 4.3.2) and these will remain part of its strategy in this area.

Nevertheless, the Group plans to establish additional monitoring systems to measure the effectiveness of the initiatives put in place and to work on these systems in 2018.

Finally, the working group set up to oversee the development of the duty of care plan will meet three to four times a year.

5

NET ASSETS, FINANCIAL POSITION AND RESULTS

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

5.1 PER SHARE DATA, DIVIDEND POLICY AND SHARE PERFORMANCE

AFR

5.1.1 PER SHARE DATA

(in euros)	2017 basic	2017 diluted(1)	2016 basic	2016 diluted(1)	2015 basic	2015 diluted(1)
Profit attributable to owners of the Parent, per share	1.38	1.36	1.36	1.34	0.58	0.57
Equity attributable to owners of the Parent, per share	13.86	13.63	14.75	14.54	15.53	15.37
Cash flow from operations before change in working capital, per share	4.35	4.28	4.31	4.25	3.48	3.44
Share price at 31 December	26.73		26.40		27.51	
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 3 May 2018.

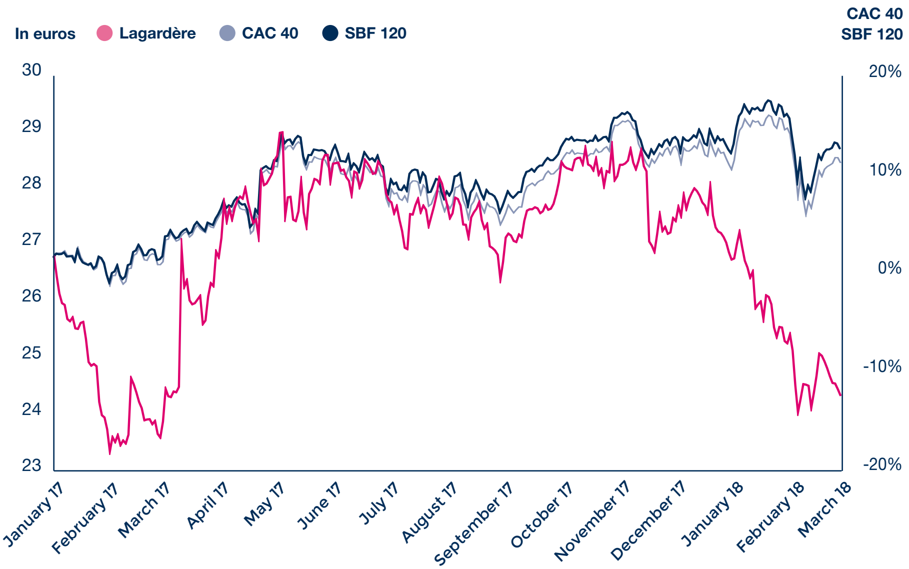
5.1.2 DIVIDEND POLICY

Total dividends paid for the years 2014, 2015 and 2016 amounted to €167.2 million, €168.1 million, and €170.0 million, respectively.

The dividend payouts represented 226.3% and 96.8% of profit attributable to owners of the Parent in 2015 and 2016.

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

5.1.3 SHARE PERFORMANCE SINCE JANUARY 2017



Source: Euronext Paris.

5.2 PRESENTATION OF THE FINANCIAL POSITION AND CONSOLIDATED FINANCIAL STATEMENTS OF LAGARDÈRE SCA

AFR

Comments on the Lagardère SCA consolidated financial statements at 31 December 2017

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 2016 and 2017 are described in note 4 to the consolidated financial statements.

5.2.1 CONSOLIDATED INCOME STATEMENT

(in millions of euros)	2017	2016
Revenue	**7,069**	7,391
Recurring operating profit of fully consolidated companies(*)	**403**	395
Income from equity-accounted companies(**)	**3**	10
Non-recurring/non-operating items	**(127)**	(91)
Profit before finance costs and tax	**279**	314
Finance costs, net	**(73)**	(49)
Income tax benefit (expense)	**1**	(69)
Profit for the year	**207**	196
Attributable to:		
- Owners of the Parent	**179**	175
- Minority interests	**28**	21

(*) Recurring operating profit of fully consolidated companies is an alternative performance indicator taken from the segment information section of the consolidated financial statements (see reconciliation in note 5 to the consolidated financial statements), and is defined as the difference between profit before finance costs and tax and 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, intangible assets and investments in equity-accounted companies;
- net 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;
- specific major disputes unrelated to the Group's operating performance.

(**) Before impairment losses.

In 2017, the Lagardère group delivered consolidated revenue of €7,069 million, down 4.4% on a consolidated basis and up 4.0% like-for-like[1], driven by organic growth at Lagardère Travel Retail and a strong performance for Lagardère Publishing.

The difference between consolidated and like-for-like revenue mainly reflects a €528 million negative scope impact, chiefly attributable to the divestment of Press Distribution operations by Lagardère Travel Retail (namely in Spain, Canada, and Belgium in 2016, and in Hungary in February 2017), and to the sale of LeGuide.com by Lagardère Active. These divestments were partially offset by acquisitions carried out by Lagardère Publishing, in particular the North American publisher Perseus Books in April 2016, and by the acquisitions of Brainbow and Bookouture in the United Kingdom in 2017.

Changes in exchange rates (calculated based on an average rate for the period) had a €64 million negative impact, owing primarily to the depreciation of the pound sterling and US dollar against the euro.

Revenue for Lagardère Publishing in 2017 came in at €2,289 million, up 1.1% on a consolidated basis and up 1.9% like-for-like. The difference is attributable to (i) a €50 million negative foreign exchange impact due chiefly to the depreciation of the pound sterling, and (ii) a €33 million positive scope effect, primarily linked to the consolidation of Perseus in the United States and to the acquisitions of Brainbow and Bookouture in the United Kingdom.

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

(1) Based on constant Group structure and exchange rates.

Business growth in France came out at 3.4%, boosted by the success of best-selling titles (including *Astérix et la Transitalique* and Dan Brown's *Origin*), by a record year for Le Livre de Poche paperbacks and by the success of textbook publishers amid curriculum reform.

Business in the United States also delivered solid 2.7% growth, lifted by a busy release schedule, especially at Perseus and Nashville.

The United Kingdom posted a mixed performance (down 3.9%), held back by an unfavourable comparison basis in connection with the successful releases of *Harry Potter and the Cursed Child* and *Fantastic Beasts* in 2016.

Business in the Spain/Mexico region was down 5.2% owing to the lack of curriculum reform in 2017, in contrast with the prior year.

Partworks continued on a solid upward trend, with revenue up 8.8%, driven by good performances from the catalogue in Argentina, Japan and France, and by the sustained pace of new collection launches over the year.

In 2017, the contribution of e-books to Lagardère Publishing's overall revenue was virtually flat at 7.9% (8.0% in 2016).

Lagardère Travel Retail posted revenue of €3,412 million in 2017, down 7.7% on a consolidated basis and up a solid 9.1% like-for-like. The difference between consolidated and like-for-like data is attributable to the €556 million negative impact of changes in Group structure described above, and a €9 million negative foreign exchange impact.

Lagardère Travel Retail posted very solid organic revenue growth in 2017, propelled especially by strong performances in the EMEA and ASPAC regions.

In France, the business generated solid 8.0% growth, led by Foodservice activities on the back of network expansion and the development of the Nice platform, as well as by very good momentum in Duty Free, focused mainly around the regional platforms.

The EMEA region (excluding France) reported bullish momentum (up 13.6%), lifted by the success of new stores at Rome airport (Avancorpo terminal) and a good performance in Duty Free at Venice airport, both in Italy (up 13.6%); by the rise in passenger traffic and store openings in Poland (up 20.7%); by additional sales space at Prague airport and the return of Russian passengers in the Czech Republic (up 20.8%); by new store openings at Geneva airport in Switzerland; and by the modernisation of the Luton airport concession and upbeat traffic trends in the United Kingdom.

Despite an unfavourable calendar effect (53rd week in 2016) and the impact of the hurricane season in the second half of the year, North America delivered a resilient performance and remained on the growth track (up 2.7%), lifted by network expansion.

Business was sustained in Asia-Pacific (up 9.8%), with a solid performance in Asia powered mainly by the new Hong Kong concession and fashion stores in China, and an upturn in the Pacific region where growth in New Zealand Duty Free operations offset an unfavourable network impact in Australia.

Distribution operations in Hungary saw revenue dip by 1.0% prior to their full disposal in February 2017.

Lagardère Active posted revenue totalling €872 million in 2017, down 4.7% on a consolidated basis and down 4.1% like-for-like. The difference between like-for-like and consolidated figures includes an €8 million negative scope effect primarily resulting from the disposal of LeGuide.com in September 2016, partially offset by the acquisition of audiovisual production company Aito Media Group in October 2017.

The 2.3% contraction in Magazine Publishing was linked to the fall in advertising revenues (down 7.6%). Circulation revenues were very resilient, however (down 0.2%), driven by particularly attractive news output towards the end of the year.

Revenue for the Radio segment retreated 7.0%, as good momentum in music radio failed to offset lower audience figures for the Europe 1 station over the period. International radio revenue remained stable over the year, despite the slight decline in advertising revenues in Poland and the Czech Republic.

Television activities (special-interest channels and TV Production) were down 5.0%, hit by a contraction in production flows at Lagardère Studios and the lack of prime time series in Spain.

Pure digital and B2B revenue edged back by a slight 0.4%, with the decline in B2B operations weighing on good performances from e-health (MonDocteur) and BilletRéduc ticketing services.

Advertising revenues were down across the division as a whole, declining by 6.4% year on year.

Revenue for Lagardère Sports and Entertainment in 2017 amounted to €496 million, down 3.9% on a consolidated basis and down 3.4% like-for-like. The difference between consolidated and like-for-like figures is attributable to a €6 million negative foreign exchange impact, partially offset by the €3 million positive effect of changes in Group structure, with the acquisition in October 2017 of Brave Marketing Ltd, a London-based advertising and content creation agency.

The reduction in revenue in 2017 reflects both the termination of the Friends Arena contract in Sweden and an unfavourable calendar effect, mainly linked to the 2016 AFF Suzuki Cup and AFC Olympic qualifiers (U23) in Asia. However, this was partially offset by the successful rollout of the contract for the 2017 Total Africa Cup of Nations as well as good performances from football activities in Europe (particularly in Germany) and from consulting activities.

Recurring operating profit of fully consolidated companies amounted to €403 million, up €8 million on 2016 (€395 million). Movements in this item can by analysed as follows for each division:

- Lagardère Publishing reported €210 million in recurring operating profit of fully consolidated companies, up €2 million on 2016. The increase was mainly attributable to a strong performance in the United States, underpinned by successful releases as well as continued profitability gains as a result of the ongoing cost-cutting plan. These positive factors offset a decline in Partworks due to a richer launch programme, especially in Japan, and the unfavourable comparison basis in the United Kingdom in connection with the successful releases of *Harry Potter and the Cursed Child* and *Fantastic Beasts* in 2016.
- Lagardère Travel Retail delivered recurring operating profit of fully consolidated companies of €112 million, up €4 million on 2016. Distribution operations, which contributed €13 million to this item in 2016, made no contribution to Lagardère Travel Retail's 2017 figures following the completion of the divestment process in February 2017. Recurring operating profit of fully consolidated companies posted by the Travel Retail business was up by €17 million, buoyed mainly by good performances in the EMEA (excluding France) region attributable mainly to organic growth in Italy and the Czech Republic. France also enjoyed good momentum on the back of the Travel Essentials and Foodservice activities. Growth in recurring operating profit of fully consolidated companies in North America was powered by business integration synergies and growth, which offset the impact of the hurricane season and the unfavourable calendar effect compared to 2016.

- Lagardère Active reported €70 million in recurring operating income of fully consolidated companies, down €8 million on 2016, held back by a decline in advertising revenues at Europe 1. Television activities and international radio posted gains for the year, while lower advertising revenues at Magazine Publishing were offset by the implementation of cost-cutting plans.
- Lagardère Sports and Entertainment reported €26 million in recurring operating profit of fully consolidated companies, up €6 million on 2016. Whilst the sporting calendar effect was neutral in 2017, sales and business development efforts, especially in Football activities in Europe and Asia, contributed to an improved performance.
- Other Activities recorded a recurring operating loss of fully consolidated companies of €15 million, compared to a loss of €19 million in 2016. The improvement mainly reflects the beneficial effects of the plan to reduce overhead costs.

Income from equity-accounted companies (before impairment losses) came in at €3 million in 2017, compared with €10 million one year earlier, with the increase due mainly to start-up costs for jointly-controlled companies at Lagardère Travel Retail and to a lower contribution from the Marie Claire group.

Non-recurring/non-operating items included in profit before finance costs and tax represented a net loss of €127 million in 2017, comprising:

- €72 million in amortisation of intangible assets and expenses relating to the acquisition of consolidated companies, including €60 million for Lagardère Travel Retail, €7 million for Lagardère Publishing and €4 million for Lagardère Sports and Entertainment.
- €41 million in restructuring costs, including €23 million at Lagardère Active, corresponding to costs incurred in connection with reorganisation measures at Europe 1, relocations carried out in connection with the extension of the voluntary redundancy plans launched in 2016, and the discontinuation of the core operations of an audiovisual production company; €10 million at Lagardère Sports and Entertainment, including costs incurred for the discontinuation of activities in Sweden; and €9 million at Lagardère Travel Retail, chiefly due to the division's reorganisation in North America following the acquisition of Paradies in late 2015.
- €33 million in impairment losses on property, plant and equipment and intangible assets, including €10 million concerning the impairment of goodwill and property, plant and equipment of an entity at Lagardère Travel Retail in New Zealand, €6 million at Lagardère Publishing relating to the impairment of goodwill allocated to entities in Spain and the United Kingdom, and €3 million at Lagardère Active for the goodwill of an audiovisual production company whose core operations have been discontinued. The balance mainly concerns property, plant and equipment.
- €24 million in impairment losses against the equity-accounted shares held in the Marie Claire group amid a downturn in the French and international advertising markets.
- Gains and losses on asset disposals, representing a net gain of €43 million, including €40 million in gains on the disposal of an office building in Levallois-Perret (France) in June 2017 by Compagnie Immobilière Europa (Other Activities), and €2 million in gains on the disposal of Press Distribution operations in Hungary through the sale of the subsidiary Lagardère Services Distribution by Lagardère Travel Retail.

In 2016, non-recurring/non-operating items represented a net loss of €91 million, comprising (i) €113 million in restructuring costs, including €55 million for Lagardère Active essentially relating to voluntary redundancy plans rolled out in the first half of the year; (ii) €82 million in amortisation of intangible assets and expenses relating to the acquisition of consolidated companies; (iii) €72 million in impairment losses recognised against LeGuide group goodwill by Lagardère Active and the write-down of Distribution assets in Hungary at Lagardère Travel Retail; (iv) €18 million in impairment losses on equity-accounted investments, including €13 million against the shares held in the Marie Claire group; (v) €180 million in net gains on asset disposals, including €100 million for Other Activities relating mainly to the gain on the disposal of an office building under lease to third parties, and €55 million in gains on the sale of Distribution subsidiaries at Lagardère Travel Retail, as well as a €14 million gain on fair value adjustments due to a change of control.

As a result of the above, profit before finance costs and tax came out at €279 million for 2017, versus €314 million one year earlier.

Net finance costs amounted to €73 million for 2017, a rise of €24 million on the prior year, which had benefited from €22 million in gains on the disposal of Deutsche Telekom shares.

In 2017, the Group recorded an income tax benefit of €1 million, representing a €70 million positive change on the 2016 figure. In addition to the refunds of the 3% tax on dividends in France (positive impact of €16 million) and the non-recurring corporate surtax in France in 2017 (negative impact of €5 million), the year-on-year improvement is attributable to the recognition of tax loss carryforwards in France in view of the planned sale of a property complex (positive impact of €40 million), and adjustments to deferred taxes at US subsidiaries to reflect the enactment of the US bill to reduce the federal rate of income tax to 21% for tax years beginning after 31 December 2017 (positive impact of €19 million).

Profit attributable to minority interests was €28 million for 2017, versus profit of €21 million attributable to minority interests in 2016. The increase in this item is attributable to Lagardère Travel Retail, chiefly reflecting the increase in profit at its Italian entity Airest.

5.2.2 CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows

(in millions of euros)	2017	2016(*)
Cash flows from operations before changes in working capital	**563**	557
Changes in working capital	**(90)**	26
Cash flows from operations	**473**	583
Income taxes paid	**(89)**	(77)
Net cash from operating activities(*)	**384**	506
Cash used in investing activities	**(329)**	(361)
- Purchases of intangible assets and property, plant and equipment	***(261)***	*(253)*
- Purchases of investments	***(68)***	*(108)*
Proceeds from disposals	**175**	299
- Disposals of intangible assets and property, plant and equipment	***160***	*211*
- Disposals of investments	***15***	*88*
Interest received	**4**	6
(Increase) decrease in short-term investments	**-**	45
Net cash used in investing activities(*)	**(150)**	(11)
Net cash from operating and investing activities(*)	**234**	495
Net cash used in financing activities(*)	**(207)**	(540)
Other movements	**45**	(29)
Change in cash and cash equivalents	**72**	(74)

(*) The Group elected to change its accounting method regarding the classification of interest paid and received as of 1 January 2017 (see note 1.1 to the consolidated financial statements).

5.2.2.1 NET CASH FROM OPERATING AND INVESTING ACTIVITIES

In 2017, cash flows from operations before changes in working capital totalled €563 million, versus €557 million one year earlier. The increase was attributable to the €8 million rise in recurring operating profit of fully consolidated companies and to the €33 million fall in restructuring cost outflows, in particular at Lagardère Travel Retail. These effects were partially offset by the decrease in net reversals of provisions, lower depreciation and amortisation expense and a fall in dividends received from equity-accounted companies, chiefly at Lagardère Travel Retail and Lagardère Active.

Changes in working capital represented a negative €90 million over the year, after a positive €26 million impact in 2016. The year-on-year change is attributable to Lagardère Publishing, chiefly due to a rise in trade receivables amid a more favourable release schedule in 2016 as well as to an increase in the settlement of amounts owed to authors in English-speaking countries, mainly corresponding to royalties earned on successful titles in 2016 for the United Kingdom.

Income taxes paid totalled €89 million in 2017 compared to €77 million in 2016. The increase was primarily driven by a rise in taxes paid outside of France as a result of higher taxable earnings in 2017 compared to 2016, and the refund of a tax credit in the United States in early 2016. Income taxes paid by the French tax consolidation group decreased year on year however, owing to the refund of the 3% tax on dividends (positive impact of €16 million), offset partially by the payment of the non-recurring corporate surtax in 2017 (negative impact of €5 million).

Operating activities therefore represented a net cash inflow of €384 million in 2017, compared with a net inflow of €506 million in 2016.

In 2017, purchases of property, plant and equipment and intangible assets totalled €261 million, primarily relating to Lagardère Travel Retail in line with its Travel Retail growth strategy, Lagardère Sports and Entertainment (acquisition of sports rights) and Lagardère Publishing (namely logistics projects in the United Kingdom and United States). In 2016, these items represented an outflow of €253 million and also chiefly concerned Lagardère Travel Retail, Lagardère Sports and Entertainment and Lagardère Publishing.

Purchases of investments represented an outflow of €68 million in 2017 and mainly related to acquisitions carried out by Lagardère Publishing, in particular Bookouture, an e-book publisher in the United Kingdom, IsCool Entertainment, a development studio for web and mobile social games, as well as British publishing houses Jessica Kingsley and Summersdale, and to the acquisition by Lagardère Active of a majority stake in Finnish production company Aito Media Group. The remaining balance corresponds to smaller-scale acquisitions and earn-outs paid by Lagardère Travel Retail, Lagardère Active and Lagardère Sports and Entertainment.

Disposals of intangible assets and property, plant and equipment represented cash inflows of €160 million in 2017, essentially relating to the sale by Compagnie Immobilière Europa (Other Activities) of an office building in Levallois-Perret.

Disposals of investments, which include interest received, represented an inflow of €19 million in 2017, including €12 million at Lagardère Publishing attributable mainly to the sale of Delcourt shares and of business assets in the United States.

In all, operating and investing activities represented a net cash inflow of €234 million in 2017, compared with a net cash inflow of €495 million in 2016.

5.2.2.2 NET CASH USED IN FINANCING ACTIVITIES

Financing activities in 2017 represented a net cash outflow of €207 million and include:

- €187 million in dividends paid, of which €170 million by Lagardère SCA;
- a €68 million net increase in debt, which includes the redemption of the 2012 bond issue for €500 million, the issuance of bonds due in 2024 for €300 million, of commercial paper for €63 million, and of two-year Negotiable European Medium Term Notes (NEU MTN) for €19 million, as well as bank loans put in place for a total of €200 million;
- €70 million in interest paid, including the payment of €44 million in coupons on the 2012, 2014 and 2016 bond issues;
- €18 million in purchases of minority interests, mainly at Lagardère Active (Grupo Boomerang TV) and Lagardère Sports and Entertainment;
- purchases and sales of treasury shares under the liquidity agreement, representing a net cash outflow of €1 million.

5.2.3 NET DEBT

Net debt is an alternative performance indicator and is calculated based on elements taken from the consolidated financial statements. A reconciliation with those accounting items is presented below:

(in millions of euros)	31 Dec. 2017	31 Dec. 2016
Short-term investments and cash and cash equivalents	**546**	481
Financial instruments designated as hedges of debt with a positive fair value(*)	**21**	3
Non-current debt(**)	**(1,560)**	(1,041)
Current debt	**(375)**	(832)
Net debt	**(1,368)**	(1,389)

(*) At 31 December 2017, financial instruments designated as hedges of debt with a positive fair value were included in "Other current assets" in an amount of €3 million and in "Other non-current assets" in an amount of €18 million.
(**) At 31 December 2016, non-current debt included financial instruments designated as hedges of debt with a negative fair value, representing €15 million.

Changes in net debt during 2017 and 2016 were as follows:

(in millions of euros)	2017	2016(*)
Net debt at 1 January	**(1,389)**	(1,551)
Net cash from operating and investing activities(*)	**234**	495
Interest paid(*)	**(70)**	(54)
Minority interests' share in capital increases by subsidiaries	**2**	-
(Acquisitions) disposals of treasury shares	**(1)**	1
(Acquisitions) disposals of minority interests	**(18)**	(3)
Dividends	**(187)**	(187)
Increase (decrease) in short-term investments	**-**	(45)
Debt related to put options granted to minority shareholders	**2**	7
Changes in scope of consolidation	**4**	(18)
Fair value of financial instruments designated as hedges of debt	**33**	(10)
Effect on cash of changes in exchange rates and other	**22**	(24)
Net debt at 31 December	**(1,368)**	(1,389)

(*) The Group elected to change its accounting method regarding the classification of interest paid and received as of 1 January 2017 (see note 1.1 to the consolidated financial statements).

5.3 LAGARDÈRE SCA CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

AFR

Consolidated income statement

(in millions of euros)		2017	2016
Revenue	*(Notes 5 and 6)*	**7,069**	7,391
Other income from ordinary activities		**209**	267
Total income from ordinary activities		**7,278**	7,658
Purchases and changes in inventories		**(2,550)**	(2,896)
Capitalised production		**1**	1
Production transferred to inventories		**91**	101
External charges		**(2,501)**	(2,532)
Payroll costs	*(Note 7)*	**(1,677)**	(1,697)
Depreciation and amortisation other than on acquisition-related intangible assets		**(215)**	(225)
Amortisation of acquisition-related intangible assets and other acquisition-related expenses		**(72)**	(84)
Restructuring costs	*(Note 8)*	**(41)**	(113)
Gains (losses) on:	*(Note 9)*		
- Disposals of assets		***43***	*180*
- Fair value adjustments due to changes in control		***-***	*14*
Impairment losses on goodwill, property, plant and equipment and intangible assets	*(Note 10)*	**(33)**	(72)
Other operating expenses	*(Note 11)*	**(61)**	(38)
Other operating income	*(Note 12)*	**37**	25
Income (loss) from equity-accounted companies	*(Note 19)*	**(21)**	(8)
Profit before finance costs and tax	***(Note 5)***	**279**	314
Financial income	*(Note 13)*	**13**	41
Financial expenses	*(Note 13)*	**(86)**	(90)
Profit before tax		**206**	265
Income tax benefit (expense)	*(Note 14)*	**1**	(69)
Profit for the year		**207**	196
Attributable to:			
Owners of the Parent		**179**	175
Minority interests	*(Note 25.5)*	**28**	21
Earnings per share – Attributable to owners of the Parent			
Basic earnings per share (in €)	*(Note 15)*	***1.38***	*1.36*
Diluted earnings per share (in €)	*(Note 15)*	***1.36***	*1.34*

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

Consolidated statement of comprehensive income

(in millions of euros)	2017	2016
Profit for the year (1)	**207**	196
Actuarial gains and losses on pensions and other post-employment benefit obligations	**1**	(34)
Tax relating to actuarial gains and losses on pensions and other post-employment benefit obligations	**(3)**	7
Other comprehensive income (expense) for the year, net of tax, that will not be reclassified subsequently to profit or loss (2)	**(2)**	(27)
Currency translation adjustments	**(143)**	(47)
Change in fair value of derivative financial instruments:	**26**	(15)
- Unrealised gains and losses recognised directly in equity	***25***	*(15)*
- Amounts reclassified from equity to profit or loss	***1***	*-*
Change in fair value of investments in non-consolidated companies:	**1**	(23)
- Unrealised gains and losses recognised directly in equity	***1***	*1*
- Amounts reclassified from equity to profit or loss	**-**	*(24)*
Share of other comprehensive income of equity-accounted companies, net of tax:	**1**	5
- Unrealised gains and losses recognised directly in equity	**-**	-
- Amounts reclassified from equity to profit or loss	***1***	*5*
Translation reserve	***1***	*5*
Valuation reserve	**-**	-
Tax relating to components of other comprehensive income (expense)	**(9)**	6
Other comprehensive income (expense) for the year, net of tax, that may be reclassified subsequently to profit or loss (3)	**(124)**	(74)
Other comprehensive income (expense) for the year, net of tax (2)+(3)	**(126)**	(101)
Total comprehensive income (expense) for the year (1)+(2)+(3)	**81**	95
Attributable to:		
Owners of the Parent	**61**	73
Minority interests	**20**	22

Consolidated statement of cash flows

(in millions of euros)		2017	2016(*)
Profit for the year		**207**	196
Income tax expense (benefit)	*(Note 14)*	**(1)**	69
Finance costs, net	*(Note 13)*	**73**	49
Profit before finance costs and tax		**279**	314
Depreciation and amortisation expense		**283**	306
Impairment losses, provision expense and other non-cash items		**17**	103
(Gains) losses on disposals of assets		**(43)**	(193)
Dividends received from equity-accounted companies		**6**	19
(Income) loss from equity-accounted companies	*(Note 19)*	**21**	8
Changes in working capital	*(Note 24)*	**(90)**	26
Cash flows from operations		**473**	583
Income taxes paid		**(89)**	(77)
Net cash from operating activities(*)	*(A)*	**384**	506
Cash used in investing activities			
- Purchases of intangible assets and property, plant and equipment	*(Note 5)*	**(261)**	(253)
- Purchases of investments	*(Note 5)*	**(74)**	(108)
- Cash acquired through acquisitions	*(Note 5)*	**15**	3
- Purchases of other non-current assets	*(Note 5)*	**(9)**	(3)
Total cash used in investing activities	*(B)*	**(329)**	(361)
Cash from investing activities			
Proceeds from disposals of non-current assets			
- Disposals of intangible assets and property, plant and equipment	*(Note 5)*	**160**	211
- Disposals of investments	*(Note 5)*	**19**	151
- Cash transferred on disposals	*(Note 5)*	**(6)**	(70)
Decrease in other non-current assets	*(Note 5)*	**2**	7
Total cash from investing activities	*(C)*	**175**	299
Interest received(*)	*(D)*	**4**	6
(Increase) decrease in short-term investments	*(E)*	**-**	45
Net cash used in investing activities(*)	*(F)=(B)+(C)+(D)+(E)*	**(150)**	(11)
Net cash from operating and investing activities(*)	*(G)=(A)+(F)*	**234**	495
Capital transactions			
- Proceeds from capital increase by the Parent		**-**	-
- Minority interests' share in capital increases by subsidiaries		**2**	-
- (Acquisitions) disposals of treasury shares		**(1)**	1
- (Acquisitions) disposals of minority interests		**(18)**	(3)
- Dividends paid to owners of the Parent(**)		**(170)**	(168)
- Dividends paid to minority shareholders of subsidiaries		**(17)**	(19)
Financing transactions			
- Increase in debt		**583**	680
- Decrease in debt		**(516)**	(977)
Total movements in debt	*(Note 27)*	**67**	(297)
- Interest paid(*)		**(70)**	(54)
Net cash used in financing activities(*)	*(H)*	**(207)**	(540)
Other movements			
- Effect on cash of changes in exchange rates		**31**	(16)
- Effect on cash of other movements		**14**	(13)
Total other movements	*(I)*	**45**	(29)
Change in cash and cash equivalents	*(J)=(G)+(H)+(I)*	**72**	(74)
Cash and cash equivalents at beginning of year		**405**	479
Cash and cash equivalents at end of year	*(Note 24)*	**477**	405

(*) The Group elected to change its accounting method regarding the classification of interest paid and received as of 1 January 2017 (see note 1.1 to the consolidated financial statements).
(**) Including the portion of profit for the year paid to the General Partners.

Consolidated balance sheet

ASSETS (in millions of euros)		31 Dec. 2017	31 Dec. 2016
Intangible assets	(Note 17)	**1,151**	1,253
Goodwill	(Note 16)	**1,809**	1,856
Property, plant and equipment	(Note 18)	**733**	732
Investments in equity-accounted companies	(Note 19)	**123**	145
Other non-current assets	(Note 20)	**143**	118
Deferred tax assets	(Note 14)	**201**	224
Total non-current assets		**4,160**	4,328
Inventories	(Note 21)	**583**	600
Trade receivables	(Note 22)	**1,208**	1,268
Other current assets	(Note 23)	**915**	914
Short-term investments		**-**	-
Cash and cash equivalents	(Note 24)	**546**	481
Total current assets		**3,252**	3,263
Assets held for sale	(Note 4.3)	**6**	162
Total assets		**7,418**	7,753

Consolidated balance sheet

EQUITY AND LIABILITIES (in millions of euros)		31 Dec. 2017	31 Dec. 2016
Share capital		**800**	800
Reserves		**813**	927
Profit attributable to owners of the Parent		**179**	175
Equity attributable to owners of the Parent		**1,792**	1,902
Minority interests	*(Note 25.5)*	**139**	133
Total equity		**1,931**	2,035
Provisions for pensions and other post-employment benefit obligations	*(Note 26)*	**163**	166
Non-current provisions for contingencies and losses	*(Note 26)*	**220**	222
Non-current debt	*(Note 27)*	**1,560**	1,041
Other non-current liabilities	*(Note 30)*	**109**	80
Deferred tax liabilities	*(Note 14)*	**233**	326
Total non-current liabilities		**2,285**	1,835
Current provisions for contingencies and losses	*(Note 26)*	**147**	188
Current debt	*(Note 27)*	**375**	832
Trade payables		**1,445**	1,439
Other current liabilities	*(Note 30)*	**1,235**	1,395
Total current liabilities		**3,202**	3,854
Liabilities related to assets held for sale	*(Note 4.3)*	**-**	29
Total equity and liabilities		**7,418**	7,753

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 2016	**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 scope of consolidation and other	-	-	(2)	-	(1)	-	(3)	(7)	(10)
At 31 December 2016	**800**	**46**	**1,122**	**(105)**	**52**	**(13)**	**1,902**	**133**	**2,035**
Profit for the year	-	-	179	-	-	-	179	28	207
Other comprehensive income (expense) for the year[(a)]	-	-	(2)	-	(134)	18	(118)	(8)	(126)
Total comprehensive income (expense) for the year	**-**	**-**	**177**	**-**	**(134)**	**18**	**61**	**20**	**81**
Dividends paid	-	-	(170)	-	-	-	(170)	(17)	(187)
Parent company capital increase/reduction[(b)]	-	(12)	(2)	14	-	-	-	-	-
Minority interests' share in capital increases	-	-	-	-	-	-	-	2	2
Changes in treasury shares	-	-	-	(1)	-	-	(1)	-	(1)
Share-based payments	-	-	13	-	-	-	13	-	13
Effect of transactions with minority interests			2				2	(2)	-
Changes in scope of consolidation and other	-	-	(13)	-	-	(2)	(15)	3	(12)
At 31 December 2017	**800**	**34**	**1,129**	**(92)**	**(82)**	**3**	**1,792**	**139**	**1,931**

(a) See note 25.7 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 2017

(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 2017 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 and/or amendments to IFRSs adopted by the European Union that are effective for periods beginning on or after 1 January 2017, including:

- Amendments to IAS 7 – Disclosure Initiative. Entities are required to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses.

The other standards and amendments endorsed by the European Union that are effective for periods beginning on or after 1 January 2017 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 2017 but which will only become mandatory subsequent to 2017:

- IFRS 15 – Revenue from Contracts with Customers (including amendments).
- IFRS 9 – Financial Instruments.
- IFRS 16 – Leases.

The work carried out by the Group in preparation for applying these three standards is described in note 1.2.

The new standards, interpretations and amendments to existing standards published by the IASB but not yet endorsed by the European Union at 31 December 2017 and which may be relevant to the Group are as follows:

- IFRIC 22 – Foreign Currency Transactions and Advance Consideration.
- IFRIC 23 – Uncertainty over Income Tax Treatments.
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions.
- Amendment to IFRS 12 (included in the Annual Improvements to IFRS Standards 2014-2016 Cycle) – Clarification of the scope of the standard, which specifies that the disclosure requirements apply to interests in entities that are classified as held for sale or discontinued operations in accordance with IFRS 5.
- Amendments to IAS 28 – Clarification that companies should apply IFRS 9 to long-term interests in associates and joint ventures to which the equity method is not applied.
- Annual Improvements to IFRSs (2015–2017 cycle).

The Group is currently analysing the potential impact on its consolidated financial statements of applying the above new standards, amendments and interpretations.

The consolidated financial statements were approved for issue by the Managing Partners on 7 March 2018 and are subject to the approval of the Annual Shareholders Meeting on 3 May 2018.

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.

1.1 VOLUNTARY CHANGE IN ACCOUNTING METHOD

In financial years up to and including 2016, the Group presented interest paid and interest received in the statement of cash flows under cash flows from operating activities.

IAS 7 – Statement of Cash Flows permits entities to classify interest paid and interest received within cash flows from financing activities and cash flows from investing activities, respectively, because they are costs of obtaining financial resources or returns on investments.

In order to improve the clarity of the Group's statement of cash flows, and to facilitate segment comparisons, particularly for Lagardère Travel Retail, the Group has decided to change the way it presents interest paid and interest received. Since 1 January 2017, these items have been classified in cash flows from financing activities and cash flows from investing activities, respectively. The statement of cash flows has been restated for the comparative period presented (the year ended 31 December 2016). The impacts on the main cash flow categories are as follows:

	31 Dec. 2016 reported	Interest paid	Interest received	31 Dec. 2016 restated
Net cash from operating activities	458	54	(6)	506
Net cash used in investing activities	(17)		6	(11)
Net cash used in financing activities	(486)	(54)		(540)
Other movements	(29)			(29)
Change in cash and cash equivalents	**(74)**	**-**	**-**	**(74)**

This new presentation also enables the Group to include the following items in cash flows from financing activities: (i) interest paid and increases and decreases in debt, and (ii) interest paid and payments relating to lease liabilities under IFRS 16, when it takes effect on 1 January 2019.

This voluntary change in accounting method has not had any impact on the income statement, statement of comprehensive income, balance sheet or statement of changes in equity.

1.2 PREPARATION FOR THE APPLICATION OF STANDARDS IFRS 15, IFRS 9 AND IFRS 16

IFRS 15 - Revenue from Contracts with Customers

The Group has finalised its broad analyses of the impacts of **IFRS 15 – Revenue from Contracts with Customers** on the consolidated financial statements. The Group intends to use the full retrospective approach for applying this standard as from 1 January 2018.

Based on the analyses it has performed, the Group has not identified any significant impacts of applying IFRS 15. The revenue recognition methods used for most of the divisions' sales models (see note 3.1) will remain unchanged, and the identified differences in accounting policies compared with those the Group currently uses will have a limited impact.

In view of the impacts by division described below, the application of IFRS 15 would have led to an increase in consolidated revenue for 2017 of between €15 million and €30 million and a decrease in recurring operating profit of fully consolidated companies of around €3 million, due to the change in the timing of revenue recognition for Lagardère Sports and Entertainment.

Lagardère Publishing: The method used to recognise revenue from sales and the distribution of paper and e-books will remain the same as the method currently used. The specific focus of the Group's analysis 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).

Applying IFRS 15 will not have any impact on Lagardère Publishing's revenue.

Estimates of the amount of returns of unsold items will still be recognised as a deduction from revenue with a corresponding refund liability recorded in the balance sheet (currently recognised as a deduction from trade receivables).

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. A review of the agent/principal distinction is not expected to identify any material impacts arising from the application of IFRS 15.

Certain income generated with suppliers – which is currently classified as "Other income from ordinary activities" – will be recognised as a deduction from the purchases made from the suppliers concerned, with a corresponding entry recorded under trade payables in the balance sheet.

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, the division looked at transaction pricing, the timing of revenue recognition and the agent/principal distinction. Most of the sales models will be recognised as revenue under IFRS 15, based on the same price and timing as currently applied.

If the different accounting treatments described below had been applied in 2017 Lagardère Active's revenue would have increased by between €45 million and €65 million.

- Commissions paid to third parties for distributing magazines and collecting subscriptions will now be recognised as an expense rather than as a deduction from revenue which is currently the case.
- In certain co-production contracts, the portion of revenue received by the co-producers in the audiovisual production business will now be recognised as revenue (rather than "Other income from ordinary activities" which is currently the case) whereas the portion paid over to the co-producers other than the Group will still be recognised as an expense.

Lagardère Sports and Entertainment: The analyses performed 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 identify any significant differences compared with the accounting policies currently applied by the division except for those set out below. If these different accounting treatments had been applied in 2017, revenue generated by Lagardère Sports and Entertainment would have decreased by an estimated €30 million to €45 million and recurring operating profit of fully consolidated companies would have decreased by around €3 million.

- Only the commission invoiced by the Group in its capacity as agent will be recognised for the income received from sales of entertainment venue tickets (instead of recognising the total amount of the revenue received which is currently the case).
- The signing fees for certain contracts will be amortised as a deduction from revenue with a corresponding entry in the balance sheet under advances paid (compared with the current method which consists of recognition under amortisation expense with a corresponding entry under intangible assets).
- The revenue from admission fees invoiced for sporting academies will now be recognised over the average period of membership (versus the current method of recognising the full amount of this revenue when the member signs up).
- Lastly, for revenue generated under contracts when the Group is mandated by a rights holder solely for the purpose of selling marketing rights (i.e., with no other associated services), the related revenue will now be recognised when the rights are actually sold (rather than being deferred over the duration of the rights as is currently the case).

IFRS 9 – Financial Instruments

At 31 December 2017, the Group was in the process of finalising its analysis of the impacts of **IFRS 9 – Financial Instruments**. The work carried out to date focusing on the recognition of hedging instruments and on the type of hedging relationships has not identified any significant impacts compared with the existing accounting treatment. Furthermore, the Group's borrowings at 31 December 2017 had not been renegotiated.

Additionally, the Group has not identified any significant impacts on its financial statements resulting from its analysis of the classification and measurement of trade receivables and financial liabilities. It is also currently analysing how to factor in the probability of expected losses when assessing credit risk for certain non-commercial loans and receivables. The impacts of the first-time application of this new standard will be recognised in consolidated equity at 1 January 2018.

IFRS 16 – Leases

The Group is still in the process of preparing for the application of **IFRS 16**.

This standard eliminates the current dual accounting model for lessees, which distinguishes between finance leases and operating leases. For the Group it applies to:

- concession agreements entered into by Lagardère Travel Retail (leases of stores in airports, railway stations, hospitals, etc.);
- real estate leases;
- leases of vehicles, equipment and furniture.

Under IFRS 16, all lessees must recognise in their balance sheets a right-of-use asset arising on all leased assets (retail premises, office buildings, etc.) against a lease liability measured at the present value of the future lease payments (which corresponds to fixed lease payments and guaranteed minimum payments for Travel Retail).

The accounting impacts of applying this standard will substantially increase the amounts of some of the Group's alternative performance indicators, such as recurring operating profit of fully consolidated companies and free cash flow. At the same time, however, it will have an adverse effect on finance costs and cash flows from financing activities.

An estimate of the impact of applying IFRS 16 can be made based on the amounts of the following, which are presented in the balance sheet on a non-discounted basis: (i) real estate lease commitments (€589 million) and (ii) guaranteed minimum payments under concession agreements entered into by Lagardère Travel Retail (€1,876 million), representing a total of €2,465 million at 31 December 2017 (see note 31).

An inventory of the Group's leases by type of underlying physical asset was conducted in 2017 and the impacts of an initial simulation carried out at end-2017 based on leases existing at 31 December 2016 are currently being analysed.

Following this initial preparatory work, the Group will compile a list of its leases in force in 2017 and will collect the data required for valuations to be calculated using software that will be deployed across the Group during the first half of 2018. The software has already been selected and is currently being configured. After this configuration process, the data will be integrated and the related accounting treatments will need to be validated.

For the purpose of providing meaningful year-on-year comparisons in its financial statements, the Group intends to adopt the full retrospective approach permitted under IFRS 16 when it applies this new standard. Right-of-use assets and lease liabilities will be presented separately from other assets and liabilities in the balance sheet.

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 37.

2.3 CLOSING DATES

The financial statements of all consolidated subsidiaries were closed at 31 December.

2.4 TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

The financial statements of foreign subsidiaries are translated into euros as follows:

- balance sheet items are translated using official year-end exchange rates;
- income statement items are translated using average exchange rates for the year.

The resulting exchange differences are recognised as a separate component of equity, under "Translation reserve".

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are considered as assets and liabilities of the subsidiary concerned. They are therefore measured in the subsidiary's functional currency and translated at the year-end exchange rate. When a foreign subsidiary is sold, cumulative exchange differences recognised in equity are reclassified into profit.

2.5 INTRA-GROUP BALANCES AND TRANSACTIONS

Intra-group balances and transactions are eliminated on consolidation. Impairment losses deducted from the carrying amount of investments in and receivables from consolidated companies are cancelled by adjusting equity, and movements for the year are neutralised in the income statement.

NOTE 3 ACCOUNTING PRINCIPLES AND VALUATION METHODS

3.1 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.

A right of return is granted to distributors for unsold products. A provision for returns of unsold products is recognised as a deduction from revenue based on forecasts of invoiced sales during the year and historic data concerning returns. The provision is calculated on a statistical basis by reference to the previous year's return rate, as adjusted for fluctuations in sales volumes and changes in the operating environment in the current year.

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. For multi-year contracts, revenue is allocated on a per-event basis by reference to the weighting defined by the division when the contract was signed (principally based on the financial weighting of each event) and in line with forecasts of revenue expected over the duration of the contract.

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

Lagardère uses alternative performance indicators which serve as key measures of the Group's operating and financial performance. These indicators are tracked by the Executive Committee in order to assess performance and manage the business, as well as by investors in order to monitor the Group's operating performance, along with the financial metrics defined by the IASB. These indicators are calculated based on elements taken from the consolidated financial statements prepared under IFRS and a reconciliation with those accounting items is provided either in this financial report or in any other documents in which they are presented.

Recurring operating profit of fully consolidated companies

The Group's main performance indicator is recurring operating profit of fully consolidated companies, 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, intangible assets and investments in equity-accounted companies
- Net 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
- Specific major disputes unrelated to the Group's operating performance

= Recurring operating profit

Less:

- Income from equity-accounted companies before impairment losses

= Recurring operating profit of fully consolidated companies

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 2017 and 2016 is presented in note 5.

Like-for-like revenue

Like-for-like revenue is used by the Group to analyse revenue trends excluding the impact of changes in the scope of consolidation and exchange rates.

The like-for-like change in revenue is calculated by comparing:

- revenue for the year adjusted for companies consolidated for the first time during the year and revenue for the previous year adjusted for consolidated companies divested during the year;
- revenue for the previous year and revenue for the current year adjusted on the basis of exchange rates applicable in the previous year.

The scope of consolidation comprises all fully-consolidated entities. Additions to the scope of consolidation correspond to business combinations (acquired investments and businesses), and deconsolidations correspond to entities over which the Group has ceased to exercise control (full or partial disposals of investments and businesses, such that the entities concerned are no longer included in the Group's financial statements using the full consolidation method).

Like-for-like revenue is set out in note 6.

Free cash flow

Free cash flow is calculated as cash flow from operations plus net cash flow relating to acquisitions and disposals of intangible assets and property, plant and equipment.

The reconciliation between cash flow from operations and free cash flow is set out in note 5.

Net debt

Net debt is calculated as the sum of the following items:

- Short-term investments and cash and cash equivalents
- Financial instruments designated as hedges of debt
- Non-current debt
- Current debt

= Net debt

The reconciliation between balance sheet items and net debt is set out in note 27.

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 superseded 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 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.

Provisions for expected contract losses are recognised when firm commitments given – notably guaranteed minimum payments – are higher than the profit that the contract is expected to generate.

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. When assessing whether a sale is highly probable the Group takes into account, on a case-by-case basis, the applicable decision-making and authorisation process, whether the price proposed is reasonable and acceptable, the prevailing market conditions and any legal, regulatory or employee-related restrictions.

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 2017

The main changes in the scope of consolidation in 2017 were as follows:

Lagardère Publishing

- Full consolidation by Hachette UK over the entire fiscal year of the 75% interest in Brainbow Limited, the creator of the brain training mobile application Peak, acquired in December 2016.
- Full consolidation by Hachette UK over a nine-month period of Bookouture, a digital and audio book publisher acquired in March 2017.
- Full consolidation over a seven-month period of the 98.51% interest in IsCool Entertainment, a French development studio for social and mobile games acquired in March 2017.

Lagardère Travel Retail

- Sale by Lagardère Travel Retail of its Press Distribution operations in Hungary in February 2017 as part of the sale to Adriatic Media Investors LLC of the French Distribution holding company Lagardère Services Distribution SAS.

  The impact of this transaction on the Group's 2017 consolidated financial statements is a pre-tax capital gain of €2 million (see note 9).
- Acquisitions by Lagardère Duty Free Sp Zoo of (i) the retail operations on the ferries between Poland and Sweden run by the Polish company Unity Line (March 2017), and (ii) five stores at Warsaw Modlin airport (June 2017).
- Acquisition in August 2017 of Citi Tabak, which has 23 Travel Essentials stores in underground railway stations in Prague in the Czech Republic.
- Acquisition in August 2017 of Corsini, which has eight foodservice outlets in the airport and hospital at Iasi in Romania.

Lagardère Active

- Full consolidation by Lagardère Active over an eleven-month period of the 55% interest acquired at end-January 2017 in Shopvolution Ltd – the developer of the Shopcade marketplace whose underlying concept is based on algorithms enabling its users to track and shop for the latest fashion and beauty items.
- Acquisition in May 2017 by Doctissimo of Animalbox, a company that specialises in e-commerce gift boxes.
- Acquisition in October 2017 by Lagardère Studios of a majority stake in Aito Media Group, a leading independent audiovisual production company in Finland specialised in factual and unscripted entertainment.

Lagardère Sports and Entertainment

- Sale by Lagardère Sports and Entertainment of Lagardère Sports Arena Sweden AB, operator of Friends Arena in Stockholm, which was deconsolidated in May 2017.
- Acquisition in October 2017 of Brave Marketing Ltd, a London-based advertising and content creation agency that specialises in developing and delivering creative campaigns.

4.2 BUSINESS COMBINATIONS

On an individual basis, the business combinations carried out in 2017 did not have a material impact on the consolidated financial statements. Their aggregate impact was as follows:

	Provisional purchase price allocation for 2017 business combinations	Final purchase price allocation for 2016 business combinations	Total
Purchase price (A)	**87**	-	87
O/w amount paid in 2017	***69***	-	*69*
Allocation to identifiable assets and liabilities			
Non-current assets	**36**	3	39
Inventories, trade receivables and other assets	**13**	(5)	8
Cash and cash equivalents	**14**	-	14
Trade payables and other liabilities	**(16)**	1	(15)
Deferred taxes, net	**-**	-	-
Minority interests	**(4)**	-	(4)
Total identifiable assets and liabilities (B)	**43**	(1)	42
Goodwill (euro equivalent at the acquisition date) (A-B)	**44**	1	45
Translation adjustments	**(1)**	-	(1)
Goodwill (euro equivalent at year-end)	**43**	1	44

The table below shows a reconciliation between the price paid for business combinations and the amount recorded under "Purchases of investments" in the statement of cash flows:

	2017
Price paid for business combinations in 2017	**(69)**
Earn-out for prior-period acquisitions	**(5)**
Purchases of investments recorded under investing activities in the statement of cash flows	**(74)**

4.3 ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

Property complexes in France

- A property complex in the eighth *arrondissement* of Paris owned by Lagardère Active was classified within assets held for sale for its carrying amount at 31 December 2017.
- An office property complex in Levallois-Perret, which was classified within assets held for sale at 31 December 2016, was sold on 28 June 2017 by Compagnie Immobilière Europa (Other Activities) and the transaction generated a pre-tax capital gain of €40 million (see note 9).

Press Distribution operations in Hungary

Lagardère Travel Retail's Press Distribution operations in Hungary – which were classified as assets held for sale and associated liabilities in the Group's balance sheet at 31 December 2016 – 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.

The sale of these operations in 2017 generated a pre-tax capital gain of €2 million (see note 9).

4.4 2016

The main changes in the 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 United States. 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, biographies, 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 has been accounted for under the equity method since 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 in 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. This entity was deconsolidated in April 2016.

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

2017 income statement

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment	Other Activities	Total
Revenue	2,300	3,412	872	496	-	7,080
Inter-segment revenue	(11)	-	-	-	-	(11)
Consolidated revenue	**2,289**	**3,412**	**872**	**496**	**-**	**7,069**
Other income from ordinary activities	10	118	77	-	4	209
Total income from ordinary activities	**2,299**	**3,530**	**949**	**496**	**4**	**7,278**
Recurring operating profit (loss) of fully consolidated companies	**210**	**112**	**70**	**26**	**(15)**	**403**
Income from equity-accounted companies before impairment losses	1	1	1	-	-	3
Recurring operating profit (loss)	**211**	**113**	**71**	**26**	**(15)**	**406**
Restructuring costs	(2)	(9)	(23)	(10)	3	(41)
Gains (losses) on disposals	-	2	(1)	1	41	43
Disposals of assets	*-*	*2*	*(1)*	*1*	*41*	*43*
Fair value adjustments due to change in control	*-*	*-*	*-*	*-*	*-*	*-*
Impairment losses(*)	(6)	(23)	(27)	-	(1)	(57)
Fully consolidated companies	*(6)*	*(23)*	*(3)*	*-*	*(1)*	*(33)*
Equity-accounted companies	*-*	*-*	*(24)*	*-*	*-*	*(24)*
Amortisation of acquisition-related intangible assets	(5)	(59)	-	(4)	-	(68)
Acquisition-related expenses	(2)	(1)	(1)	-	-	(4)
Profit before finance costs and tax	**196**	**23**	**19**	**13**	**28**	**279**
Items included in recurring operating profit (loss)						
Depreciation and amortisation of property, plant and equipment and intangible assets	(29)	(105)	(12)	(68)	(1)	(215)
Cost of share option plans	(4)	(2)	(3)	(1)	(3)	(13)

(*) Impairment losses on goodwill, property, plant and equipment and intangible assets.

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 property, plant and equipment and intangible assets	(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.

2017 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	164	208	32	87	(18)	473
Income taxes paid	(60)	(24)	(33)	(6)	34	(89)
Net cash from (used in) operating activities	**104**	**184**	**(1)**	**81**	**16**	**384**
Net cash from (used in) investing activities relating to intangible assets and property, plant and equipment	(46)	(137)	(8)	(65)	155	(101)
- Purchases	*(46)*	*(138)*	*(8)*	*(67)*	*(2)*	*(261)*
- Proceeds from disposals	*-*	*1*	*-*	*2*	*157*	*160*
Free cash flow	**58**	**47**	**(9)**	**16**	**171**	**283**
Net cash from (used in) investing activities relating to investments	(19)	(14)	(10)	(9)	(1)	(53)
- Purchases	*(30)*	*(18)*	*(12)*	*(6)*	*(2)*	*(68)*
- Proceeds from disposals	*11*	*4*	*2*	*(3)*	*1*	*15*
Interest received	1	2	1	-	-	4
(Increase) decrease in short-term investments	-	-	-	-	-	-
Net cash from (used in) operating and investing activities	**40**	**35**	**(18)**	**7**	**170**	**234**

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
Income taxes paid	(57)	(17)	(37)	(19)	54	(77)
Net cash from (used in) operating activities(*)	**227**	**184**	**27**	**19**	**50**	**506**
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(*)	**200**	**44**	**15**	**(34)**	**240**	**464**
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*
Interest received(*)	0	2	2	0	1	6
(Increase) decrease in short-term investments	-	-	-	-	45	45
Net cash from (used in) operating and investing activities(*)	**133**	**90**	**18**	**(30)**	**284**	**495**

(*) The Group elected to change its accounting method regarding the classification of interest paid and received as of 1 January 2017 (see note 1.1 to the consolidated financial statements).

The above information is presented using the new method. A reconciliation with the data reported at 31 December 2016 is provided below:

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment	Other Activities and eliminations	Total
Net cash from (used in) operating activities – reported (A)	**225**	**154**	**24**	**14**	**41**	**458**
Free cash flow – reported (B)	**198**	**14**	**12**	**(39)**	**231**	**416**
Net cash from (used in) operating and investing activities – reported (C)	**131**	**58**	**13**	**(35)**	**274**	**441**
Interest paid reclassified to net cash from (used in) financing activities (D)	2	32	5	5	10	54
Net cash from (used in) operating and investing activities – restated (E)=(C)+(D)	**133**	**90**	**18**	**(30)**	**284**	**495**
Interest received reclassified to net cash from (used in) investing activities (F)	(0)	(2)	(2)	(0)	(1)	(6)
Net cash from (used in) operating activities – restated (G)=(A)+(D)+(F)	**227**	**184**	**27**	**19**	**50**	**506**
Free cash flow – restated (H)=(B)+(D)+(F)	**200**	**44**	**15**	**(34)**	**240**	**464**

Balance sheet at 31 December 2017

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment	Other Activities and eliminations	Total
Segment assets	2,513	2,158	1,198	837	15	6,721
Investments in equity-accounted companies	27	33	58	4	1	123
Segment liabilities	(1,282)	(972)	(817)	(522)	42	(3,551)
Capital employed	**1,258**	**1,219**	**439**	**319**	**58**	**3,293**
Assets held for sale and associated liabilities	**-**	**-**	**-**	**-**	**-**	**6**
Net cash and cash equivalents (net debt)	**-**	**-**	**-**	**-**	**-**	**(1,368)**
Equity	**-**	**-**	**-**	**-**	**-**	**1,931**

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**

5.2 INFORMATION BY GEOGRAPHICAL SEGMENT

Revenue

	2017	2016
France	**2,286**	2,239
European Union (excl. France)	**2,394**	2,805
Other European countries	**100**	80
United States and Canada	**1,442**	1,437
Middle East	**28**	24
Asia-Pacific	**645**	659
Other (Africa, Latin America)	**174**	147
Total	**7,069**	7,391

Segment assets

	2017	2016
France	**2,463**	2,429
European Union (excl. France)	**2,133**	2,113
Other European countries	**50**	34
United States and Canada	**1,626**	1,832
Middle East	**7**	5
Asia-Pacific	**403**	515
Other (Africa, Latin America)	**39**	34
Total	**6,721**	6,962

Purchases of intangible assets and property, plant and equipment

	2017	2016
France	**61**	58
European Union (excl. France)	**105**	96
Other European countries	**5**	1
United States and Canada	**45**	58
Middle East	**3**	-
Asia-Pacific	**41**	38
Other (Africa, Latin America)	**1**	2
Total	**261**	253

NOTE 6 REVENUE

Revenue contracted by 4.4% in 2017 on a consolidated basis but rose by 4.0% based on a comparable Group structure and exchange rates (like-for-like).

The like-for-like change in revenue is calculated by comparing:

- revenue for 2017 adjusted for companies consolidated for the first time during the year and revenue for 2016 adjusted for consolidated companies divested during the year;
- revenue for 2016 and revenue for 2017 adjusted based on the exchange rates applicable in 2016.

The difference between consolidated and like-for-like data is attributable to a €64 million negative foreign exchange impact resulting from the depreciation of the pound sterling and the US dollar, and to a €528 million negative scope effect, breaking down as:

- the negative impact of disposals (€595 million), primarily relating to the divestment of Press Distribution activities in Belgium (negative €391 million), Hungary (negative €128 million), Spain (negative €17 million) and Canada (negative €16 million) by Lagardère Travel Retail, and to the sale of LeGuide.com by Lagardère Active (negative €14 million);
- a €67 million positive impact from acquisitions carried out mainly by Lagardère Publishing (consolidation of Perseus representing a positive €17 million, acquisitions of Brainbow representing a positive €8 million, Bookouture representing a positive €8 million, and IsCool Entertainment representing a positive €2 million), by Lagardère Travel Retail (including the consolidation of IFS Duty Free stores in Poland representing a positive €11 million), and by Lagardère Active (acquisition of Aito Media Group representing a positive €4 million).

Revenue breaks down as follows:

	2017	2016
Sales of goods and services	**6,688**	6,990
Advertising revenue	**366**	386
Barter transactions	**15**	15
Total	**7,069**	7,391

NOTE 7 EMPLOYEE DATA

7.1 NUMBER OF EMPLOYEES

The average number of employees of fully consolidated companies (excluding seconded employees) breaks down as follows by division:

	2017	2016
Lagardère Publishing	**7,318**	7,001
Lagardère Travel Retail	**15,231**	13,217
Lagardère Active	**4,244**	4,275
Lagardère Sports and Entertainment	**1,596**	1,632
Other Activities	**154**	167
Total	**28,543**	26,292

7.2 PAYROLL COSTS

	2017	2016
Wages and salaries	**1,374**	1,413
Payroll taxes	**290**	274
Share-based payments	**13**	10
Total	**1,677**	1,697

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.

There were no longer any share options outstanding at 31 December 2016 as the 14 December 2006 share plan expired on 14 December 2016. The 1,895,336 options remaining under the plan were cancelled.

Details of outstanding share options and movements in the last three years are presented below:

	Number of options	Weighted average exercise price (in euros)
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**
Options cancelled	-	N/A
Options exercised	-	-
Options outstanding at 31 December 2017	**0**	**N/A**
Of which exercisable options	-	*N/A*

Free share award plans

From 2014 to 2017, 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), as follows:

- 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 plans: 829,660 shares;
- 6 April 2017 plans: 817,660 shares.

For Group employees who are beneficiaries of the 2014 plan, this plan does not include any performance conditions and the shares only vest definitively after a two-year period, provided that employee beneficiaries who are 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 definitively 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 definitively if the beneficiaries have remained with the Group for 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 have a definitive vesting period of three years for beneficiaries who are French tax residents, and four years for beneficiaries who are not French tax residents.

For Group employees who are beneficiaries of the 9 May 2016 and 6 April 2017 plans, these plans do not include any performance conditions. The shares vest definitively only after a three-year period, provided employee beneficiaries who are 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 definitively 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 1 April 2015, 9 May 2016 and 6 April 2017 plans, the shares will only vest definitively subject to:

- the beneficiaries remaining with the Group until at least 31 March 2018, 9 May 2019 and 6 April 2020 respectively under the 2015, 2016 and 2017 plans;
- 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 2017 and 2016 financial statements were as follows:

	Free shares			
	6 April 2017 Plan	9 May 2016 Plan	1 April 2015 Plan	22 Dec. 2014 Plan
Share price at grant date	€27.51	€22.01	€27.79	€21.90
Expected dividend payout rate	4.7%	5.9%	4.7%	5.9%

Share-based payment expense recognised by fully consolidated companies amounted to €13 million in 2017 and €10 million in 2016.

NOTE 8 RESTRUCTURING COSTS

2017

In 2017, restructuring costs amounted to €41 million and chiefly related to the implementation of streamlining programmes and cost reduction plans in the operating divisions, as follows:

- €23 million at Lagardère Active, corresponding primarily to costs incurred in connection with (i) reorganisation measures at Europe 1, (ii) relocations carried out in connection with the extension of the voluntary redundancy plans launched in 2016, and (iii) the discontinuation of the core operations of an audiovisual production company;
- €10 million at Lagardère Sports and Entertainment, due to the reorganisation of operations in Sweden;
- €9 million at Lagardère Travel Retail, chiefly in the United States and Canada (€6 million) as a result of the division's reorganisation in North America following the acquisition of Paradies at end-2015.

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 launched in first-half 2016 as part of the reorganisation of the 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 United States;
- Lagardère Publishing: €10 million, primarily in the United States 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.

NOTE 9 CAPITAL GAINS AND LOSSES

2017

In 2017, this item represented a €43 million net gain, which mainly included:

- a €40 million pre-tax gain on the disposal by Compagnie Immobilière Europa (Other Activities) of an office building in Levallois-Perret (France) in June 2017;
- a €2 million pre-tax gain on the sale by Lagardère Travel Retail of the Press Distribution operations in Hungary via the disposal of the Lagardère Services Distribution subsidiary.

2016

In 2016, this item represented a €194 million net gain, which mainly included:

- a €106 million pre-tax gain 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 United States in May 2016 (which reduced its stake in Yen Press from 100% to 49%);
- 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 for the fair-value remeasurement of its residual 49% interest (significant influence).

NOTE 10 IMPAIRMENT LOSSES ON GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The impairment losses recorded in 2017 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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Lagardère Publishing	**14**	14	**945**	978	**36**	37	**981**	1,015
Lagardère Travel Retail	**10**	11	**200**	221	**51**	58	**251**	279
Lagardère Active:	**32**	34	**489**	474	**102**	102	**591**	576
- Press	**3**	3	**159**	154	**59**	59	**218**	213
- Audiovisual	**25**	27	**246**	240	**42**	42	**288**	282
- Digital	**4**	4	**84**	80	**1**	1	**85**	81
Lagardère Sports and Entertainment	**2**	1	**175**	183	**11**	11	**186**	194
Total	**58**	60	**1,809**	1,856	**200**	208	**2,009**	2,064

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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Lagardère Publishing	**14**	14	**945**	978	**36**	37	**981**	1,015
Editis group	**4**	4	**232**	236	**2**	2	**234**	238
Hachette UK Holding group	**1**	1	**291**	295	**22**	23	**313**	318
Hachette Book Group (United States)	**1**	1	**284**	328	**-**	-	**284**	328
Hatier group	**1**	1	**84**	84	**-**	-	**84**	84
Hachette Livre España – Salvat	**1**	1	**3**	3	**-**	-	**3**	3
Pika Édition	**1**	1	**14**	14	**-**	-	**14**	14
Les Éditions Albert René	**1**	1	**11**	11	**-**	-	**11**	11
Other	**4**	4	**26**	7	**12**	12	**38**	19
Lagardère Travel Retail	**10**	11	**200**	221	**51**	58	**251**	279
North America (including Paradies)	**1**	1	**112**	128	**50**	57	**162**	185
Pacific	**1**	1	**30**	36	**-**	-	**30**	36
Czech Republic	**1**	1	**34**	33	**-**	-	**34**	33
France	**3**	3	**12**	12	**-**	-	**12**	11
Asia	**1**	1	**8**	8	**-**	-	**8**	8
Hungary Distribution (including the Lapker group)	**-**	1	**-**	-	**-**	-	**-**	-
Other	**3**	3	**4**	4	**1**	1	**5**	6
Lagardère Active	**32**	34	**489**	474	**102**	102	**591**	576
Press	**3**	3	**159**	154	**59**	59	**218**	213
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	**12**	7	**57**	57	**69**	64
Audiovisual	**25**	27	**246**	240	**42**	42	**288**	282
Lagardère Active Broadcast	**1**	1	**63**	63	**-**	-	**63**	63
International radio	**5**	5	**46**	45	**-**	-	**46**	45
Audiovisual production	**14**	16	**62**	57	**3**	3	**65**	60
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**	4	**84**	80	**1**	1	**85**	81
E-health	**1**	1	**55**	51	**-**	-	**55**	51
Newsweb	**1**	1	**11**	11	**-**	-	**11**	11
BilletRéduc.com	**1**	1	**16**	16	**-**	-	**16**	16
Plurimedia	**1**	1	**2**	2	**1**	1	**3**	3
Lagardère Sports and Entertainment(*)	**2**	1	**175**	183	**11**	11	**186**	194
Sports	**1**		**149**		**11**		**160**	
Live Entertainment	**1**		**26**		**-**		**26**	
Total	**58**	60	**1,809**	1,856	**200**	208	**2,009**	2,064

(*) Since 2017, Lagardère Sports and Entertainment has comprised two CGUs.

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 2017, 2016 and 2015:

	Discount rate			Perpetuity growth rate		
	2017	2016	2015	**2017**	2016	2015
Lagardère Publishing	**6.09%**	6.78%	6.44%	**1.50%**	2.00%	2.00%
Lagardère Travel Retail:						
Travel Retail	**4.91%**	5.56%	5.76%	**2.50%**	2.50%	2.50%
Distribution	**N/A**	5.56%	5.76%	**N/A**	0.00%	0.00%
Lagardère Active:						
Press	**6.01%**	7.09%	6.89%	**0.00%**	0.00%	0.00%
Audiovisual	**5.82%**	6.32%	6.32%	**1.50%**	1.50%	1.50%
Digital(*)	**5.82%**	6.32%	6.32%	**2.00%**	2.00%	2.00%
Lagardère Sports and Entertainment:						
Europe/United States	**5.60%**	6.16%	6.05%	**2.00%**	2.00%	2.00%
Asia	**5.60%**	6.16%	6.05%	**2.50%**	2.50%	2.50%

(*) For some Digital operations, specific growth rates ranging from 4.00% to 5.00% were applied for the first few years after the period covered in the 2018-2020 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 2017 compared with 2016, or in those used in 2016 compared with 2015.

Recognised impairment losses

Total impairment losses recognised by consolidated companies in 2017 amounted to €33 million, including €10 million for goodwill and €23 million for property, plant and equipment. The main impairment losses on goodwill break down as follows:

- €4 million to partially write down the goodwill of Lagardère Travel Retail's Pacific CGU following a revision of the forecast cash flows contained in the New Zealand entity's budgets.
- €3 million to partially write down the goodwill related to the Anaya-Bruño group in Spain which forms part of Lagardère Publishing.

A €23 million impairment loss was recognised at 31 December 2017 against the Group's property, plant and equipment, primarily including €20 million for Lagardère Travel Retail, of which €6 million related to New Zealand and €6 million to North America.

Impairment losses recognised 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 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 so that the net assets held for sale are carried at their estimated sale value. The related goodwill was 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.

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; 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

Revenue for the Magazine Publishing business contracted by 0.2% in 2017, following on from a 5.2% decrease in 2016, and the budgets were prepared on the basis of assumptions taking into account the revenue trends expected over the next three years.

For the ten-year period beyond the years covered by the budget, a change corresponding to an annual decrease of 1% in revenue from Magazine Publishing compared with the assumptions used at end-2017 would result in an additional €23 million impairment loss, excluding the impact of any corporate cost reduction measures that may be implemented. At 31 December 2017, the residual amount of goodwill and intangible assets with indefinite useful lives for all Press CGUs amounted to €218 million.

- E-health

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 2017, goodwill and intangible assets with indefinite useful lives allocated to this CGU totalled €55 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 division's total estimated future cash flows (excluding holding company costs), calculated before the impact of measures to reduce central costs that may be implemented in the event that a significant component of the assumptions used did not bear out. The estimates of these future cash flows notably take into account assumptions relating to the renewal of the contract with the AFC beyond its current term (2020), for which an invitation to tender was issued in February 2018.

For Lagardère Sports and Entertainment, a 5% increase or decrease in future cash flows would have a positive or negative impact of approximately €32 million on the recoverable amount of the assets concerned. At 31 December 2017, the carrying amount of goodwill and intangible assets with indefinite useful lives allocated to this division was €186 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 2017 for the four operating divisions.

The tables include sensitivity to a maximum 2% increase in the discount rate, which is higher than the increases observed for 2016 and 2015.

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)	(1)	(2)	(31)	(74)	(119)
-0.5%	-	-	-	-	(1)	(1)	(2)	(38)	(80)
0%	-	-	-	-	-	(1)	(1)	(2)	(44)
+0.5%	-	-	-	-	-	(0)	(1)	(2)	(5)
+1%	-	-	-	-	-	-	(0)	(1)	(2)

(*) The discount rate used for the 2017 impairment tests was 6.09%.

At 31 December 2017, 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 €25 million for Hachette Book Group and €3 million for Anaya-Bruño 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 €119 million, including €86 million for Hachette Book Group, €22 million for Anaya-Bruño group and €7 million for Hachette Group UK.

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%	-	-	-	-	-	-	-	-	-
-0.5%	-	-	-	-	-	-	-	-	-
0%	-	-	-	-	-	-	-	-	-
+0.5%	-	-	-	-	-	-	-	-	-
+1%	-	-	-	-	-	-	-	-	-

(*) The discount rate used for the 2017 impairment tests was 4.91%.

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)	(3)	(5)	(6)	(16)	(28)
-0.5%	-	-	-	-	(2)	(3)	(4)	(6)	(17)
0%	-	-	-	-	-	(1)	(3)	(4)	(6)
+0.5%	-	-	-	-	-	-	(1)	(3)	(4)
+1%	-	-	-	-	-	-	-	(1)	(2)

(*) The discount rates used for the 2017 impairment tests were 6.01% for the Press CGU and 5.82% for the Audiovisual and Digital CGUs.

At 31 December 2017, 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 additional impairment losses of €20 million for Lagardère Active's Press CGU and €8 million for Société de Presse Féminine.

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%	-	-	-	-	-	-	-	(3)	(7)
-0.5%	-	-	-	-	-	-	-	(1)	(5)
0%	-	-	-	-	-	-	-	-	(3)
+0.5%	-	-	-	-	-	-	-	-	-
+1%	-	-	-	-	-	-	-	-	-

(*) The discount rate used for the 2017 impairment tests was 5.60%.

At 31 December 2017, 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 €7 million for the Live Entertainment CGU.

For the Sports CGU if a discount rate of 9.75% were used, with the perpetuity growth rate remaining unchanged, this would lead to the recognition of a €1 million impairment loss.

NOTE 11 OTHER OPERATING EXPENSES

	2017	2016
Net change in asset impairment losses	**(41)**	(27)
Financial expenses other than interest	**(1)**	(1)
Net additions to provisions for contingencies and losses	**-**	(8)
Other expenses	**(19)**	(2)
Total	**(61)**	(38)

The net change in asset impairment losses includes impairment losses for Lagardère Publishing taken against advances paid to authors totalling €46 million in 2017 and €52 million in 2016.

Other asset impairment losses relate to changes in impairment losses on trade receivables and inventories for Lagardère Publishing and Lagardère Sports and Entertainment.

The year-on-year increase in other expenses is primarily due to:

- lease expenses incurred by Lagardère Travel Retail under airport concession agreements in China, for which lease income is invoiced to partners (see note 12);
- expenses recorded by Lagardère Active relating to a commercial dispute in France.

NOTE 12 OTHER OPERATING INCOME

	2017	2016
Foreign exchange gains	**1**	4
Net reversals of provisions for contingencies and losses	**8**	-
Other	**28**	21
Total	**37**	25

The amount recorded under "Other" mainly comprises lease income invoiced by Lagardère Travel Retail entities under airport concession agreements in China. The corresponding lease expenses incurred under these concession agreements are recognised in other operating expenses (see note 11).

NOTE 13 FINANCIAL INCOME AND EXPENSES

Financial income and expenses break down as follows:

	2017	2016
Interest income on loans	**2**	2
Investment income and gains on sales of marketable securities	**3**	23
Gains on derivative financial instruments acquired as hedges of net debt	**5**	10
Other financial income	**3**	6
Financial income	**13**	41
Interest expense on borrowings	**(70)**	(69)
Loss on derivative financial instruments acquired as hedges of net debt	**(3)**	(14)
Other financial expenses	**(13)**	(7)
Financial expenses	**(86)**	(90)
Total	**(73)**	(49)

In 2016, investment income and gains on sales of marketable securities included a €22 million gain relating to the sale of Deutsche Telekom shares that took place on 17 June 2016.

NOTE 14 INCOME TAX

14.1 ANALYSIS OF INCOME TAX

Income tax breaks down as follows:

	2017	2016
Current taxes	(72)	(93)
Deferred taxes	73	24
Total	**1**	(69)

The Group recorded an income tax benefit of €1 million in 2017. This €70 million positive change compared with 2016 reflects the following:

- €40 million in tax loss carryforwards recognised in connection with the French tax consolidation group following an update of the forecast earnings contained in the budgets, which notably include the sale of a property complex;
- a €19 million gain resulting from remeasuring the deferred taxes of US subsidiaries following the enactment of the US bill to reduce the federal rate of income tax from 35% to 21% for tax years beginning after 31 December 2017;
- a €16 million refund of the 3% dividend tax in France in accordance with a decision made by the French Constitutional Council;
- a €5 million non-recurring corporate surtax paid in France in 2017.

14.2 TAX PROOF

The following table reconciles income tax reported in the income statement to the theoretical income tax expense for 2017 and 2016:

	2017	2016
Profit before tax	206	265
(Income) loss from equity-accounted companies	21	8
Profit of fully consolidated companies before tax	**227**	273
Theoretical tax expense(*)	(78)	(94)
Effect on theoretical tax expense of:		
Different tax bases for capital gains and losses	(5)	21
Different tax bases for impairment losses on goodwill and other intangible assets	(7)	(19)
Different tax rates on earnings of foreign subsidiaries	19	11
Non-recurring corporate surtax in France	(5)	-
Dividend tax and refund in 2017	11	(5)
Limitation on deferred taxes	5	(5)
Tax loss carryforwards used (recognised) in the year(**)	(13)	20
Impact of deferred tax asset recognised on tax loss carryforwards(***)	40	-
Effect of changes in tax rates on deferred taxes(****)	23	1
Tax credits and tax incentives	15	10
Permanent differences and other items(*****)	(4)	(9)
Effective income tax benefit (expense)	**1**	(69)

(*) Calculated at the French standard rate (34.43% in 2017 and 2016). The non-recurring corporate surtax applicable in France in 2017 has been treated as a permanent difference.
(**) Tax losses for which no deferred tax assets were recognised.
(***) This relates to the recognition of a deferred tax asset on tax loss carryforwards of the French tax consolidation group following an update of the forecast earnings contained in the budgets, which notably include the sale of a property complex.
(****) Including a €19 million gain resulting from remeasuring the deferred taxes of US subsidiaries following the enactment of the US bill to reduce the federal rate of income tax to 21% for tax years beginning after 31 December 2017.
(*****) Including the 1% share of expenses and charges booked in 2017 and 2016 on dividends received from companies in the French tax consolidation group and from companies in the European Union that are more than 95%-owned by the Group and liable for income tax similar to the income tax levied on French companies.

14.3 DEFERRED TAXES RECOGNISED IN THE BALANCE SHEET

Deferred taxes recognised at 31 December 2017 and 2016 concerned the following assets and liabilities:

	31 Dec. 2017	31 Dec. 2016
Intangible assets	**(196)**	(282)
Property, plant and equipment	**(11)**	(10)
Non-current financial assets	**(12)**	(13)
Inventories	**15**	18
Provisions for pension benefit obligations	**36**	38
Other provisions	**71**	127
Other working capital items	**109**	114
Temporary differences (gross amount)	**12**	(10)
Write-down of deferred tax assets	**(141)**	(154)
Temporary differences (net amount)	**(129)**	(163)
Tax loss carryforwards	**97**	61
Tax credits	**-**	-
Net deferred tax asset (liability)	**(32)**	(102)
Deferred tax assets	**201**	224
Deferred tax liabilities	**(233)**	(326)

At 31 December 2017 the Group had tax loss carryforwards. The majority of these concerned the French tax consolidation group headed by Lagardère SCA which had tax loss carryforwards (tax basis) of over €303 million, of which €116 million were recognised as deferred tax assets.

14.4 CHANGES IN DEFERRED TAXES

	2017	2016
Net deferred tax asset (liability) at 1 January	**(102)**	(105)
Income tax benefit (expense) recognised in the income statement	**73**	24
Deferred tax recognised directly in equity	**(13)**	13
Effect of change in scope of consolidation and exchange rates	**10**	(34)
Net deferred tax asset (liability) at 31 December	**(32)**	(102)

The income tax benefit recognised in the income statement for deferred taxes in 2017 primarily reflects (i) the recognition of a deferred tax asset on tax loss carryforwards in France (€40 million) and (ii) a gain resulting from remeasuring the deferred taxes of US subsidiaries following the enactment of the US bill to reduce the federal rate of income tax to 21% for tax years beginning after 31 December 2017 (€19 million).

The positive €10 million effect in 2017 of changes in scope of consolidation and exchange rates was mainly attributable to the depreciation of the US dollar against the euro.

Deferred taxes recognised directly in equity can be analysed as follows:

	31 Dec. 2017	31 Dec. 2016
Available-for-sale investments	**-**	-
Cash flow hedges	**(6)**	3
Actuarial gains and losses on pensions and other post-employment benefit obligations	**23**	27
Total	**17**	30

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).

	2017	2016
Profit for the year attributable to owners of the Parent (in millions of euros)	**179**	175
Number of shares making up the share capital at 31 December	**131,133,286**	131,133,286
Treasury shares	**(1,575,218)**	(1,952,575)
Number of shares outstanding at 31 December	**129,558,068**	129,180,711
Average number of shares outstanding during the year	**129,369,390**	128,994,920
Basic earnings per share attributable to owners of the Parent (in euros)	**1.38**	1.36
Dilutive share options and free shares:		
Share options	**-**	-
Free shares	**2,165,010**	1,793,455
Average number of shares including dilutive share options and free shares	**131,534,400**	130,788,375
Diluted earnings per share attributable to owners of the Parent (in euros)	**1.36**	1.34

NOTE 16 GOODWILL

	2017	2016
At 1 January	**1,856**	1,919
Gross amount	***3,092***	*3,199*
Accumulated impairment losses	***(1,236)***	*(1,280)*
Acquisitions(*)	**45**	49
Reclassification as assets held for sale	**-**	-
Goodwill written off following disposal or deconsolidation(**)	**(4)**	(28)
Impairment losses(***)	**(10)**	(40)
Translation adjustments	**(78)**	(33)
Other movements	**-**	(11)
At 31 December	**1,809**	1,856
Gross amount	**3,050**	3,092
Accumulated impairment losses	**(1,241)**	(1,236)

(*) Including for 2017: Brainbow Ltd for €9 million, IsCool Entertainment for €9 million, Storyfire (Bookouture) for €7 million, Aito for €6 million, Shopvolution for €5 million and Animalbox for €4 million.
Including for 2016: Perseus for €48 million.
(**) Including for 2017: Westview (Perseus) for €4 million.
Including for 2016: Endurance for €14 million, Distribution operations in Spain and Belgium for €11 million, and LeGuide for €3 million.
(***) Including for 2017: FCube for €1 million.
Including for 2016: LeGuide for €32 million, Distribution operations in Hungary for €4 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 2016	**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**
Acquisitions	-	-	93	1	14	108
Changes in scope of consolidation	-	-	-	7	13	20
Disposals/Derecognition	-	-	(15)	(8)	(6)	(29)
Reclassifications	-	-	(82)	-	-	(82)
Translation adjustments	-	(10)	(35)	(39)	(10)	(94)
At 31 December 2017	**119**	**188**	**754**	**863**	**499**	**2,423**

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 2016	**(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)**
Amortisation	-	-	(60)	(59)	(25)	(144)
Impairment losses	-	-	-	-	-	-
Changes in scope of consolidation	-	-	-	-	(5)	(5)
Disposals/Derecognition	-	-	15	8	6	29
Reclassifications	-	-	56	-	-	56
Translation adjustments	-	3	27	8	1	39
At 31 December 2017	**(61)**	**(45)**	**(566)**	**(244)**	**(356)**	**(1,272)**

Carrying amounts

At 31 December 2016	**58**	**150**	**189**	**701**	**155**	**1,253**
At 31 December 2017	**58**	**143**	**188**	**619**	**143**	**1,151**

See note 10 for a breakdown by CGU of intangible assets with indefinite useful lives.

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down as follows by category:

2017 – Cost

	At 1 Jan. 2017	Acquisitions	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustments	At 31 Dec. 2017
Land	52	-	-	-	(5)	-	47
Buildings	403	38	(16)	(12)	(21)	(9)	383
Machinery and equipment	614	78	(22)	(35)	117	(30)	722
Other	578	46	(15)	(25)	(89)	(2)	493
Assets under construction	43	47	(2)	-	(10)	(2)	76
Total	**1,690**	**209**	**(55)**	**(72)**	**(8)**	**(43)**	**1,721**

2017 – Depreciation and impairment losses

	At 1 Jan. 2017	Depreciation	Impairment losses(**)	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustments	At 31 Dec. 2017
Land	(1)	-	-	-	-	-	-	(1)
Buildings	(227)	(25)	(8)	14	10	29	4	(203)
Machinery and equipment	(367)	(75)	(8)	14	30	(63)	13	(456)
Other	(363)	(39)	(7)	18	19	43	1	(328)
Assets under construction	-	-	-	2	-	(2)	-	-
Total	**(958)**	**(139)**	**(23)**	**48**	**59**	**7**	**18**	**(988)**
Carrying amounts	**732**	**70**	**(23)**	**(7)**	**(13)**	**(1)**	**(25)**	**733**

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 Compagnie Immobilière Europa (Other Activities), which was 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.

Finance leases

The Group did not have any finance leases representing material amounts at either 31 December 2017 or 31 December 2016.

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:

			% interest		Balance sheet		Income statement	
	Joint shareholder	Main business	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016	2017	2016
S.D.A. (Société de Distribution Aéroportuaire)	Aéroport de Paris	Travel Retail	**45%**	45%	**11**	10	**2**	3
Relay@ADP	Aéroport de Paris	Travel Retail	**50%**	50%	**5**	3	**3**	2
Lagardère & Connexions	SNCF Participations	Travel Retail	**50%**	50%	**2**	2	**-**	(1)
Other					**4**	5	**-**	(4)
Total joint ventures					**22**	20	**5**	-
Marie Claire (Holding Evelyne Prouvost)(*)		Magazine Publishing	**42%**	42%	**53**	77	**(24)**	(10)
Éditions J'ai lu		Publishing	**35%**	35%	**17**	17	**1**	1
Inmedio		Travel Retail	**49%**	49%	**12**	12	**-**	1
Yen Press		Publishing	**49%**	49%	**9**	10	**-**	-
Saddlebrook International Sports		Sports	**30%**	30%	**4**	5	**-**	-
Other					**6**	4	**(3)**	-
Total associates					**101**	125	**(26)**	(8)
Total investments in equity-accounted companies					**123**	145	**(21)**	(8)

(*) An additional impairment loss of €24 million was recognised in 2017. In 2016, impairment losses recognised in respect for this associate totalled €13 million.

Movements in investments in equity-accounted companies can be analysed as follows:

	2017			2016		
	Total	Joint ventures	Associates	Total	Joint ventures	Associates
Investments in equity-accounted companies at beginning of year	**145**	**20**	**125**	155	23	132
Dividends paid(*)	**(6)**	**(5)**	**(1)**	(19)	(13)	(6)
Share in profit (loss)	**3**	**5**	**(2)**	10	5	5
Impairment losses(**)	**(24)**	**-**	**(24)**	(18)	(5)	(13)
Changes in other comprehensive income	**(1)**	**1**	**(2)**	1	-	1
First-time consolidations/ Acquisitions(***)	**-**	**-**	**-**	8	-	8
Deconsolidations/Disposals(****)	**(1)**	**(1)**	**-**	(5)	(1)	(4)
Other	**7**	**2**	**5**	13	11	2
Investments in equity-accounted companies at end of year	**123**	**22**	**101**	145	20	125

(*) Including SDA for €2 million in 2017 and €9 million in 2016.
(**) Including Marie Claire for €24 million and €13 million respectively in 2017 and 2016 and Lagardère Sports and Entertainment joint ventures in Brazil for €5 million in 2016.
(***) Including Yen Press for €8 million in 2016.
(****) Including the sales of Hungaro Press for a negative €1 million in 2017 and SETC for a negative €6 million in 2016.

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) Lagardère & Connexions (formerly 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 €1,227 million in 2017 versus €1,171 million in 2016. Fully consolidated entities invoiced joint ventures amounts of €447 million in 2017 and €325 million in 2016.

	Figures on a 100% basis		Lagardère's share (50%)	
	2017	2016	**2017**	2016
Total revenue	**1,227**	1,171	**614**	586
Group revenue with joint ventures	***(447)***	*(325)*	***(224)***	*(163)*
Adjusted revenue	**780**	846	**390**	423
Recurring operating profit	**21**	15	**11**	8
Profit before finance costs and tax	**18**	13	**9**	7
Profit before tax	**17**	13	**9**	7
Profit for the year	**12**	9	**6**	5
Net debt	**(73)**	(79)	**(37)**	(40)

Associates

Marie Claire

At 31 December 2016, a €13 million impairment loss was recognised against the shares held in Marie Claire, reducing their carrying amount to €77 million.

During 2017, the Marie Claire group saw a sharp decline in business – notably in advertising revenue – as compared to the assumptions used to draw up the budget at end-2016. The budget prepared in 2016 was revised downwards accordingly, particularly as regards projected profit margins. In light of these changes in assumptions, Lagardère's interest in the Marie Claire group was revalued at €53 million, leading to the recognition of a €24 million impairment loss in the first half of 2017.

For a ten-year period beyond the years covered by the budget, a change corresponding to an annual decrease of 1% in circulation revenue compared with the assumptions used at end-2017 would result in an additional €11 million impairment loss, excluding the impact of any corporate cost reduction measures that may be implemented.

NOTE 20 OTHER NON-CURRENT ASSETS

OTHER NON-CURRENT ASSETS

Other non-current assets break down as follows:

Carrying amount	31 Dec. 2017	31 Dec. 2016
Investments	**48**	50
Loans and receivables	**77**	68
Derivative financial instruments(*)	**18**	-
Total	**143**	118

(*) See note 29.1.

INVESTMENTS

Investments include the following:

Carrying amount	31 Dec. 2017		31 Dec. 2016	
	Carrying amount	% interest	Carrying amount	% interest
FCPI Idinvest Digital Fund II	**11**	**7%**	11	7%
Other	**37**		39	
Total	**48**		50	

The above investments are classified as available-for-sale investments.

Fair value adjustments to available-for-sale investments represented €1 million in 2017, recognised in equity.

Cumulative fair value adjustments at 31 December 2017 amounted to a negative €1 million.

LOANS AND RECEIVABLES

Loans and receivables can be analysed as follows:

Loans and receivables	31 Dec. 2017	31 Dec. 2016
Gross amount	**101**	100
Accumulated impairment losses	**(24)**	(32)
Carrying amount	**77**	68

Analysis of impairment losses	2017	2016
At 1 January	**(32)**	(59)
Impairment losses (recognised) reversed in the year	**10**	5
Other movements and translation adjustments	**(2)**	22
At 31 December	**(24)**	(32)

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. 2017	31 Dec. 2016
Lagardère Publishing	**389**	401
Lagardère Travel Retail	**325**	342
Lagardère Active	**79**	72
Lagardère Sports and Entertainment	**-**	-
Other Activities(*)	**-**	4
Gross amount	**793**	819
Accumulated impairment losses	**(210)**	(219)
Carrying amount	**583**	600

(*) Corresponding to the inventories of the Spare Parts business of Matra Manufacturing & Services (formerly Matra Automobile).

Analysis of impairment losses	2017	2016
At 1 January	**(219)**	(217)
Impairment losses (recognised) reversed in the year	**3**	(1)
Other movements and translation adjustments	**6**	(1)
At 31 December	**(210)**	(219)

NOTE 22 TRADE RECEIVABLES

Trade receivables and their realisable value can be analysed as follows:

	31 Dec. 2017	31 Dec. 2016
Trade receivables (gross amount)	**1,352**	1,400
Accumulated impairment losses	**(144)**	(132)
Carrying amount	**1,208**	1,268
Of which:		
- not yet due	***1,027***	*1,077*
- less than six months past due	***134***	*147*
- more than six months past due	***47***	*44*
Total	**1,208**	1,268

Analysis of impairment losses	2017	2016
At 1 January	**(132)**	(173)
Impairment losses (recognised) reversed in the year	**1**	31
Other movements and translation adjustments	**(13)**	10
At 31 December	**(144)**	(132)

Securitisation of trade receivables

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 99% 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-2017 totalled €75 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 €1.5 million at 31 December 2017, or around 2% of the total value of the sold receivables.

Sales with a right of return

As part of its business of selling publications, Lagardère Publishing grants a right of return to distributors for unsold products. The estimated amount of these returns is recognised as a deduction from revenue and from the corresponding gross trade receivable. This estimate is calculated on a statistical basis using the actual rate of returns for the previous year, adjusted for fluctuations in sales volumes and changes in the operating environment during the current year.

At 31 December 2017, the estimated amount of returns recognised as a deduction from gross trade receivables totalled €279 million, versus €313 million at 31 December 2016.

NOTE 23 OTHER CURRENT ASSETS

Other current assets break down as follows:

	31 Dec. 2017	31 Dec. 2016
Advances paid	**38**	28
Recoverable taxes and payroll taxes	**303**	247
Derivative financial instruments(*)	**6**	10
Receivable from writers	**291**	335
Receivable from suppliers	**82**	82
Loans	**8**	11
Prepaid expenses	**159**	196
Other	**80**	65
Total	**967**	974
Accumulated impairment losses	**(52)**	(60)
Carrying amount	**915**	914

(*) See note 29.1.

Analysis of impairment losses	2017	2016
At 1 January	**(60)**	(67)
Impairment losses (recognised) reversed in the year	**(45)**	(50)
Other movements and translation adjustments	**53**	57
At 31 December	**(52)**	(60)

NOTE 24 CASH AND CASH EQUIVALENTS

Cash and cash equivalents reported in the statement of cash flows are calculated as follows:

	31 Dec. 2017	31 Dec. 2016
Cash and cash equivalents	**546**	481
Short-term bank loans and overdrafts	**(69)**	(76)
Cash and cash equivalents, net	**477**	405

Cash and cash equivalents break down as follows:

	31 Dec. 2017	31 Dec. 2016
Bank accounts	**329**	360
Money market funds	**138**	61
Term deposits and current accounts maturing in less than three months	**79**	60
Cash and cash equivalents	**546**	481

Changes in working capital as reported in the statement of cash flows can be analysed as follows:

	2017	2016
Change in inventories	**(5)**	(21)
Change in trade receivables	**(4)**	(72)
Change in trade payables	**49**	24
Change in other receivables and payables	**(130)**	95
Changes in working capital(*)	**(90)**	26

(*) Increase/(decrease) in cash and cash equivalents.

Changes in working capital represented a negative €90 million over the year, after a positive €26 million impact in 2016. The year-on-year change is attributable to Lagardère Publishing, chiefly due to a rise in trade receivables amid a more favourable release schedule in 2016 as well as to an increase in the settlement of amounts owed to authors in English-speaking countries, mainly corresponding to royalties earned on successful titles in 2016 for the United Kingdom.

NOTE 25 EQUITY

25.1 SHARE CAPITAL

At 31 December 2017 and 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.

25.2 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. There were no longer any share options outstanding at 31 December 2017.

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).

25.3 TREASURY SHARES

Changes in the number of shares held in treasury over the last two years were as follows:

	2017	2016
Number of treasury shares held at 1 January	**1,952,575**	2,324,157
Purchases of treasury shares	**677,231**	626,955
Sales of treasury shares	**(631,231)**	(657,650)
Capital reduction by cancellation of treasury shares	**(423,357)**	(340,887)
Number of treasury shares held at 31 December	**1,575,218**	1,952,575

At 31 December 2017, shares held in treasury represented 1.20% of Lagardère SCA's share capital and were allocated for the following purposes:

- 1,510,218 shares for future allocation to employees;
- 65,000 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 2017 Lagardère SCA purchased 677,231 treasury shares for a total cost of €18 million and sold 631,231 treasury shares for a total of €17 million, giving rise to a €1 million net disposal loss which was recorded directly in equity.

In 2017 the Group carried out a number of capital reductions by cancelling 423,357 treasury shares for €13 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 2017 to the Group's Co-Managing Partners and salaried employees who are beneficiaries under the 26 December 2013 plan.

In 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, generating a €1 million net disposal gain which was recorded directly in equity.

The Group carried out a number of capital reductions in 2016 by cancelling 340,887 treasury shares for €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.

25.4 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.

25.5 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. 2017	31 Dec. 2016	**31 Dec. 2017**	31 Dec. 2016	**2017**	2016	**2017**	2016
Lagardère Publishing			**27**	25	**3**	4	**4**	3
o/w Librairie Générale Française	**40%**	40%	**20**	19	**4**	3	**3**	2
o/w Pika Editions	**33.33%**	33.33%	**6**	6	**-**	-	**-**	-
Lagardère Travel Retail			**101**	104	**17**	5	**12**	15
o/w the HDS Retail North America (ELS) sub-group(*)	**N/A**	N/A	**68**	79	**9**	7	**12**	15
o/w the Lagardère Duty Free SAS (Aelia) sub-group	**9.96%**	9.96%	**22**	18	**2**	1	**-**	-
o/w the Airest sub-group(**)	**50%**	50%	**12**	6	**6**	1	**-**	-
o/w the Lapker sub-group		80.41%	**-**	(1)	**-**	(4)	**-**	-
Lagardère Active			**5**	6	**1**	5	**1**	1
o/w Mezzo	**40%**	40%	**3**	3	**1**	-	**-**	-
o/w the Réservoir sub-group	**70%**	70%	**-**	1	**-**	2	**-**	-
Lagardère Sports and Entertainment			**6**	(2)	**7**	7	**-**	-
o/w the Lagardère Sports Asia sub-group	**29.26%**	29.26%	**8**	(2)	**7**	7	**-**	-
Total			**139**	133	**28**	21	**17**	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).

25.6 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 7.39% 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.

1 2 3 4 5 6 7 8

25.7 OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR

The components of **other comprehensive income (expense)** can be analysed as follows:

	2017			2016		
	Attributable to owners(*)	Minority interests	Total equity	Attributable to owners(*)	Minority interests	Total equity
Translation reserve	**(134)**	**(8)**	**(142)**	(43)	1	(42)
- Currency translation adjustments	***(135)***	***(8)***	***(143)***	*(48)*	*1*	*(47)*
- Share of other comprehensive income (expense) of equity-accounted companies, net of tax	***1***	**-**	***1***	*5*	-	*5*
Valuation reserve	**18**	**-**	**18**	(32)	-	(32)
Change in fair value of derivative financial instruments	**17**	**-**	**17**	(11)	-	(11)
- Unrealised gains (losses) recognised directly in equity	***25***	**-**	***25***	*(15)*	-	*(15)*
- Amounts reclassified from equity to profit or loss	***1***	**-**	***1***	-	-	-
- Tax effect	***(9)***	**-**	***(9)***	*4*	-	*4*
Change in fair value of investments in non-consolidated companies	**1**	**-**	**1**	(21)	-	(21)
- Unrealised gains (losses) recognised directly in equity	***1***	**-**	***1***	*1*	-	*1*
- Amounts reclassified from equity to profit or loss	**-**	**-**	**-**	*(24)*	-	*(24)*
- Tax effect	**-**	**-**	**-**	*2*	-	*2*
Other reserves	**(2)**	**-**	**(2)**	(27)	-	(27)
- Actuarial gains and losses on pensions and other post-employment benefit obligations	***1***	**-**	***1***	*(34)*	-	*(34)*
- Tax effect	***(3)***	**-**	***(3)***	*7*	-	*7*
Other comprehensive income (expense) for the year, net of tax	**(118)**	**(8)**	**(126)**	(102)	1	(101)

(*) Equity attributable to owners of the Parent.

Currency translation adjustments recognised within other comprehensive income (expense) relate mainly to the following currencies:

	2017	2016
▸ Pound sterling:	€(18) million	€(85) million
▸ US dollar:	€(134) million	€45 million
▸ Other:	€10 million	€(2) million
Total	**€(142) million**	**€(42) million**

NOTE 26 PROVISIONS

26.1 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 2017, the plans in effect in the United Kingdom represented an aggregate obligation of €222 million (56% of the Group's total obligation) and plan assets amounted to €218 million (91% 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 2017, they represented an aggregate obligation of €84 million (21% 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

	2017	2016
Present value of benefit obligation at beginning of year	**395**	368
Current service cost	**9**	7
Plan amendments/Curtailments	**(1)**	(6)
Settlements	**(1)**	-
Interest expense	**9**	11
Employee contributions	**-**	-
Benefits paid	**(10)**	(13)
Actuarial (gains) and losses from changes in demographic assumptions	**1**	-
Actuarial (gains) and losses from changes in financial assumptions	**3**	59
Actuarial (gains) and losses from experience adjustments	**4**	(1)
Changes in scope of consolidation	**-**	-
Translation adjustments and other	**(9)**	(30)
Present value of benefit obligation at end of year	**400**	395
Present value of benefit obligation at end of year for funded plans	**284**	278
Present value of benefit obligation at end of year for unfunded plans	**116**	117

Change in fair value of plan assets

	2017	2016
Fair value of plan assets at beginning of year	**229**	230
Interest income	**6**	8
Effect of remeasurements	**9**	24
Employee contributions	**-**	-
Employer contributions	**7**	7
Benefits paid	**(5)**	(9)
Settlements	**-**	-
Changes in scope of consolidation	**-**	-
Translation adjustments and other	**(7)**	(31)
Fair value of plan assets at end of year	**239**	229

Asset allocation at 31 December

	2017	2016
Shares	**26%**	25%
Bonds	**67%**	68%
Real estate	**2%**	2%
Money market instruments	**0%**	0%
Other	**5%**	5%

Calculation of net amount recognised as a provision at 31 December

	2017	2016	2015	2014	2013
Present value of benefit obligation	**400**	395	368	426	380
Fair value of plan assets	**(239)**	(229)	(230)	(271)	(263)
Unrecognised past service cost	**-**	-	-	-	-
Net amount recognised as a provision	**161**	166	138	155	117

Movements in the provision recognised in the balance sheet

	2017	2016
Provision at beginning of year	**166**	138
Net expense for the year	**9**	4
Actuarial (gains) and losses recognised in equity	**(1)**	34
Employer contributions	**(7)**	(7)
Benefits paid by the employer	**(6)**	(4)
Changes in scope of consolidation	**-**	-
Translation adjustments and other	**-**	1
Provision at end of year(*)	**161**	166

(*) Including €163 million in provisions for post-employment benefit obligations and €2 million recognised under other non-current assets for an overfunded plan.

Calculation of net expense for the year

	2017	2016
Current service cost	**9**	7
Plan amendments/Curtailments	**(1)**	(6)
Settlements	**(1)**	-
Interest expense	**2**	3
Actuarial gains and losses on other employee benefits	**-**	-
Net expense recognised in the income statement	**9**	4
Actuarial (gains) and losses from changes in demographic assumptions	**1**	-
Actuarial (gains) and losses from changes in financial assumptions	**3**	59
Actuarial (gains) and losses from experience adjustments	**4**	(1)
Excess of actual return on plan assets	**(9)**	(24)
Effect of asset ceiling	**-**	-
Remeasurement of the net liability recognised in equity	**(1)**	34
Net expense for the year	**8**	38

Actuarial assumptions used to calculate benefit obligations

	2017	2016
Discount rate: weighted average for all countries including:	**2.17%**	2.34%
- Eurozone(*) *- United Kingdom(*)*	***1.50%*** ***2.60%***	*1.50%* *2.80%*
Average expected rate of benefit increase	**3.11%**	3.10%
Average expected rate of salary increase	**1.89%**	2.52%
Expected rate of healthcare cost inflation:		
- initial *- ultimate* *- year in which ultimate rate is expected to be reached*	***3.75%*** ***2.25%*** ***2030***	*3.75%* *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

	2017	2016
Difference between actual and expected return on plan assets		
Gains (losses)	**9**	24
Percentage of plan assets at year-end	**3.68%**	10.58%
Experience adjustments		
Losses (gains)	**4**	(1)
Percentage of present value of plan liabilities at year-end	**1.00%**	-0.26%

Sensitivity to trend rate assumptions (+/-1%) for post-employment medical plans

	2017	2016
Present value of benefit obligation at 31 December	**13**	13
Effect of a 1% increase: - on present value of benefit obligation - on expense for the year	 **56** **4**	 52 3
Effect of a 1% decrease: - on present value of benefit obligation - on expense for the year	 **(37)** **(2)**	 (33) (2)

Sensitivity of the obligation at 31 December 2017 to changes in discount rates

	0.5% increase	**0.5% decrease**
Impact on present value of benefit obligation	(38)	32
Weighted average duration of obligations	17 years	

Expected employer contributions

	2017	2016
Expected employer contributions	**8**	7

Actuarial gains and losses recognised directly in equity

	2017	2016
Actuarial gains (losses) at 1 January	**(47)**	(40)
Change during the year: - in value of benefit obligation - in fair value of plan assets	 **(8)** **9**	 (58) 24
Actuarial gains (losses) at 31 December	**(46)**	(74)
Deferred tax impact	**24**	27
Actuarial gains (losses), net of tax at 31 December	**(22)**	(47)

26.2 OTHER PROVISIONS

Current and non-current provisions for contingencies and losses primarily cover the following:

	31 Dec. 2017	31 Dec. 2016
Losses on long-term contracts and other contracts	**6**	7
Restructuring and withdrawal costs	**29**	54
Claims and litigation	**69**	71
Other contingencies	**263**	278
Total	**367**	**410**
Of which:		
- non-current provisions	***220***	*222*
- current provisions	***147***	*188*

2017	At 1 Jan. 2017	Translation adjustments	Changes in scope of consolidation	Charges	Utilisations	Releases of surplus provisions	Reclassifications	At 31 Dec. 2017
Losses on long-term contracts and other contracts	**7**	-	-	3	(4)	-	-	**6**
Restructuring and withdrawal costs	**54**	(1)	(1)	20	(35)	(4)	(4)	**29**
Claims and litigation	**71**	(2)	-	14	(6)	(10)	2	**69**
Other contingencies	**278**	-	(3)	58	(32)	(29)	(10)	**263**
Total	**410**	**(3)**	**(4)**	**95**	**(77)**	**(43)**	**(12)**	**367**

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**

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 27 DEBT

27.1 BREAKDOWN OF DEBT

The **Group's total debt** breaks down as follows:

	31 Dec. 2017	31 Dec. 2016
Bonds	**1,292**	989
Bank loans	**200**	3
Finance lease liabilities	**5**	6
Debt related to put options granted to minority shareholders	**34**	24
Medium term notes (NEU MTN)(*)	**19**	-
Other debt	**10**	4
Non-current debt excluding financial instruments designated as hedges of debt	**1,560**	1,026
Financial instruments designated as hedges of debt	**-**	15
Non-current debt	**1,560**	1,041
Bonds	**-**	497
Bank loans	**-**	-
Finance lease liabilities	**5**	5
Debt related to put options granted to minority shareholders	**5**	17
Commercial paper (NEU CP)(**)	**276**	213
Other debt	**89**	100
Current debt excluding financial instruments designated as hedges of debt	**375**	832
Financial instruments designated as hedges of debt	**-**	-
Current debt	**375**	832
Total debt	**1,935**	1,873

(*) Negotiable European Medium Term Notes.
(**) Negotiable European Commercial Paper.

The main movements in debt during 2017 were as follows:

- In June 2017, the issue of €300 million worth of bonds maturing in June 2024 and paying an annual coupon of 1.625%, to be used for general corporate purposes. The effective interest rate is 1.81%.
- Redemption in October 2017 of the €500 million worth of bonds issued in October 2012.
- Continuation of the commercial paper programme (NEU CP) with a ceiling raised to €850 million from €700 million in 2016. Debt issues represented €276 million in 2017 compared with €213 million one year earlier.
- Implementation in June 2017 of a Negotiable European Medium Term Notes programme with a ceiling of €200 million. At 31 December 2017, €19 million worth of notes with a two-year term had been issued under this programme.
- Three bank loans put in place in June 2017, representing an aggregate €200 million (of which €150 million maturing in 2021 and €50 million maturing in 2022), with an overall average effective interest rate of 0.74%.

Movements in **liabilities arising from financing activities** – which include the breakdown of movements in debt presented in the statement of cash flows – can be analysed as follows:

	31 Dec. 2016	Cash flows	Changes in scope of consolidation	Effect of changes in exchange rates	Changes in fair value	Other movements	31 Dec. 2017
Bonds	989	296	-	-	-	7	**1,292**
Bank loans	3	197	-	-	-	-	**200**
Finance lease liabilities	6	(1)	-	-	-	-	**5**
Medium term notes (NEU MTN)(*)	-	19	-	-	-	-	**19**
Other debt	4	5	2	(2)	-	1	**10**
Financial instruments designated as hedges of debt	15	-	-	-	(15)	-	**-**
Non-current liabilities arising from financing activities	**1,017**	**516**	**2**	**(2)**	**(15)**	**8**	**1,526**
Bonds	497	(500)	-	-	-	3	**-**
Bank loans	-	-	-	-	-	-	**-**
Finance lease liabilities	5	-	-	-	-	-	**5**
Commercial paper (NEU CP)(**)	213	63	-	-	-	-	**276**
Other debt	1	(12)	2	10	(1)	2	**2**
Financial instruments designated as hedges of debt	-	-	-	-	-	-	**-**
Current liabilities arising from financing activities	**716**	**(449)**	**2**	**10**	**(1)**	**5**	**283**
Total liabilities arising from financing activities	**1,733**	**67**	**4**	**8**	**(16)**	**13**	**1,809**
Debt related to put options granted to minority shareholders	41	(17)	15	-	-	-	**39**
Short-term bank loans and overdrafts	76	2	-	(8)	-	(1)	**69**
Accrued interest	23	-	-	(1)	6	(10)	**18**
Total debt	**1,873**	**52**	**19**	**(1)**	**(10)**	**2**	**1,935**

(*) Negotiable European Medium Term Notes.
(**) Negotiable European Commercial Paper.

Net debt breaks down as follows:

(in millions of euros)	31 Dec. 2017	31 Dec. 2016
Short-term investments and cash and cash equivalents	**546**	481
Financial instruments designated as hedges of debt with a positive fair value(*)	**21**	3
Non-current debt(**)	**(1,560)**	(1,041)
Current debt	**(375)**	(832)
Net debt	**(1,368)**	(1,389)

(*) At 31 December 2017, financial instruments designated as hedges of debt with a positive fair value were included in "Other current assets" in an amount of €3 million and in "Other non-current assets" in an amount of €18 million.
(**) At 31 December 2016, non-current debt included financial instruments designated as hedges of debt with a negative fair value, representing €15 million.

27.2 ANALYSIS OF DEBT BY MATURITY

At 31 December 2017:

	2018(*)	2019	2020	2021	2022	Beyond 5 years	**Total**
Bonds	-	499	-	-	-	793	**1,292**
Bank loans	-	-	-	148	49	3	**200**
Financial instruments designated as hedges of debt	-	-	-	-	-	-	**-**
Finance lease liabilities	5	4	-	-	-	1	**10**
Debt related to put options granted to minority shareholders	5	2	13	5	11	3	**39**
Commercial paper(**)	276	19	-	-	-	-	**295**
Other debt	89	7	-	-	-	3	**99**
At 31 December 2017	**375**	**531**	**13**	**153**	**60**	**803**	**1,935**

(*) Debt due within one year is classified as "Current debt" in the consolidated balance sheet.
(**) Commercial paper and medium-term notes.

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 designated 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 classified as "Current debt" in the consolidated balance sheet.
(**) Commercial paper and medium-term notes.

27.3 CHARACTERISTICS OF BONDS AND MAIN BANK LOANS

The following tables provide an analysis of bonds and bank loans:

31 Dec. 2017	Carrying amount	Value of hedging instruments(*)	Total	Effective interest rate(**)
19 September 2014 5-year bond issue, for €500 million	499	(8)	**491**	2.37%(***)
13 April 2016 7-year bond issue, for €500 million	496	(10)	**486**	2.90%
21 June 2017 7-year bond issue, for €300 million	297	-	**297**	1.81%
Bonds	**1,292**	**(18)**	**1,274**	
Other debt	200	-	**200**	
Bank loans	**200**	**-**	**200**	
Total	**1,492**	**(18)**	**1,474**	

(*) 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 Dec. 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%
19 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.

27.4 ANALYSIS OF DEBT BY CURRENCY

The following table provides a breakdown of current- and non-current debt by currency before and after hedging:

31 Dec. 2017	Before hedging		After hedging	
		%		%
Eurozone	1,879	97.1%	1,187	61.3%
US dollar	0	0.0%	525	27.2%
Pound sterling	21	1.1%	67	3.5%
Australian dollar	0	0.0%	35	1.8%
Canadian dollar	4	0.2%	38	2.0%
Other	31	1.6%	83	4.3%
Total	**1,935**	**100%**	**1,935**	**100%**

NOTE 28 EXPOSURE TO MARKET RISKS (LIQUIDITY, INTEREST RATE, EXCHANGE RATE AND EQUITY RISKS) AND CREDIT RISKS

28.1 MARKET RISKS

28.1.1 EXPOSURE

Liquidity risks

The Group's liquidity risk is controlled as it has a cash to debt ratio of 198% (calculated by dividing its available liquidity reserves – i.e., cash and cash equivalents, short-term investments and confirmed undrawn credit lines – by gross debt maturing in less than two years). Gross debt maturing within two years amounts to €906 million, while total liquidity reserves represent €1,797 million (€546 million in cash and cash equivalents and short-term investments and €1,251 million in confirmed undrawn credit lines).

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. On 26 April 2016 and 27 April 2017, Lagardère SCA used the two possible extensions and on both occasions received the unanimous approval of the thirteen syndicated banks to extend its credit facility by one year. Following these extensions, the facility will now fall due on 11 May 2022.

Total borrowings include the value of any hedging instruments (see note 27.3).

The proportion of bond debt redeemable at maturity decreased from 79% to 67% of total borrowings between 31 December 2016 and 31 December 2017, with €500 million falling due in 2019 and 2023 and €300 million in 2024.

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 2017, none of the applicable covenants had been breached.

Interest rate risks

Fixed-interest bonds account for 67% of total gross debt.

The €499 million worth of bonds issued in 2014 and maturing in 2019 bear interest at a fixed rate (effective interest rate of 2.37%). The €496 million worth of bonds issued in 2016 and maturing in 2023 also bear interest at a fixed rate (effective interest rate of 2.90%). Lastly, the €297 million worth of bonds maturing in 2024 bear interest at a fixed rate (effective interest rate of 1.81%).

The Group regularly issues commercial paper and medium-term notes with maturities of between 1 and 24 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 €546 million at 31 December 2017. Variable-rate debt stood at €563 million at 31 December 2017 (excluding, in particular, liabilities related to put options granted to minority shareholders and deposits and guarantees received). Based on the amounts indicated above, at 31 December 2017 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 26.1.

Exchange rate risks

The Group's exposure to foreign exchange rate risks on commercial transactions chiefly concerns Lagardère Sports and Entertainment. At 31 December 2017, the foreign currency hedges set up for all four of the Group's divisions – in the form of direct forward agreements – amounted to €120 million (sales) and €209 million (purchases).

The Group does not hedge the income statement translation risk. Its main exposures in this respect are given below.

The percentage of 2017 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	51%
▸ US dollar	18%
▸ Pound sterling	9%
▸ Other	22%
Total	**100%**

Based on accounting data for 2017, 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 2017 recurring operating profit of fully consolidated companies
US dollar(*)	€(12) million
Pound sterling(**)	€(4) million

(*) Recurring operating profit of fully consolidated companies whose functional currency is the US dollar.
(**) Recurring operating profit of fully consolidated companies whose functional currency is the pound sterling.

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 €377 million at 31 December 2017.

For long-term investments including acquisitions, the Group may set up medium-term borrowings in the investment currency. At 31 December 2017, the amount of instruments classified as net investment hedges was €333 million, denominated mainly in US dollars.

Equity risks

The Group's principal direct and indirect investments in listed companies are:

Equities	Number of shares held	Percent shareholding	Share price at 31 Dec. 2017	Market capitalisation at 31 Dec. 2017
Lagardère SCA	1,575,218	1.20%	26.73	€42,105,577
Pension plan assets invested in equities				€61,578,264

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 €239 million at 31 December 2017, of which 26%, or €62 million, was invested in equities (see note 26.1).

28.1.2 MARKET 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.

28.2 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.

28.2.1 EXPOSURE

The Group's exposure to credit and counterparty risk arises principally from:

- customer receivables and 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 €2,758 million at 31 December 2017. 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 revenue deriving from business with the Group's largest, five largest and ten largest customers were as follows:

	2017	2016
Largest customer	**4.8%**	4.1%
Five largest customers	**9.0%**	8.2%
Ten largest customers	**12.3%**	11.2%

The data shown above do 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 came to €546 million at 31 December 2017. 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 amounted to €239 million (including €218 million in the United Kingdom). A total of 67% of these assets are invested in bonds.

Hedging contracts are primarily entered into to hedge foreign exchange risks. Their notional amount was €1,145 million at 31 December 2017. 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.

28.2.2 CREDIT AND COUNTERPARTY 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.

This page is left intentionally blank.

NOTE 29 FINANCIAL INSTRUMENTS

29.1 CARRYING AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value consist of the following derivative instruments:

	31 Dec. 2017	31 Dec. 2016
Derivative financial instruments with a positive fair value – Assets	**24**	10
- Financial instruments designated as hedges of debt(*)	**21**	3
- Currency swaps (effective portion)	**3**	7
Derivative financial instruments with a negative fair value – Liabilities	**(4)**	(20)
- Financial instruments designated as hedges of debt	**-**	(15)
- Currency swaps (effective portion)	**(4)**	(5)
Total (net)	**20**	(10)

(*) Including €18 million recognised under non-current assets and €3 million under current assets.

29.2 FINANCIAL INSTRUMENTS RECOGNISED IN THE BALANCE SHEET

	31 Dec. 2017		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	48	48		48			
Other non-current financial assets	77	77	77				
Trade receivables	1,208	1,208	1,208				
Derivative financial instruments	24	24					24
Other current financial assets	908	908	908				
Short-term investments	-	-		-			
Cash equivalents	138	138				138	
Cash	408	408	408				
Assets	**2,811**	**2,811**	**2,601**	**48**		**138**	**24**
Bonds and bank loans	1,492	1,555			1,492		
Other debt	443	443			443		
Other non-current financial liabilities	110	110			110		
Trade payables	1,445	1,445			1,445		
Derivative financial instruments	4	4					4
Other current financial liabilities	1,230	1,230			1,230		
Liabilities	**4,724**	**4,787**			**4,720**		**4**

(1) There were no reclassifications between categories of financial instruments in 2017.

	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	-	-		-			
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					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.

29.3 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:

31 Dec. 2017	Category of instrument(1)			Fair value hierarchy(2)			Acquisition cost
	Available-for-sale financial assets	Fair value through profit or loss	Derivative financial instruments	Level 1	Level 2	Level 3	
Investments	48						48
- FCPI Idinvest Digital Fund II	*11*						*11*
- Other	*37*						*37*
Derivative financial instruments with a positive fair value			24		24		
Short-term investments	-			-			
- Shares	-			-			
- Bonds	-			-			
Cash equivalents		138		138			
- Marketable securities		*138*		*138*			
Total financial instruments with a positive fair value	**48**	**138**	**24**	**138**	**24**		**48**
Derivative financial instruments with a negative fair value			4		4		
Total financial instruments with a negative fair value			**4**		**4**		

(1) There were no reclassifications between categories of financial instruments in 2017.
(2) There were no reclassifications between fair value hierarchy levels in 2017.

31 Dec. 2016	Category of instrument(1)			Fair value hierarchy(2)			Acquisition cost
	Available-for-sale financial assets	Fair value through profit or loss	Derivative financial instruments	Level 1	Level 2	Level 3	
Investments	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	-			-			
- Shares	-			-			
- Bonds	-			-			
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.

NOTE 30 OTHER LIABILITIES

Other liabilities break down as follows:

	31 Dec. 2017	31 Dec. 2016
Due to suppliers of non-current assets	**76**	49
Repayable advances	**-**	-
Other advances and prepayments	**-**	-
Other	**33**	31
Other non-current liabilities	**109**	80
Derivative financial instruments(*)	**4**	5
Accrued taxes and employee benefit expense	**450**	431
Advances and prepayments	**31**	25
Due to authors	**229**	269
Due to customers	**90**	88
Deferred income	**139**	187
Sundry payables	**292**	390
Other current liabilities	**1,235**	1,395
Total other liabilities	**1,344**	1,475

(*) See note 29.1.

NOTE 31 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. 2017	31 Dec. 2016
Bonds and bank loans (net of derivatives)		688	786	**1,474**	1,504
Other debt	375	62	6	**443**	384
Other non-current financial liabilities		79	31	**110**	80
Trade payables	1,445			**1,445**	1,439
Currency swaps	4			**4**	5
Other current financial liabilities	1,228			**1,228**	1,390
Total financial liabilities	**3,052**	**829**	**823**	**4,704**	**4,802**
including finance lease obligations	***5***	***4***	***1***	***10***	***11***
Expected bank interest on debt(*)	18	99	24	**141**	146
Operating leases(**)	107	267	215	**589**	606
Commitments for future capital expenditure	2			**2**	18
Total contractual obligations	**3,179**	**1,195**	**1,062**	**5,436**	**5,572**

(*) Variable-rate interest payable has been calculated based on the rates in force at 31 December 2017. 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 included lease expenses of €607 million in 2017 (2016: €597 million).

Guaranteed minimum payments

As well as the above contractual obligations, at 31 December 2017 the Group was committed to guaranteed minimum future payments contracted by:

- Lagardère Sports and Entertainment: €1,064 million under long-term contracts for the sale of TV and marketing rights;
- Lagardère Travel Retail: €1,876 million under concession agreements.

These payments break down as follows by maturity:

Maturity	2018	2019	2020	2021	2022	Beyond 5 years	Total 31 Dec. 2017	Total 31 Dec. 2016
Guaranteed minimum payments under sports rights marketing contracts	168	152	146	84	74	440	**1,064**	1,326
Guaranteed minimum payments under concession agreements (fixed portion)(*)	339	310	274	248	205	500	**1,876**	1,859

(*) 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 2017, the amounts due under these contracts totalled €1,550 million, breaking down as follows by maturity:

Maturity	2018	2019	2020	2021	2022	Beyond 5 years	Total 31 Dec. 2017	Total 31 Dec. 2016
Sports rights marketing contracts signed with broadcasters and partners	533	363	222	85	88	259	**1,550**	1,780

NOTE 32 OFF-BALANCE SHEET COMMITMENTS

The information below relates to subsidiaries controlled and fully consolidated by Lagardère.

	31 Dec. 2017	31 Dec. 2016
Commitments given in the normal course of business		
- guarantees and performance bonds	**361**	301
- guarantees given to third parties and non-consolidated companies	**110**	133
- other commitments given	**6**	6
Commitments on assets	**-**	-
Commitments to purchase shares (estimated amount, excluding put options granted to minority shareholders of fully consolidated subsidiaries)	**-**	3
Commitments received		
- counter-guarantees of commitments given	**1**	3
- other commitments received	**2**	2
Confirmed, unused lines of credit ***Of which unused lines on the syndicated credit facility***	**1,251** ***1,250***	1,281 *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 33 LITIGATION

In the normal course of its business, the Group is involved in a number of disputes principally related to contract execution. The main disputes currently in progress are described below. Where necessary, the Group sets aside adequate provisions to cover risks arising from both general and specific disputes. The total amount of these provisions is set out in note 26.

Dispute with Editions Odile Jacob concerning the Vivendi Universal Publishing and Editis transactions

Previously, 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. Following the above-mentioned ECJ ruling dated 28 January 2016 definitively confirming Wendel as the buyer, on 19 January 2018, Editions Odile Jacob requested that the proceedings resume before the Paris Commercial Court.

The Group does not believe that Editions Odile Jacob has serious grounds to support its application to cancel the transactions and it does not consider itself exposed to unfavourable consequences as a result of this 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 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.

Further to an amicable request by SDB to revise the fine, on 20 April 2016, the President of 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 at the time the fine was paid by SDB. Although the fine has been paid it is 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 proceedings are still under way but the related financial claims seem to be 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 for the worldwide rights to its new cricket competition, the Indian Premier League (IPL), until 2017. WSG India – which became a subsidiary of Lagardère Sports and Entertainment in May 2008 – was awarded these rights in early 2008, with the exception of the rights for the Indian subcontinent 2008-2012 which were awarded 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 granted to WSG India the IPL rights worldwide, excluding the Indian subcontinent, for the period from 2009 to 2017.

In June 2010, the BCCI terminated this contract, 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 interrupting the sub-licences granted by WSG India and without prejudging the substance of the case — temporarily granted the BCCI (i.e., until the end of the procedure), under the supervision of the Court, media rights to the IPL outside the Indian subcontinent that had not already been licensed 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. The arbitration award is expected to be handed down either in late 2018 or in 2019.

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. An investigation has not progressed since 2010.

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 €10.6 million at 31 December 2017. 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 and the police came to WSG India's registered office to make certain enquiries of an accountant. WSG India has complied with all requests made by the authorities.

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 **United States**, 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. Lastly, a claim for damages was made in the United States by several distributors against the publishers and Apple: this claim was dismissed in the first instance in 2015 and 2016 and subsequently on appeal in 2017, meaning that is has now been definitively dismissed.

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 involved in the case entered into a new consent agreement with the Competition Tribunal. This new agreement was temporarily suspended on 8 March 2017 following a further appeal by Kobo. Kobo's second appeal was dismissed on 1 February 2018, meaning that the new consent agreement should enter into force in the near future. Another class action was filed relating to 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 each 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 appealed this decision before the Court of Cassation, which on 26 October 2017, partially overturned the rulings made by the Court of Appeal concerning the internal redeployment obligation. The case has now been referred back to the Bourges Court of Appeal.

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 Active, 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.

On 20 December 2017, the Paris Commercial Court ordered Lagardère Digital France, Lawebco and Lagardère Active to pay €3,600,000 (excluding legal fees) as compensation for damage to the image of the former shareholder and Chief Executive Officer of Lawebco as well as loss of opportunity and damage to the image of one of the logistics service providers. The three defendants have appealed this decision.

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 the reclassification was legally founded and the reassessment has been appealed before the courts, which handed down contradictory decisions in the first instance. The decisions were appealed and the first appeal was successful. The other proceedings are still pending.

Monla/Lagardère Travel Retail & Chalhoub arbitration

Between end-2016 and early 2017, Lagardère Travel Retail ("LTR"), Monla Group SAL Holding ("Monla") and Chalhoub Group Limited ("Chalhoub") began talks regarding a potential joint response to a request for proposals for a Duty Free concession at Beirut airport. LTR and Chalhoub ultimately submitted a proposal without Monla, but were not selected.

On 10 May 2017, Monla filed an arbitration claim against LTR and Chalhoub with the International Chamber of Commerce, asserting wrongful behaviour in the conduct and suspension of their three-party discussions. Monla is seeking damages (plus miscellaneous expenses) from the respondents for the alleged harm caused, in particular to its image, and for loss of opportunity. The arbitration tribunal has recently issued the organisational calendar for the proceedings and the ruling is expected to be handed down in the first half of 2019. LTR disputes the validity of the claims and the damages. The financial claims put forward appear excessive.

Competition proceedings in Africa concerning the commercialisation of the rights of the Confederation of African Football

On 3 January 2017, the Egyptian Competition Authority (ECA) issued a decision against the Confederation of African Football (CAF) in which it alleged that the CAF was abusing its dominant position concerning the commercialisation of its media rights in Egypt through its current agency agreement with Lagardère Sports. This decision contained a number of injunctions, including the cancellation of the agency agreement for the Egyptian market. Since then, the case has been referred to the Cairo Economic Court which issued proceedings against two of its former executives. A number of hearings in relation to the case were held in 2017 and more are taking place in 2018.

Meanwhile, in February 2017, the CCC (the Competition Commission entrusted with merger regulation in COMESA – the Common Market of Eastern and Southern Africa) launched an investigation into the commercialisation of the media and marketing rights for the CAF's tournaments, notably covering the above-mentioned agency agreement and the other contracts between the CAF and its various partners. The investigation phase is ongoing.

Lagardère Sports, which is not formally involved in the above procedures, considers that the allegations made are unfounded and that its agency agreement with the CAF does not breach any competition regulations.

Competition investigations in the school textbook market in Spain

Following a complaint filed by a publisher, on 28 and 29 March 2017 the Spanish competition authority (CNMC) carried out searches at the premises of the ANELE (the school textbook publishers' trade association) and three publishers (including Anaya, a subsidiary of Hachette Livre).

On 9 October 2017, the CNMC launched a sanction procedure against the ANELE and the publishers concerned, with the following two obligations that concern Anaya:

- With a view to promoting ethical behaviour and ensuring buyers' independence, discussions should be held between publishers about providing for a special clause in an ANELE Code of Conduct that limits the bonuses and gifts offered by publishers to buyers' organisations when those organisations order textbooks or other school equipment. The ANELE had already drafted such a clause, which it had shown to the CNMC and argued in its favour in October 2016.
- Discussions should be held between publishers about the terms and conditions for selling digital versions of textbooks when negotiations are carried out with certain autonomous regions.

The CNMC is expected to issue its decision in early 2019.

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 34 RELATED PARTIES

34.1 MANAGEMENT REMUNERATION

The total gross remuneration awarded to the members of Lagardère SCA's Executive Committee for 2017 amounted to €8.7 million, and €15.1 million including related charges. The figure with charges includes a provision recorded for the supplementary pension plan. The corresponding figures for 2016 were €10.0 million and €17.1 million, respectively.

None of these beneficiaries received attendance fees from any Group company in either 2017 or 2016. They were awarded 108,000 rights to performance shares in 2017 and 88,000 in 2016. 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.

34.2 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 executives forming the Group's Executive Committee. The role of the Executive Committee is to assist the Managing Partners in their duties, i.e., to determine the Group's strategy and lead its development, and to take the resulting necessary management decisions and implement them globally at parent company level and in the Group's different business activities. LC&M bears the entire cost of 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 an agreement entered into with Lagardère Ressources (the entity responsible for managing all of the Group's corporate resources) which the Supervisory Board approved on 12 March 2004 based on the recommendation of the Audit Committee. Since the inception of the agreement, the work performed has been 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, LC&M's remuneration 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 before submitting them to the Supervisory Board.

In accordance with the above-described basis of remuneration, in 2017 LC&M invoiced €23.8 million to the Group, compared with €26.0 million in 2016. 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 2017 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 2017 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 35 EVENTS AFTER THE REPORTING PERIOD

On 20 February 2018, the Group entered into a sale agreement with the Ardian Real Estate group for the headquarters of French radio station Europe 1 (Lagardère Active), located at rue François 1er in central Paris. Four-fifths of the €253 million selling price will be paid without conditions precedent on the signing date of the final deed of sale by 25 June, with the balance to be paid at the end of the year.

Accordingly, the building was classified as held for sale in the consolidated financial statements at 31 December 2017.

NOTE 36 FEES PAID TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

	2017			
(in thousands of euros)	Mazars	%	Ernst & Young et Autres	%
Statutory audit, certification, review of individual and consolidated financial statements	4,023	87.2	3,473	82.1
- Lagardère SCA	*169*	*3.7*	*173*	*4.1*
- Fully consolidated subsidiaries	*3,854*	*83.5*	*3,300*	*78.0*
Sub-total	**4,023**	**87.2**	**3,473**	**82.1**
Non-audit services	592	12.8	757	17.9
- Lagardère SCA	*73*	*1.6*	*82*	*1.9*
- Fully consolidated subsidiaries	*519*	*11.2*	*675*	*16.0*
Sub-total	**592**	**12.8**	**757**	**17.9**
Total	**4,615**	**100.0**	**4,230**	**100.0**

	2016			
(in thousands of euros)	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**
Non-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**

Non-audit services include services required as part of the statutory audit in accordance with the laws and regulations, and as well as services provided at the request of the entity.

Services provided at the request of the entity notably include the comfort letter issued in the scope of the Group's bond issue, engagements related to various acquisitions and tax matters (tax compliance, in particular), as well as the issuance of various attestations.

NOTE 37 LIST OF CONSOLIDATED COMPANIES

Companies controlled and fully consolidated at 31 December 2017:

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
BRAINBOW LIMITED	LONDON (UNITED KINGDOM)		75.16	75.16
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
GROUPE HATIER INTERNATIONAL	11 rue Paul Bert – 92240 MALAKOFF	572 079 093	100.00	100.00
GRUPO PATRIA CULTURAL	MEXICO CITY (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
ICE PARTCIPATIONS	58 rue Jean Bleuzen – 92170 VANVES	829 164 110	98.51	98.51
ISCOOL ENTERTAINMENT	43 rue d'Aboukir – 75002 PARIS	435 269 170	98.51	100.00
KWYK	61 rue de Maubeuge – 75009 PARIS	537 961 369	83.67	83.67
LA DIFF	58 rue Jean Bleuzen – 92170 VANVES	429 980 857	100.00	100.00
LAROUSSE	21 rue du Montparnasse – 75006 PARIS	401 457 213	100.00	100.00
LAROUSSE EDITORIAL SL	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

(*) The limited partnership confers control to Lagardère Publishing.

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
SAMAS	11 rue Paul Bert – 92240 MALAKOFF	775 663 321	100.00	100.00
STUDIO 58	58 rue Jean Bleuzen – 92170 VANVES	831 212 527	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
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				
13114 PUBLISHERS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
ARMS & ARMOUR PRESS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
ARTHUR BAKER LTD	LONDON (UNITED KINGDOM)		100.00	100.00
BLANDFORD PUBLISHING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
BLANDFORD PRESS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
BREWERS PUBLISHING COMPANY 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
CONTACT PUBLICATIONS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
GEORGE WEIDENFELD HOLDINGS 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
MRS BEETON INDUSTRIES LTD	LONDON (UNITED KINGDOM)		100.00	100.00
NEW ORCHARD EDITIONS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
ORION BOOKS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
ORION PUBLISHING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
ORION PUBLISHING GROUP LTD	LONDON (UNITED KINGDOM)		100.00	100.00
PHOENIX HOUSE PUBLISHERS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
RIGEL PUBLICATIONS LTD	LONDON (UNITED KINGDOM)		100.00	100.00

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
VICTOR GOLLANCZ LTD	LONDON (UNITED KINGDOM)		100.00	100.00
WARD LOCK LTD	LONDON (UNITED KINGDOM)		100.00	100.00
WARD LOCK PUBLISHING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
WEIDENFELD LTD	LONDON (UNITED KINGDOM)		100.00	100.00
WEIDENFELD PUBLISHERS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
WEIDENFELD & NICOLSON (WORLD UNIVERSITY LIBRARY) 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 PRIVATE LTD	NEW DELHI (INDIA)		100.00	100.00
HACHETTE NEW ZEALAND LTD	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
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 LTD	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
QUERCUS BOOKS LTD	LONDON (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
RISING STARS UK LTD	LONDON (UNITED KINGDOM)		100.00	100.00
ROBERT GIBSON & SONS GLASGOW LTD	GLASGOW (UNITED KINGDOM)		100.00	100.00
STORYFIRE 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

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
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
CLOVERVIEW LTD	LONDON (UNITED KINGDOM)		100.00	100.00
CONSTABLE & ROBINSON LTD	LONDON (UNITED KINGDOM)		100.00	100.00
CONSTABLE & COMPANY LTD	LONDON (UNITED KINGDOM)		100.00	100.00
ELLIOT RIGHT WAY BOOKS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
FUTURA PUBLICATIONS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HOW TO LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HOW TO BOOKS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HOW TO CONTENT LTD	LONDON (UNITED KINGDOM)		100.00	100.00
LITTLE. BROWN & COMPANY LTD	LONDON (UNITED KINGDOM)		100.00	100.00
MAGPIE BOOKS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
PIATKUS BOOKS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
ROBINSON PUBLISHING LTD	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
TRANSITA 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 CITY (MEXICO)		100.00	100.00
DIFUSORA LAROUSSE MEXICO CITY SA DE CV	MEXICO CITY (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	LONDON (UNITED KINGDOM)		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
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 SRO	PRAGUE (CZECH REPUBLIC)		100.00	100.00
BIG DOG BV	AMSTERDAM (NETHERLANDS)		90.04	100.00

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
CITI TABAK	PRAGUE (CZECH REPUBLIC)		100.00	100.00
CORSINI	IASI (ROMANIA)		100.00	100.00
DUTY FREE STORES GOLD COAST PTY LTD	SYDNEY (AUSTRALIA)		100.00	100.00
DUTY FREE STORES WELLINGTON LTD	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
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
INFLIGHT SERVICE POLAND SP ZOO	WARSAW (POLAND)		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 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 DEUTSCHLAND SPECIALTY GMBH	WIESBADEN (GERMANY)		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 REAL ESTATE BV	AMSTERDAM (NETHERLANDS)		90.04	100.00
LAGARDÈRE TRAVEL RETAIL STATIONS 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 SENEGAL	DIASS (SENEGAL)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL SPAIN SA	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
LS ASIA PACIFIC PTY LTD	SYDNEY (AUSTRALIA)		100.00	100.00
LS TR INTERNATIONAL	LE GRAND-SACONNEX (SWITZERLAND)		100.00	100.00
LS TR ITALIA SRL	FIUMICINO (ITALY)		90.04	100.00
LS TR NORTH AMERICA INC.	TORONTO (CANADA)		100.00	100.00
LS TR ROMA SRL	FIUMICINO (ITALY)		90.04	100.00

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
LS TRAVEL FOODSERVICES DEUTSCHLAND GMBH	WIESBADEN (GERMANY)		100.00	100.00
LS TRAVEL RETAIL BULGARIA LTD	SOFIA (BULGARIA)		100.00	100.00
LS TRAVEL RETAIL DEUTSCHLAND GMBH	HUERTH HERMUELHEIM (GERMANY)		100.00	100.00
LS TRAVEL RETAIL MALAYSIA SDN BHD	KUALA LUMPUR (MALAYSIA)		97.00	97.00
LS TRAVEL RETAIL NEW ZEALAND LTD	AUCKLAND (NEW ZEALAND)		100.00	100.00
LS TRAVEL RETAIL ROMANIA SRL	BUCAREST (ROMANIA)		100.00	100.00
M TRAFIK SRO	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 PTY LTD	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 SA	MADRID (SPAIN)		100.00	100.00
TOPCODI SL	MADRID (SPAIN)		100.00	100.00
AIREST GROUP				
LS TR FOODSERVICES ITALIA SRL	VENICE (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
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(**)
LAGARDÈRE FOOD SERVICES SRL	VENICE (ITALY)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL AUSTRIA GMBH	VIENNA (AUSTRIA)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL AUSTRIA HOLDING GMBH	VIENNA (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 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	99.97	100.00

(*) Comprising 150 fully consolidated entities (including minority interests in each entity with different percentage interests).
(**) The shareholder agreement confers control of the group to Lagardère Travel Retail.

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
AMAYA-TECHNISONOR	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	542 088 604	99.92	100.00
ANIMALBOX	149 rue Anatole France 92300 LEVALLOIS-PERRET	750 336 117	82.07	82.09
ANIMALBOX PETFOOD	149 rue Anatole France 92300 LEVALLOIS-PERRET	807 456 264	82.07	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 GMBH	SARREBRUCK (GERMANY)		99.73	99.81
DE PÈRE EN FILS PRODUCTIONS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	444 930 994	99.92	100.00
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	98.01	98.04
DOCTISSIMO	149 rue Anatole France 92300 LEVALLOIS-PERRET	562 013 524	99.97	100.00
DOCTISSIMO LATAM	MEXICO CITY (MEXICO)		99.97	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	28 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
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	99.97
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
IS 25	23 rue Baudin – 92300 LEVALLOIS-PERRET	824 582 431	100.00	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 ENTREPRISES JAPAN CO LTD	TOKYO (JAPAN)		99.97	100.00

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
LAGARDÈRE ACTIVE FINANCES	149 rue Anatole France 92300 LEVALLOIS-PERRET	410 208 136	100.00	100.00
LAGARDÈRE ACTIVE SHOPPING	149 rue Anatole France 92300 LEVALLOIS-PERRET	827 899 279	55.02	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	69.98	70.00
LAGARDÈRE DIGITAL FRANCE	149 rue Anatole France 92300 LEVALLOIS-PERRET	433 934 312	99.97	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
LES ÉDITIONS MUSICALES FRANÇOIS 1er	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	381 649 771	99.92	100.00
LTI VOSTOK OOO	MOSCOW (RUSSIA)		99.92	100.00
MATCH PROD	149 rue Anatole France 92300 LEVALLOIS-PERRET	824 634 257	99.97	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	72.98	73.00
MONEYTAG	151 rue Anatole France 92300 LEVALLOIS-PERRET	823 738 919	99.97	100.00
NEWSWEB	151 rue Anatole France 92300 LEVALLOIS-PERRET	424 905 172	99.97	100.00
PARTNER PROD	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	429 513 153	99.92	100.00
PLURIMEDIA	9 Place Marie-Jeanne Bassot 92300 LEVALLOIS-PERRET	391 817 467	99.97	100.00
PROMOTION ET SPECTACLES D'EUROPE 1	26 bis rue François 1er – 75008 PARIS	632 042 495	99.83	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
SAVE FERRIS STUDIOS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	830 491 429	51.96	52.00
SHOPVOLUTION LTD	LONDON (UNITED KINGDOM)		55.02	55.04
SOCIÉTÉ DE PRESSE FÉMININE	149 rue Anatole France 92300 LEVALLOIS-PERRET	441 174 554	100.00	100.00

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
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
AITO GROUP				
AITO MEDIA OY	HELSINKI (FINLAND)		73.66	73.66
AITO & HAAPASALO ENTERTAINMENT OY	HELSINKI (FINLAND)		44.20	60.00
AITO TEHDAS OY	HELSINKI (FINLAND)		36.83	50.00
BOOMERANG GROUP				
BOOMERANG TV SA	MADRID (SPAIN)		93.92	94.00
BOOMERANG CHILE PRODUCCIONES	SANTIAGO (CHILI)		93.92	100.00
BOOMERANG TV ITALIA	ROME (ITALY)		93.92	100.00
DOBLE DIEZ COMUNICACION SL	LAS PALMAS (SPAIN)		93.92	100.00
DTV TECNOLOGIA Y PRODUCCION DIGITAL SL	ALCOBENDAS (SPAIN)		93.92	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 (COTE D'IVOIRE)		99.92	100.00
ADI SÉNÉGAL	DAKAR (SENEGAL)		49.96	100.00(*)
EDI ROMANIA	BUCAREST (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	SAAREBRUCK (GERMANY)		50.99	51.14
RADIO XXI	BUCAREST (ROMANIA)		99.92	100.00
RRM BUCAREST	BUCAREST (ROMANIA)		99.92	100.00
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	84.93	85.00
GROUPE RÉSERVOIR	101-103 boulevard Murat – 75016 PARIS	395 221 286	84.93	100.00
RÉSERVOIR NET	101-103 boulevard Murat – 75016 PARIS	429 944 986	84.93	100.00
RÉSERVOIR PROD	101-103 boulevard Murat – 75016 PARIS	432 411 502	84.93	100.00

(*) The shareholder agreement confers control of the group to Lagardère Active.

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
LAGARDÈRE SPORTS AND ENTERTAINMENT				
LAGARDÈRE SPORTS AND ENTERTAINMENT	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	453 759 078	100.00	100.00
LAGARDÈRE SPORTS AND ENTERTAINMENT UK LTD	LONDON (UNITED KINGDOM)		100.00	100.00
LAGARDÈRE SPORTS BRAZIL OPERACOES ESPORTIVAS E PARTICIPATOES	SAO PAULO (BRAZIL)		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
BRAVE MARKETING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
EVENT 360	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	527 670 590	100.00	100.00
IFAP SPORTS	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	448 347 237	100.00	100.00
LAGARDÈRE PLUS	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	518 902 283	100.00	100.00
LAGARDÈRE PLUS GMBH	FRANKFURT (GERMANY)		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 UK LTD	LONDON (UNITED KINGDOM)		100.00	100.00
MULTIMEDIA GLOBAL FINANCE SA	LUXEMBOURG (LUXEMBOURG)		100.00	100.00
SPORTFIVE MARKETING ESPORTIVO LTDA	RIO DE JANEIRO (BRAZIL)		100.00	100.00
SPORTFIVE SRL	TURIN (ITALY)		100.00	100.00
U! SPORTS GMBH	HAMBURG (GERMANY)		100.00	100.00
U! SPORTS SP ZOO	WARSAW (POLAND)		100.00	100.00
U! SPORTS SLOVAKIA SRO	BRATISLAVA (SLOVAKIA)		100.00	100.00
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
LAGARDÈRE SPORTS TENNIS & GOLF SWEDEN				
LAGARDÈRE SPORTS TENNIS & GOLF AB	GOTHENBURG (SWEDEN)		100.00	100.00
LAGARDÈRE SPORTS SCANDINAVIA GROUP				
LAGARDÈRE SPORTS SCANDINAVIA AB	STOCKHOLM (SWEDEN)		100.00	100.00
IEC IN SPORTS (SWITZERLAND) SARL	LAUSANNE (SWITZERLAND)		100.00	100.00
LAGARDÈRE SPORTS US GROUP				
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

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
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)		100.00	100.00
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 ARENA 13	1955 rue Claude Nicolas Ledoux 13290 AIX EN PROVENCE	824 242 713	100.00	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
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	48-50 avenue Jean Alfonsea – 33270 FLOIRAC	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
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 MIDDLE EAST FZ LLC	DUBAI (UNITED ARAB EMIRATES)		70.74	100.00
LAGARDÈRE SPORTS (SHANGHAI) LTD	SHANGHAI (CHINA)		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

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
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
ÉDIFINANCE PARTICIPATIONS	42 rue Washington – 75008 PARIS	440 143 741	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 2017:

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				
AÉROPORTS 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
CONCESSIONS MANAGEMENT LS AT LAX	LOS ANGELES (UNITED STATES)		50.00	50.00
LAGARDÈRE & CONNEXIONS	55 rue Deguingand – 92300 LEVALLOIS-PERRET	799 394 739	50.00	50.00
LAGARDÈRE CAPITAL LLC	ABU DHABI (UNITED ARAB EMIRATES)		50.00	50.00
LS CONCESSIONS MANAGEMENT AT LAX	LOS ANGELES (UNITED STATES)		50.00	50.00
SVRLS LA REUNION	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	Tour Prisma. 4-6 avenue d'Alsace 92400 COURBEVOIE	448 457 978	45.02	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				
MULTIPARK MADRID	MADRID (SPAIN)		46.96	50.00
NOVA VERANDA 2010	BARCELONA (SPAIN)		46.96	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 – 92110 CLICHY	304 233 406	50.00	50.00

Companies in which the Group exercises significant influence, accounted for under the equity method at 31 December 2017:

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	BUCAREST (ROMANIA)		45.02	49.90
DUTYFLY SOLUTIONS LUXEMBOURG	LUXEMBOURG (LUXEMBOURG)		45.02	49.90
INMEDIO SP ZOO	WARSAW (POLAND)		49.00	49.00
HONG KONG MEE	HONG KONG (CHINA)		20.00	20.00
LAGARDÈRE KSA	RIYAD (SAUDI ARABIA)		26.00	26.00
LAGARDÈRE ACTIVE				
DISNEY HACHETTE PRESSE	10 rue Thierry Le Luron 92300 LEVALLOIS-PERRET	380 254 763	48.99	49.00
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 GROUP				
ONSIDE SPORTS GMBH	HAMBURG (GERMANY)		46.00	46.00
LAGARDÈRE SPORTS INC GROUP				
SADDLEBROOK INTERNATIONAL SPORTS LLC	WESLEY CHAPEL (UNITED STATES)		30.00	30.00

Companies controlled but not consolidated at 31 December 2017 as not material:

NON-CONSOLIDATED CONTROLLED COMPANIES	REGISTERED OFFICE	Registration number	% interest	% control
LAGARDÈRE PUBLISHING				
NOUVELLES ÉDITIONS IVOIRIENNES SAEM	ABIDJAN (CÔTE D'IVOIRE)		69.66	69.66
HACHETTE COLLECTIONS UKRAINE	KIEV (UKRAINE)		99.90	99.90
LPC	70 avenue Victor Hugo – 86500 MONTMORILLON	326 980 026	100.00	100.00
KYLE CATHIE LTD	LONDON (UNITED KINGDOM)		100.00	100.00
SUMMERSDALE PUBLISHERS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
KYLE BOOKS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
JESSICA KINGSLEY(PUBLISHERS) LTD	LONDON (UNITED KINGDOM)		100.00	100.00
JESSICA KINGSLEY PUBLISHERS INC.	PHILADELPHIA (UNITED STATES)		100.00	100.00
EDITIONES LAROUSSE CHILE SA	SANTIAGO (CHILE)		100.00	100.00
DIFUSORA LAROUSSE DE COLOMBIA LTDA	BOGOTA (COLOMBIA)		100.00	100.00
HACHETTE LIVRE MAROC	MOHAMMEDIA (MOROCCO)		99.84	99.84
EDITORA HATIER	SAO PAULO (BRAZIL)		100.00	100.00
PROLIVRE GIE	61 rue des Saints Pères – 75006 PARIS	788 242 501	99.65	100.00
FRANCE TELEDISTRIBUTIQUE	1 avenue Gutenberg – 78310 MAUREPAS	351 416 235	100.00	100.00
EDITORA SALVAT DO BRASIL LTDA	SAO PAULO (BRAZIL)		100.00	100.00
LOGISPRO	58 rue Jean Bleuzen – 92170 VANVES	381 652 049	99.50	99.50
MULTIMEDIA DIFFUSION SERVICES	11 rue Paul Bert – 92240 MALAKOFF	388 221 681	99.00	99.00
LAGARDÈRE TRAVEL RETAIL				
LS MALAYSIA SDN BHD	KUALA LUMPUR (MALAYSIA)		85.00	85.00
LS DISTRIBUTION LOGISTICS INC.	MONTREAL (CANADA)		100.00	100.00
HDS DIGITAL	55 rue Deguingand – 92100 LEVALLOIS-PERRET	488 312 596	100.00	100.00
SLOVAK RETAIL	BRATISLAVA (SLOVAKIA)		100.00	100.00
LAGARDÈRE ACTIVE				
LAE SHANGHAI CONSULTING LTD	SHANGHAI (CHINA)		99.97	100.00
LAE AMERICA INC.	WILMINGTON (UNITED STATES)		99.97	100.00
LAE TAIWAN LTD	TAIWAN (CHINA)		99.97	100.00
LAE HONG KONG LTD	HONG KONG (CHINA)		99.97	100.00
LAE THAILAND LTD	BANGKOK (THAILAND)		99.97	100.00
LAE KOREA LTD	SEOUL (SOUTH KOREA)		99.97	100.00
DIFFA WEST AFRICA	ABIDJAN (CÔTE D'IVOIRE)		50.06	100.00
REGIE RADIO OSTRAVA SRO	PRAGUE (CZECH REPUBLIC)		99.92	100.00
RADIO DUHA SRO	PRAGUE (CZECH REPUBLIC)		99.92	100.00
RADIO WEST PLZEN	PRAGUE (CZECH REPUBLIC)		99.92	100.00
ATLANTIQUE CREATION	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	512 015 736	99.92	100.00
ELLE FASHION LTD	BANGKOK (THAILAND)		99.27	99.30
EUROMEDIA SP ZOO	WARSAW (POLAND)		99.92	100.00
ZETNET SP ZOO	WARSAW (POLAND)		99.92	100.00
MODINC LTDA	SAO PAULO (BRAZIL)		99.97	100.00
RADIOCLUB FM 88.0 SRO	PRAGUE (CZECH REPUBLIC)		99.92	100.00
STUDIO EVROPA 2 SRO	PRAGUE (CZECH REPUBLIC)		99.92	100.00
AMBO SRO	PRAGUE (CZECH REPUBLIC)		99.92	100.00
EVROPA 2 SEVERNI CECHY SRO	PRAGUE (CZECH REPUBLIC)		99.92	100.00

NON-CONSOLIDATED CONTROLLED COMPANIES	REGISTERED OFFICE	Registration number	% interest	% control
IS 24	149 rue Anatole France 92300 LEVALLOIS-PERRET	824 652 069	100.00	100.00
RFM EST	23 boulevard de l'Europe 54500 VANDOEUVRE LES NANCY	402 062 269	74.74	74.80
ALPES COMMUNICATION	Montreviot – 05230 LA BATIE NEUVE	347 982 571	60.75	60.80
RFM AJACCIO	13 route des Sanguinaires – 20000 AJACCIO	384 012 332	99.92	100.00
INTERACTIVE INVESTMENT CONSULTING	TAIPEI CITY (TAIWAN)		99.97	100.00
OTHER ACTIVITIES				
LAGARDÈRE EXPRESSION	42 rue Washington – 75008 PARIS	353 463 235	100.00	100.00
SOFMAT8	42 rue Washington – 75008 PARIS	420 442 667	100.00	100.00
EDIHISPANIA 2004 SL	BARCELONA (SPAIN)		100.00	100.00
LAPART 2	42 rue Washington – 75008 PARIS	538 865 064	100.00	100.00
LP5	42 rue Washington – 75008 PARIS	824 241 756	100.00	100.00
LP6	42 rue Washington – 75008 PARIS	824 272 850	100.00	100.00

NOTE 38 CONSOLIDATED FINANCIAL STATEMENTS FOR 2016 AND 2015

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 89 to 194 of the French Reference Document for 2016, filed with the AMF on 3 April 2017 under registration number D.17-0291.
- 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 non-incorporated parts of the above documents are either irrelevant for investors or covered in another part of this Reference Document.

5.4 PRESENTATION OF THE LAGARDÈRE SCA PARENT COMPANY FINANCIAL STATEMENTS AFR

Comments on the Lagardère SCA parent company financial statements at 31 December 2017

5.4.1 INCOME STATEMENT

The condensed income statements are as follows:

(in millions of euros)	2017	2016
Operating revenues	**60**	59
Operating loss	**(13)**	(29)
Net financial income (expense)	**90**	(7)
Earnings (loss) before tax and exceptional items	**77**	(36)
Net exceptional income (expense)	**(3)**	4
Income tax benefit	**88**	63
Profit for the year	**162**	31

In 2017, the Company reported an operating loss of €13 million, a €16 million improvement on the operating loss of €29 million recorded in 2016. Operating income (loss) mainly represents the difference between the operating expenses of the holding company and the services billed to the Group's divisions. This improvement reflects in particular the €11 million decrease in fees paid to Lagardère Ressources during the year.

Lagardère SCA is directly responsible for billing the Group's operating divisions for assistance provided by corporate departments. It employs eight people who manage the corporate departments. These managers make use of Lagardère Ressources teams and resources, which the latter makes available to them and which they in turn continue to supervise. 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 directly bears any expenses relating to certain services provided at its request by external consultants.

Financial income and expenses break down as follows:

(in millions of euros)	2017	2016
Interest income from marketable securities and other	**1**	-
Net interest income (expense) on loans to subsidiaries	**23**	19
Interest and expenses on borrowings	**(57)**	(64)
Finance costs, net	**(33)**	(45)
Dividends received or receivable	**126**	32
Net (additions to) reversals of provisions	**(3)**	6
Other		-
Net financial income (expense)	**90**	(7)

In 2017 the Company reported net financial income of €90 million, representing a €97 million increase compared to 2016.

The increase in net financial income is attributable to the following factors:

- A €4 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 €7 million decrease in financial expenses on borrowings, mainly attributable to the fact that in the prior year, a €10 million foreign exchange loss was recognised on refinancing the USD 530 million bridge loan in April 2016. Interest expense in 2017 was €2 million higher than in 2016, and includes accrued interest not yet due on the June 2017 €300 million bond due in 2024 and paying a coupon of 1.625%.
- A €94 million increase in dividends received: in 2017, Lagardère SCA received €100 million in dividends from Lagardère Media (no dividends were collected from Lagardère Media in 2016), and Lagardère Finance distributed €26 million in dividends (versus €32 million in 2016).

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

- Net additions to provisions representing €3 million in 2017, versus net reversals of provisions totalling €6 million in 2016. In 2017, movements in provisions mainly reflect:
  - additions to provisions for unrealised foreign exchange risks for €10 million, arising on the unhedged portion of the USD 530 million receivable from Lagardère North America;
  - a reversal of provisions attributable to the adjustment made to the carrying amount of treasury shares based on the reference share price at 31 December 2017 (€27.43), for €5 million;
  - a reversal of the provision for subsidiary risks relating to Matra Manufacturing Services for €3 million.

  In 2016, the €6 million change in provisions mainly reflected:
  - the reversal of the provision for unrealised foreign exchange risks for €19 million, arising in 2015 on the translation into euros of the USD 530 million loan agreed in 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 provisions 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;
  - an addition to provisions attributable to the adjustment made to the carrying amount of treasury shares, for €5 million.

Exceptional items represented a net expense of €3 million in 2017. Exceptional items represented net income of €4 million in 2016 and mainly related to reversals of provisions for risks.

The Company reported an income tax benefit of €88 million in 2017. This includes a gain of €11 million corresponding to the refund of the 3% tax on dividends paid in 2015 and 2016, with the dividend tax paid in 2017 having been reimbursed in the same fiscal year. Over the year, tax consolidation relief of €77 million was recorded (taxes paid by subsidiaries in the tax group in excess of the tax due by the tax consolidation group as a whole). The corresponding figures for 2016 were an expense of €5 million and income of €95 million, respectively.

5.4.2 BALANCE SHEET AND CASH FLOWS

Assets

(in millions of euros)	31 Dec. 2017	31 Dec. 2016
Fixed assets	**5,066**	5,134
Trade receivables and other	**137**	74
Cash and cash equivalents	**8**	5
Total assets	**5,211**	5,213

Liabilities and shareholders' equity

(in millions of euros)	31 Dec. 2017	31 Dec. 2016
Shareholders' equity	**2,898**	2,918
Provisions for risks and liabilities	**36**	23
Borrowings	**2,179**	2,184
Short-term bank loans	**-**	-
Other liabilities	**98**	88
Total liabilities and shareholders' equity	**5,211**	5,213

Cash flows

(in millions of euros)	2017	2016
Cash from operating activities	**167**	40
Cash from (used in) investing activities	**(1)**	1,477
Cash from operating and investing activities	**166**	1,517
Cash used in financing activities	**(163)**	(1,517)
Change in cash and cash equivalents	**3**	-
Cash and cash equivalents at beginning of year	**5**	5
Cash and cash equivalents at end of year	**8**	5

In 2017, cash from operating activities amounted to €167 million and chiefly included the dividend received from Lagardère Media for €100 million.

Net cash used in investing activities represented an outflow of €1 million, and included the purchase and sale of treasury shares under the liquidity agreement for €18 million and €17 million, respectively.

Financing activities generated a net cash outflow of €163 million and reflected:

- a €170 million cash outflow due to payment of the dividend;
- the repayment in October 2017 of the €500 million bond issued in October 2012, and €4 million in interest paid;
- the June 2017 issue of €300 million worth of bonds maturing in 2024 and paying an annual coupon of 1.625%, to be used for general corporate purposes;
- three bank loans put in place in June 2017, representing an aggregate €200 million (of which €150 million maturing in 2021 and €50 million maturing in 2022), with an overall average effective interest rate of 0.74%;
- the implementation in June 2017 of a Negotiable European Medium Term Notes programme with a ceiling of €200 million, under which €19 million worth of two-year notes were issued in 2017;
- the continuation of the commercial paper programme with a ceiling raised to €850 million from €700 million at end-2016, under which €64 million was issued in 2017;
- a decrease in amounts borrowed from Lagardère Finance (€72 million).

Net debt – which corresponds to cash and cash equivalents less borrowings – was as follows at 31 December 2017 and 2016:

(in millions of euros)	**31 Dec. 2017**	31 Dec. 2016
Net debt	**(2,171)**	(2,179)

Net debt fell by €8 million in the course of 2017.

Payment terms

In application of the French Commercial Code (*Code de commerce*), all of Lagardère SCA's trade payables at 31 December 2017 are due within 30 days.

The following table sets out the disclosures concerning payment terms for payables and receivables required by article D. 441-4 of the French Commercial Code:

	Invoices received but not settled at 31 Dec. 2017 of which due						**Invoices issued but not settled at 31 Dec. 2017 of which due**					
Payment terms	**0 days**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**More than 90 days**	**Total (1 or more days)**	**0 days**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**More than 90 days**	**Total (1 or more days)**
(A) Days late												
Number of invoices	-					11	-					16
Total amount of invoices concerned (excl. VAT) (in thousands of euros)	0	34	11	1	0	46	38	6,026	38	26	0	6,127
As a % of total purchases for the year (excl. VAT)	0%	0%	0%	0%	0%	0%						
As a % of revenue for the year							0%	10%	0%	0%	0%	10%
(B) Invoices excluded from (A) relating to contested or unrecognised payables and receivables												
Number of invoices excluded	-						-					
Total amount of invoices excluded (excl. VAT)	€0						€0					
(C) Reference payment terms used (contractual or legal – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)												
Reference payment terms used to calculate late payments	Contractual terms: 30 days						Contractual terms: 0 days					

5.5 LAGARDÈRE SCA PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2017

AFR

Parent company balance sheet

Assets (in millions of euros)	31 Dec. 2017 Gross	31 Dec. 2017 Depreciation, amortisation and impairment	31 Dec. 2017 Net	31 Dec. 2016 Net
Tangible assets	-	-	-	-
Long-term investments:				
- Investments in subsidiaries and affiliates	*4,776*	*215*	***4,561***	*4,561*
- Loans and advances to subsidiaries and affiliates	*447*	*-*	***447***	*510*
- Other investment securities	*56*	*1*	***55***	*60*
- Loans	*-*	*-*	*-*	*-*
- Other long-term investments	*3*	*-*	***3***	*3*
Fixed assets	**5,282**	**216**	**5,066**	5,134
Trade receivables	7	-	**7**	9
Other receivables	98	-	**98**	60
Marketable securities	7	-	**7**	-
Cash and cash equivalents	1	-	**1**	5
Prepaid expenses	2	-	**2**	3
Current assets	**115**	**-**	**115**	77
Deferred charges	3	-	**3**	2
Translation adjustment	27	-	**27**	-
Total assets	**5,427**	**216**	**5,211**	5,213

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. 2017 Amount	31 Dec. 2016 Amount
Share capital	**800**	800
Share and other premiums	**209**	221
Reserves:		
- Legal reserve	***87***	*87*
- Reserves	***-***	*-*
- Other reserves	***1,532***	*1,532*
Retained earnings	**108**	247
Profit for the year	**162**	31
Interim dividend to be allocated	**-**	-
Shareholders' equity	**2,898**	2,918
Provisions for risks and liabilities	**36**	23
Borrowings subject to specific conditions	**-**	-
Borrowings:		
- Bonds	***1,315***	*1,516*
- Bank loans	***498***	*216*
- Loans from subsidiaries and affiliates	***366***	*452*
Trade payables	**12**	8
Other payables	**69**	46
Deferred income	**-**	-
Translation adjustment	**17**	34
Total liabilities and shareholders' equity	**5,211**	5,213

Parent company income statement

(in millions of euros)	**2017**	2016
Operating revenues	**60**	59
Operating expenses	**(73)**	(88)
Operating loss	**(13)**	(29)
Financial income	**156**	57
Financial expenses	**(63)**	(70)
Net (additions to) reversals from provisions	**(3)**	6
Net financial income (expense)	**90**	(7)
Earnings (loss) before tax and exceptional items	**77**	(36)
Net exceptional income (expense)	**(3)**	4
Income tax benefit	**88**	63
Profit for the year	**162**	31

Parent company statement of cash flows

(in millions of euros)	**2017**	2016
Profit for the year	**162**	31
Depreciation, amortisation and provision expense (reversal)	**8**	(8)
Net loss on sale of fixed assets	**-**	-
Changes in working capital	**(3)**	17
Cash from operating activities	**167**	40
Acquisitions of long-term investments	**(19)**	1,462
Proceeds from disposals of long-term investments	**17**	15
Decrease in loans and receivables	**1**	-
Cash from (used in) investing activities	**(1)**	1,477
Cash from operating and investing activities	**166**	1,517
Dividends paid	**(170)**	(168)
Decrease in borrowings and financial liabilities	**(500)**	(730)
Proceeds from new borrowings	**579**	500
Change in Group current accounts	**(72)**	(1,119)
Cash used in financing activities	**(163)**	(1,517)
Change in cash and cash equivalents	**3**	-
Cash and cash equivalents at beginning of year	**5**	5
Cash and cash equivalents at end of year	**8**	5

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2017

(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 eight people managing the corporate departments. These managers make use of Lagardère Ressources teams and resources, which the latter makes available to them and which they in turn continue to supervise.
- 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 bear any expenses relating to certain services provided to it at its request by external consultants.

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.

Lagardère SCA's annual financial statements have been prepared in accordance with Regulation 2015-05 issued by the French Accounting Standards Committee (*Autorité des normes comptables – ANC*) on forward financial instruments and hedging transactions, effective for accounting periods beginning on or after 1 January 2017.

This Regulation aims to clarify the recognition methods for forward financial instruments and hedging transactions, and did not have a significant impact on Lagardère SCA's annual financial statements.

It did however give rise to the following changes:

- The foreign currency component of derivatives hedging receivables, payables, loans and borrowings in foreign currency are now translated into euros in the balance sheet in order to present the symmetrical impact of changes in value in "Translation adjustment" under assets or liabilities in the balance sheet.
- Unrealised gains and losses are considered as part of an overall foreign exchange position, limiting the provision for foreign exchange losses to the extent of the unrealised net loss, provided that the settlement dates of the items included in the position fall in the same accounting period.

All figures in the tables below are expressed in millions of euros.

2. LONG-TERM INVESTMENTS

Investments in subsidiaries and affiliates are stated at acquisition cost or subscription price. When value in use is lower than net book value, an impairment loss is booked. Value in use is 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.

The recoverability of loans and advances to subsidiaries and affiliates is assessed based on the characteristics of the loan and the profitability outlook for the entities concerned. In principle, these receivables are only impaired once the corresponding investments have been written down in full.

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

Receivables, payables, loans and borrowings denominated in foreign currency are translated into euros in the balance sheet based on the year-end exchange rates, with an offsetting entry to "Translation adjustment" under either assets or liabilities in the balance sheet. Unrealised exchange gains do not affect the income statement.

All unrealised exchange losses are provided for in full, except:

- for hedges, where the provision only covers the unhedged portion of the risk;
- for unrealised gains and losses concerning transactions with similar settlement dates in the same accounting period: in such cases, a provision is only recognised to the extent of the unrealised net loss.

Bank accounts denominated in foreign currency are translated into euros at year-end exchange rates, with an offsetting entry to foreign exchange gains and losses.

5. FORWARD FINANCIAL INSTRUMENTS

Lagardère SCA applies the general recognition principles for hedging transactions set out in ANC Regulation 2015-05.

The Company may use currency and interest rate derivatives to hedge borrowings and/or loans granted to Group companies. Exchange gains and losses arising from these transactions are recognised in financial income or expense symmetrically with the gain or loss on the hedged items. Unrealised exchange gains and losses are recognised under other receivables or payables, with an offsetting entry to translation adjustments under assets or liabilities in the balance sheet in order to present the symmetrical impact with the gain or loss on the hedged items.

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. 2017	Increase	Decrease	31 Dec. 2017
Tangible assets	-	-	-	-
Long-term investments:				
Investments in subsidiaries and affiliates and other investment securities(*)	4,844	18	30	4,832
Loans and advances to subsidiaries and affiliates	510	-	63	447
Other long-term investments	3	-	-	3
Total	**5,357**	**18**	**93**	**5,282**

(*) This item includes the Company's investment in the FPCI Idinvest fund amounting to €11 million. €7 million had been subscribed at 31 December 2017, of which €1.5 million in 2017.

Investments in subsidiaries and affiliates amounted to €4,832 million at 31 December 2017. The €18 million shown under "Increase" in 2017 is attributable to the acquisition of treasury shares, and the €30 million shown under "Decrease" reflects the following factors:

- sales of treasury shares under the liquidity agreement for €17 million;
- cancellation of the gross amount of treasury shares by means of a capital reduction for €13 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 €63 million decrease in this item relates primarily to the translation of receivables denominated in foreign currency at the closing exchange rate and to outstanding interest due.

Changes in depreciation, amortisation and impairment can be analysed as follows:

	1 Jan. 2017	Increase	Decrease	31 Dec. 2017
Long-term investments:				
Investments in subsidiaries and affiliates and other investment securities	223	-	7	216
Loans and advances to subsidiaries and affiliates	-	-	-	-
Total	**223**	**-**	**7**	**216**

The decrease in this item during the year corresponds to reversals relating to treasury shares for €5 million and to the cancellation of provisions for treasury shares for €2 million, offset against the share capital reduction.

2. RECEIVABLES

At 31 December 2017, the maturity of receivables was as follows:

	Gross	Due within one year	Due beyond one year
Long-term receivables	447	-	447
Short-term receivables	105	88	17
Total	**552**	**88**	**464**

Long-term receivables mainly correspond to the loan granted to Lagardère North America.

Short-term receivables include:

- €7 million in Group trade receivables;
- €32 million in tax receivables (including €29 million in tax receivables and €3 million in refundable VAT);
- €49 million in intercompany receivables arising on tax consolidation;
- €17 million corresponding to the remeasurement of the currency component of the cross-currency swaps hedging the loan granted to Lagardère North America.

3. MARKETABLE SECURITIES

	31 Dec. 2017	31 Dec. 2016
At cost	7	-
Impairment	-	-
Carrying amount	**7**	-
Market value	7	-
Unrealised gains	**-**	-

4. CHANGES IN SHAREHOLDERS' EQUITY

Changes in shareholders' equity are analysed below:

	Share capital	Share premiums and reserves	Retained earnings	Profit for the year	Interim dividend to be allocated	Total
Shareholders' equity at 31 December 2016	**800**	**1,840**	**247**	**31**	**-**	**2,918**
Capital reduction	(3)	(12)	-	-	-	(15)
Capital increase	3	-	-	-	-	3
Allocation of 2016 profit	-	-	31	(31)	-	-
Dividends paid(*)	-	-	(170)	-	-	(170)
Profit for the year	-	-	-	162	-	162
Shareholders' equity at 31 December 2017	**800**	**1,828**	**108**	**162**	**-**	**2,898**

(*) Including the portion of profit paid to the General Partners.

At 31 December 2017, 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 2017, the Group carried out two capital reductions by cancelling 423,357 treasury shares for an amount of €3 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 definitively allocated:

- on 1 April 2017, to beneficiaries of the 26 December 2013 plan residing in France for tax purposes (250,992 shares);
- on 27 December 2017, to beneficiaries of the 26 December 2013 plan residing in France and overseas for tax purposes (172,365 shares).

5. TREASURY SHARES

Changes in the number of treasury shares held by Lagardère SCA break down as follows for 2017:

	2017
Number of treasury shares held at 1 January	**1,952,575**
Purchases of treasury shares under the liquidity agreement(*)	**677,231**
Sales of treasury shares under the liquidity agreement(*)	**(631,231)**
Purchases (for treasury shares awarded to employees)	
Awards	
Capital reduction by cancellation of treasury shares	**(423,357)**
Number of treasury shares held at 31 December	**1,575,218**

(*) Liquidity agreement entered into in 2008 with Crédit Agricole Cheuvreux for market-making purposes.

6. BONDS

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 2017 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 2017 amounted to €14 million.

On 14 June 2017, Lagardère SCA undertook a **€300 million bond issue** settled on 21 June 2017, which is **redeemable at maturity on 21 June 2024** and pays interest at a fixed rate of 1.625%. The interest expense for 2017 amounted to €3 million.

7. MATURITIES OF LIABILITIES

	31 Dec. 2017	Due within one year	Due between one and five years	Due beyond five years
Bonds	**1,315**	15	500	800
Negotiable securities	**295**	276	19	-
Other borrowings	**569**	3	200	366
Trade and other payables	**81**	81	-	-
Total	**2,260**	**375**	**719**	**1 166**

Other borrowings mainly include:

- the Lagardère Finance current account for €366 million;
- bank loans put in place in 2017 for €200 million;
- accrued interest not yet due on the EUR/USD cross-currency swap for €3 million.

8. PROVISIONS AND IMPAIRMENT

Type of provision and impairment	1 Jan. 2017	Additions	Reversals	31 Dec. 2017
Provisions for risks and liabilities(*)	**23**	19	6	**36**
Impairment				
- long-term investments(**)	***223***	-	*7*	***216***
- other	**-**	-	-	**-**
Impairment sub-total	**223**	-	7	**216**
Total	**246**	19	13	**252**
Including additions and reversals:				
- relating to operating items		*3*	-	
- relating to financial items		*10*	*11*	
- relating to exceptional items		*6*	*2*	

(*) Including additions to provisions for foreign exchange risk for €10 million, additions to provisions for risks and liabilities for €9 million, and reversals of provisions for €6 million, mainly concerning Matra Manufacturing Services.
(**) Details are provided in note 1, Fixed assets.

9. TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES (NET VALUES) – BALANCE SHEET

Assets		Liabilities	
Long-term investments	5,008	Borrowings	366
Short-term receivables	56	Trade and other payables	71
Other	-	Other	-

Long-term investments mainly 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(*)	62	Operating(**)	59
Financial	-	Financial(***)	152
Exceptional	4	Exceptional	-

(*) 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 dividends totalling €126 million, interest on loans for €23 million, and reversals of the provision for risks relating to Lagardère Ressources in an amount of €3 million.

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	18
Short-term receivables	32	Trade and other payables	11
Cash and cash equivalents	-		-
Total	**41**	**Total**	**29**

12. PREPAID EXPENSES AND DEFERRED INCOME

Amount		Amount	
Prepaid expenses(*)	2	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 INCOME (EXPENSE)

	2017	2016
Financial income	**164**	85
Financial income from investments in subsidiaries and affiliates	**149**	51
Income from other investment securities and long-term receivables	**1**	-
Other interest and similar income	**6**	4
Net income from marketable securities	**-**	-
Reversals of provisions and expense transfers	**8**	28
Foreign exchange gains	**-**	2
Financial expenses	**(74)**	(92)
Interest and similar expenses	**(61)**	(59)
Additions to provisions	**(11)**	(22)
Foreign exchange losses	**(2)**	(11)
Net financial income (expense)	**90**	(7)

14. EXCEPTIONAL ITEMS

	2017	2016
Net gains on disposals of assets	-	-
Net (additions to) reversals of provisions	**(4)**	4
Other exceptional income and expenses	**1**	-
Net exceptional income (expense)	**(3)**	4

15. INCOME TAX BENEFIT

The €88 million income tax benefit recorded in 2017 included a tax expense of €21 million in respect of the tax consolidation group, and a gain of €11 million corresponding to the refund of the 3% tax on dividends paid in 2015 and 2016, with the dividend tax paid in 2017 having been reimbursed in the same fiscal year. The balance corresponds to tax consolidation relief for €77 million (taxes paid by subsidiaries in the tax group in excess of the tax due by the tax consolidation group as a whole). At 31 December 2017, the tax group comprising Lagardère SCA and its subsidiaries had unused tax loss carryforwards of some €303 million.

16. OFF-BALANCE SHEET COMMITMENTS

Commitments given	Amount	Commitments received	Amount
Guarantees given on behalf of subsidiaries to cover contract-related financial commitments	5		
Rent guarantees given to subsidiaries	-	Confirmed, unused lines of credit	1,250
Guarantees given to third parties	-	Counter-guarantees received from third parties	-

Cover for the share purchase plan

There were no longer any share options outstanding at 31 December 2016 as 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 2014 to 2017, 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), as follows:

	Number of free shares awarded at inception	Number of outstanding rights at 31 Dec. 2017
22 December 2014 plans	306,120	87,800
1 April 2015 plans	444,440	444,440
9 May 2016 plans	829,660	821,960
6 April 2017 plans	817,660	810,810

For Group employees who are beneficiaries of the 2014 plan, this plan does not include any performance conditions and the shares only vest definitively after a two-year period, provided that employee beneficiaries who are 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 definitively 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 definitively if the beneficiaries have remained with the Group for 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 have a definitive vesting period of three years for beneficiaries who are French tax residents, and four years for beneficiaries who are not French tax residents.

For Group employees who are beneficiaries of the 9 May 2016 and 6 April 2017 plans, these plans do not include any performance conditions. The shares vest definitively only after a three-year period, provided employee beneficiaries who are 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 definitively 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 1 April 2015, 9 May 2016 and 6 April 2017 plans, the shares will only vest definitively subject to:

- the beneficiaries remaining with the Group until at least 31 March 2018, 9 May 2019 and 6 April 2020 respectively under the 2015, 2016 and 2017 plans;
- 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.

17. FINANCIAL INSTRUMENTS

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.

At 31 December 2017, Lagardère SCA held cross-currency swaps hedging USD 265 million of the USD 530 million loan granted to Lagardère North America.

	Forward sales of USD (in millions of currency units)	Forward purchases of euros (in millions of currency units)	Fair value at 31 Dec. 2017 (in € million)(*)	Fair value at 31 Dec. 2016 (in € million)
Cross-currency swaps maturing 19 September 2019	100	90	8	(4)
Cross-currency swaps maturing 13 April 2023	165	148	10	(11)
Hedging derivatives	**265**	**238**	**18**	**(15)**

(*) Including €17 million in respect of the currency component recognised in the balance sheet under other receivables/payables with an offsetting entry to translation adjustment under assets/liabilities in order to present the symmetrical impact of the hedge.

At 31 December 2017, the remeasurement of the loan granted to Lagardère North America at the year-end rate gave rise to a €26.6 million unrealised foreign exchange loss, offset by a €16.5 million unrealised foreign exchange gain on derivatives. Accordingly, at 31 December 2017, the provision for unrealised foreign exchange losses recognised in the financial statements amounted to €10.1 million.

The maturities of the cross-currency swaps are aligned with those of the underlying bonds. From an economic standpoint, the derivatives enable the Group to convert fixed-rate euro-denominated bonds into fixed-rate US dollar-denominated debt.

Subsidiaries and affiliates at 31 December 2017

(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	2,903	100.00	
LAGARDÈRE FINANCE (immeuble Monceau - 42, rue Washington - 75008 Paris)	1,540,000	168,925	100.00	
LAGARDÈRE MEDIA (4, rue de Presbourg - 75116 Paris)	879,611	441,117	100.00	
LAGARDÈRE PARTICIPATIONS (4, rue de Presbourg - 75116 Paris)	15,250	2,465	100.00	
LAGARDÈRE RESSOURCES (immeuble Monceau - 42, rue Washington - 75008 Paris)	2,000	376	100.00	
MATRA MANUFACTURING & SERVICES (4, rue de Presbourg - 75116 Paris)	13,528	(24,560)	100.00	
M N C (immeuble Monceau - 42, rue Washington - 75008 Paris)	89,865	14,436	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	3,415			0	(25)	0
	1,695,000	1,695,000			0	11,859	26,040
	2,730,374	2,730,374			147	67,104	100,056
	25,445	25,445			0	(100)	0
	101,332	2,465			68,830	88	0
	94,035	0			303	908	0
	112,732	104,347			0	46	0
	452	452					

Investment portfolio at 31 December 2017

(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		4,561,045
Number of shares held:		
107,284	Holpa	3,414
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	2,465
845,474	Matra Manufacturing & Services	0
7,848,480	MNC	104,347
Book value below €15,000		0
Total investments in French companies		**4,561,045**
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		**4,561,497**
II. Other long-term investments (in thousands of euros)		
C. Investment funds		
	FCPR IDINVEST	7,234
Total investment funds		**7,234**
D. Treasury shares		43,211
Total treasury shares		**43,211**
Total other long-term investments		**50,445**
III. Short-term investments (in thousands of euros)		
A. French securities		
1. Equities and mutual funds		0
Number of shares held:	0	0
2. Collective investment funds		0
Number of shares held:	32	7,508
Total short-term investments (book value)		**7,508**

Lagardère SCA – Five-year financial summary

(Articles R. 225-83 and R. 225-102 of the French Commercial Code)

	Type of indications	2013	2014	2015	2016	**2017**
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	7,239	52,028	56,327	59,453	**59,546**
b)	Earnings before tax, depreciation, amortisation and provisions	1,976,989	(75,353)	(13,960)	(40,470)	**82,873**
c)	Income tax(*)	23,410	43,467	74,308	63,132	**87,805**
d)	Earnings after tax, depreciation, amortisation and provisions	2,006,615	(57,052)	41,082	31,440	**162,282**
e)	Dividends paid	2,100,928	166,783	168,088	170,025	(**)
III	**Earnings per share (in euros)**					
a)	Earnings per share after tax, but before depreciation, amortisation and provisions	15.25	(0.91)	(0.67)	0.17	**1.30**
b)	Earnings per share after tax, depreciation, amortisation and provisions	15.30	(0.44)	0.31	0.24	**1.24**
c)	Dividend per share	16.30	1.30	1.30	1.30	(**)
IV	**Personnel (in euros)**					
a)	Average employee headcount	-	9	9	9	**8**
b)	Total wages and salaries	-	3,178,984	2,509,884	2,944,590	**2,607,183**
c)	Total employee benefit expense	-	1,837,379	1,038,059	1,025,805	**1,275,889**

(*) Mainly the tax benefit resulting from tax consolidation.
(**) Annual General Meeting on 3 May 2018 will be asked to approve a dividend of €1.30 per share.

5.6 STATUTORY AUDITORS' REPORT ON THE COMPANY'S FINANCIAL STATEMENTS

AFR

To the annual general meeting of Lagardère S.C.A.,

OPINION

In compliance with the engagement entrusted to us by your annual general meetings, we have audited the accompanying financial statements of Lagardère S.C.A. for the year ended 31 December 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at 31 December 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

BASIS FOR OPINION

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory auditors' responsibilities for the audit of the financial statements section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) N°537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

EMPHASIS OF MATTER

We draw attention to note 1 to the financial statements which describes the change in accounting method related to the first application of ANC 2015-05 Regulation about financial futures instruments and hedging transactions. Our opinion is not modified in respect of this matter.

JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matter relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

VALUATION OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED RECEIVABLES

Risk identified

As at 31 December 2017, investments in subsidiaries are included in the balance sheet at a carrying amount of €4,561 million or 88% of total assets. The associated receivables amount to €447 million or 9% of total assets.

As indicated in note 2 to the financial statements, investments in subsidiaries are measured at their historical cost or subscription value less an impairment allowance for any excess of those amounts over value in use. Value in use is generally estimated on the basis of a review of the situation at the year-end and of the outlook for future years, as well as of any other elements contributing to the formulation of a pertinent assessment. Recoverability of receivables related to equity interests is assessed on loans characteristics and on expected growth and profitablity of the related entity. In principle the receivables are depreciated only after the full depreciation of related investiments in subsidiaries.

The estimation of the value in use of the investments requires the exercise of judgement by management for the choice of the criteria to be taken into account in assessing each investment (these criteria may equate with historical data or with forecast data).

In this context and given the inherent uncertainty associated with certain criteria such as, in particular, the accomplishment of forecasts, we consider the proper valuation of investments in subsidiaries and associated receivables as a key audit matter.

Our audit response

Our audit procedures involved in particular:

- obtaining an understanding of the bases of performance of the impairment tests implemented by management;
- verifying that values in use are estimated on an appropriate basis;
- comparing the carrying amounts of investments to their value in use;
- assessing the recoverability of the associated receivables.

VERIFICATION OF THE MANAGEMENT REPORT AND OF THE OTHER DOCUMENTS PROVIDED TO THE SHAREHOLDERS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

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

INFORMATION PROVIDED IN THE MANAGEMENT REPORT AND IN THE OTHER DOCUMENTS PROVIDED TO THE SHAREHOLDERS WITH RESPECT TO THE FINANCIAL POSITION AND THE FINANCIAL STATEMENTS

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Managing Partners and in the other documents provided to the Shareholders with respect to the financial position and the financial statements.

REPORT ON CORPORATE GOVERNANCE

We attest that the Supervisory Board's report on corporate governance sets out the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a public purchase or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have verified their conformity with the source documents communicated to us. Based on our work, we have no observations to make on this information.

OTHER INFORMATION

In accordance with French law, we have verified that the various details regarding the identity of the shareholders and holders of the voting rights have been properly disclosed in the management report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed, as statutory auditors of Lagardère S.C.A., by the annual general meeting held on 29 June 1987 for ERNST & YOUNG et Autres and on 20 June 1996 for MAZARS.

As at 31 December 2017, ERNST & YOUNG et Autres and MAZARS were in the 31st year and 22nd year of total uninterrupted engagement respectively.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Managing Partners.

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

OBJECTIVES AND AUDIT APPROACH

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the company or the quality of management of the affairs of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N°537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

French language original signed at Paris - La Défense and Courbevoie, on 30 March 2018

The Statutory Auditors

Ernst & Young et Autres	**Mazars**
Bruno Bizet	Thierry Blanchetier

5.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AFR

To the annual general meeting of Lagardère S.C.A.,

OPINION

In compliance with the engagement entrusted to us by your annual general meetings, we have audited the accompanying consolidated financial statements of Lagardère S.C.A. for the year ended 31 December 2017.

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 Group as at 31 December 2017 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.

The audit opinion expressed above is consistent with our report to the Audit Committee.

BASIS FOR OPINION

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

EMPHASIS OF MATTER

We draw attention to the Note 1 to the consolidated financial statements which describes the voluntary change in accounting method related to the classification of interests paid and interests received within cash flows from financing activities and cash flows from investing activities respectively. Our opinion is not modified in respect of this matter.

JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES VALUATION

Risk identified

Goodwill and other intangible assets with indefinite useful life, which have a net book value of M€ 1.809 and M€ 200 respectively, are recorded according to notes 3.8 and 3.9 to the consolidated financial statements.

Management assesses once a year that the recoverable amount of goodwill and intangible assets with indefinite useful lives is higher than their carrying amount, and that there is no indication of impairment loss. The estimated future cash flows used for the impairment test are based on the internal budgets drawn up at the end of the year. They are determined using key assumptions and assessments that take into consideration potential 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 the specific area of sporting events for which forecasted 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 terms and conditions of impairment tests implementation, at the level of the cash generating units ("CGUs") for which assets have been allocated, are described in note 3.10 and the assumptions used are indicated in note 10 to the consolidated financial statements.

Regarding goodwill and intangible assets with indefinite useful lives for Lagardère Sports and Entertainment division (net book value of M€ 186), 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, including AFC contract for which a tender was launched in February 2018, or to win new ones as well as related margin conditions.

Because of the importance of management judgment and of uncertainties associated to the assumptions used, we have considered goodwill and intangible assets with indefinite useful life valuation as a key audit matter.

Our response

We have analyzed the method applied and made sure it complies with the accounting standards in force.

We have discussed with management in order to assess the assumptions used; we have challenged the terms and conditions of the method implemented and have analyzed in particular:

- the completeness of figures included in the book values of CGUs that are tested, and the consistency of such values calculation with the cash flows forecasts used for the recoverable values;
- the reasonableness of the cash flows forecasts compared to the economic and financial environment for sensitive CGUs, and the estimates process reliability;
- the consistency of those cash flows forecasts with the last estimates established by the management, under the supervision of the Managing Partners in the context of the budget process;

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

- the consistency of growth rate and discount rate used for cash flow projections, with the assistance of our valuation experts;
- the calculation of the discount effects applied to future cash flows;
- the sensitivity calculation performed by Management with the main assumptions used.

Finally, we have assessed the reasonableness of the information included in note 10 to the consolidated financial statements.

SPORTS RIGHTS MARKETING CONTRACTS ACCOUNTING

Risk identified

As part of its sports rights marketing activity, Lagardère Sports and Entertainment division deals multi-annual contracts with some right-holders, ensuring a minimum income for some of them. Obligations in that matter amount to M€ 1.064 as of 31 December 2017 as described in note 31 to the consolidated financial statements.

In that context, the division has to make some estimates related in particular to:

- the annual allocation of revenue generated by each event as part of these contracts;
- its capacity to generate a total revenue higher than the obligations granted to right-holders, and the determination of global margin level that will be generated by the contract.

In case expected revenue is lower than the guaranteed minimum agreed or does not cover direct costs associated with the contract execution, the division records a provision for loss.

The accounting methods related to those contracts are described in note 3.1 and 3.19 to the consolidated financial statements.

Because of management judgement on expected revenue determination and on the allocation of such revenue to events, we consider accounting of sports rights marketing contracts as a key audit matter.

Our response

We have performed the following procedures:

- read the process implemented through the division to identify all commitments given, that are recorded in the balance sheet or off-balance sheet, related to these contracts and determine revenue recognition criteria (including allocation by event);
- analyze, for a selection of contracts, assumptions used for revenue and expected margin compared with contracted sales and direct costs projections related to those contracts;
- analyze provision for losses recorded for some contracts;
- assess the reasonableness of the information included in notes to the consolidated financial statements, regarding commitments given that are recorded in the balance sheet or off-balance sheet related to these contracts, and regarding commitments received related to contracted sales.

REVENUE RECOGNITION IN LAGARDERE PUBLISHING DIVISION – RETURNS ESTIMATES

Risk identified

Revenue recognition for Lagardère Publishing is subject to management estimates mainly in respect of returns estimates.

The bases of revenue recognition are described in notes 3.1 and note 22 to the consolidated financial statements; returns estimates recorded as a deduction from revenue amount to €279 million as at 31 December 2017.

That amount represents distributors' entitlement to return unsold copies to Lagardère Publishing in its capacity as publisher. The entitlement is recognised as a deduction from revenue and estimated on the basis of forecasted sales during the year and of historical return data. The calculation is statistical and reflects the return rate for the prior year adjusted with sales fluctuations and with economic climate of the current year.

Given the importance of the estimated returns estimates, and of the assumptions and areas of judgement involved in the calculation, we consider revenue recognition for Lagardère Publishing as a key audit matter.

Our response

Our audit procedures involved in particular:

- describing and testing the sales process including the treatment of returns;
- obtaining an understanding of the basis of calculation of returns and of the main assumptions retained for estimating the amount of returns at the year-end;
- performing a critical review of the return rates applied and of the applicable calculation assumptions including in particular the corresponding margin rates;
- comparing the estimated return rates with the corresponding historical rates;
- testing the reality of the flows of sales and returns retained for calculation purposes;
- verifying the arithmetical accuracy of the statistical method applied;
- identifying any specific factors resulting in manual adjustments.

MAIN LITIGATIONS AND DISPUTES

Risk identified

As described in note 33 to the consolidated financial statements, the Group is party to a certain number of (mainly contractual) disputes arising in the normal course of its business. If necessary, the Group recognises appropriate provisions to cover the risks associated with general or specific disagreements.

The decision as to whether to disclose any particular dispute in the notes to the consolidated financial statements, and to recognise any provision, implies the formulation of certain assumptions by management in respect of the expected outcome, which is inherently subject to uncertainty.

We consider the Group's provisions for disputes, and any associated contingent liabilities, as a key audit matter given the importance in their respect of the exercise of management judgement.

Our response

We engaged in discussion with divisions' legal departments in order to obtain an understanding of the procedures implemented to identify current and potential disputes and assess the associated risks.

The Group's legal director and managers updated us on the status of the proceedings in progress in respect of known disputes.

We questioned the Group's external legal advisors directly in respect of material potential disputes submitted to them, with the aim of comparing their own assessments of required provisions with those of management and verifying the completeness of the disputes identified.

We have assessed the reasonableness of the information in respect of disputes included in note 33 to the consolidated financial statements.

VERIFICATION OF THE INFORMATION PERTAINING TO THE GROUP PRESENTED IN THE MANAGEMENT REPORT

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Managing Partners.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed as statutory auditors of Lagardère S.C.A. by the annual general meeting held on 20 June 1996 for Mazars and on 29 June 1987 for ERNST & YOUNG et Autres.

As at 31 December 2017, Mazars and ERNST & YOUNG et Autres were in the 22nd year and 31st year of total uninterrupted engagement.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Managing Partners.

STATUTORY AUDITORS'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSILDATED FINANCIAL STATEMENTS

OBJECTIVES AND AUDIT APPROACH

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

French language original signed at Courbevoie and Paris - La Défense, on 30 March 2018

The Statutory Auditors

MAZARS	**ERNST & YOUNG et Autres**
Thierry Blanchetier	Bruno Bizet

5.8 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS AFR

To the annual general meeting of Lagardère S.C.A.,

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

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 modified again by an amendment approved by the Supervisory Board on 12 March 2004, with effect from 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 2017, 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 2017, the amount billed by Lagardère Capital & Management in accordance with those agreements amounted to 23.8 million euros, compared to 26.0 million euros in 2016.

French language original signed at Paris - La Défense and Courbevoie, on 30 March 2018

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

This page is left intentionally blank.

6

RECENT DEVELOPMENTS AND OUTLOOK

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

6.1 RECENT DEVELOPMENTS (SINCE 1 JANUARY 2018) AFR

6.1.1 SIGNIFICANT EVENTS

DISPOSAL OF HEADQUARTERS OF EUROPE 1

On 20 February 2018, the Lagardère group entered into a sale agreement with the Ardian Real Estate group for the headquarters of French radio station Europe 1, located at rue François 1er in central Paris. Four-fifths of the €253 million selling price will be paid, without conditions precedent, on the signing date of the final deed of sale by 25 June 2018, with the balance to be paid at the end of the year.

6.1.2 MAJOR CHANGES IN THE GROUP'S FINANCIAL AND COMMERCIAL POSITION

None.

6.1.3 TREND INFORMATION

LAGARDÈRE PUBLISHING

The beginning of 2018 has benefited from a favourable comparison basis compared to 2017, due to the lower level of returns over the Christmas period. The year has so far seen an overall increase in business volumes, lifted especially by good performances in the United States and strong momentum for Partworks.

In view of the seasonality of the business, these trends are not very material at this stage.

LAGARDÈRE TRAVEL RETAIL

Amid a rise in passenger traffic, the early stages of 2018 have, as expected, been shaped by good momentum in all geographic areas and business lines, despite the negative impact of foreign exchange effects on purchasing power among Duty Free passengers in Europe. Business in the Europe and Asia regions is being supported by revenue from new stores opened in Geneva and Hong Kong.

It should be noted that due to seasonal effects, results tend to be lower in the first half than in the second half of the year.

LAGARDÈRE ACTIVE

The first few months of 2018 have been slightly weaker for the Press and Radio businesses compared to the same period of 2017, mainly as a result of a contraction in advertising revenue and despite good momentum for circulation.

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.

LAGARDÈRE SPORTS AND ENTERTAINMENT

Business levels have evolved as expected at the beginning of 2018, with a notably firm performance by the football business in connection with the African Nations Championship.

It should be noted that 2018 is the low point in the four-year sporting events cycle, characterised by the absence of the Africa Cup of Nations and the lack of major events under the AFC contract.

6.2 OUTLOOK

The Lagardère group expects Group recurring EBIT in 2018 to remain stable versus 2017[(1)], at constant exchange rates.

6.3 EARNINGS FORECAST

None.

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

(1) Restated for IFRS 15.

7

ADDITIONAL INFORMATION

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

7.1 PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THE REFERENCE DOCUMENT

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.

7.2 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 (section 1.4, pages 7 to 30; section 1.7, pages 33 to 34, section 2.1, pages 36 to 71; Chapter 3, pages 97 to 113; Chapter 4, pages 115 to 158; Chapter 5, pages 159 to 277; Chapter 6, pages 279 to 280) 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, 30 March 2018

Arnaud Lagardère

For Arjil Commanditée-Arco
Arnaud Lagardère Pierre Leroy

7.3 DETAILS OF THE STATUTORY AUDITORS

	First appointed	End of current term of office
Principal		
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	2023
Mazars represented by Thierry Blanchetier 61, rue Henri Regnault - 92400 Courbevoie Member of the Versailles Regional Institute	20 June 1996	2020
Substitute		
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**

7.4 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;
- description of share buyback programmes;
- General Meeting documents for the last ten years;
- the latest version of the Company's Articles of Association.

This page is left intentionally blank.

8

CROSS-REFERENCE TABLES

8.1 CROSS-REFERENCE TABLE WITH THE ANNUAL FINANCIAL REPORT

The Annual Financial Report prepared in accordance with article L. 451-1-2 of the French Monetary and Financial Code (*Code monétaire and 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.

8.2 CROSS-REFERENCE TABLE FOR THE REFERENCE DOCUMENT IN ACCORDANCE WITH ANNEX 1 OF EUROPEAN REGULATION NO. 809/2004

Information		Section no.[1]
1	**PERSONS RESPONSIBLE**	
1.1	Persons responsible for the Reference Document	7.1
1.2	Statement by the persons responsible for the Reference Document	7.2
2	**STATUTORY AUDITORS**	
	Statutory Auditors for the period covered by the historical financial information	7.3
3	**SELECTED FINANCIAL INFORMATION**	
3.1	Summarised historical financial information (consolidated financial statements)	1.5 / 5.1
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)	3.1.3 / 3.2.8 and 5.3 (note 28)
4.2	Legal risks (specific regulations, concessions, patents, licences, significant litigation, exceptional events, etc.)	3.1.2 / 3.2.8 and 5.3 (note 33)
4.3	Industrial and environmental risks	3.1.4.7 / 3.2.8
5	**INFORMATION ABOUT THE ISSUER**	
5.1	History and development of the Company	1.2
	5.1.1 Company name and commercial name	1.1.1
	5.1.2 Place of registration and registration number	1.1.4
	5.1.3 Date of incorporation and term of the Company	1.1.5
	5.1.4 Registered office and legal form	1.1.2 / 1.1.3
	5.1.5 Significant events in the development of the Company	1.2
5.2	Investments	
	5.2.1 Major investments in the last three years	1.6
	5.2.2 Major investments in progress	1.6 / 5.3 (note 5.2) and 1.7.1
	5.2.3 Major investments planned	–

(1) Refers to chapter and section numbers of the Reference Document.

Information		Section no.[1]
6	**BUSINESS OVERVIEW**	
6.1	Principal activities	
	6.1.1 Description of the Company's operations and principal activities	1.4
	6.1.2 Significant new products and/or services	1.4
6.2	Principal markets (by category of activity and geographic market)	1.4 and 5.3 (notes 5.1, 5.2 and 6)
6.3	Exceptional factors having affected these markets	1.4
6.4	Dependency on patents, licences, or industrial, commercial or financial contracts	3.1.1
6.5	Basis for any statements made by the Company regarding its competitive position	1.4 (footnotes)
7	**ORGANISATION CHART**	
7.1	Brief description of the Group	1.3
7.2	Principal subsidiaries	1.3
8	**PROPERTY, PLANT AND EQUIPMENT**	
8.1	Existing or planned material property, plant and equipment (owned or leased) and any major encumbrances thereon	1.8
8.2	Environmental issues that may affect the issuer's utilisation of property, plant and equipment	3.1.4.7
9	**OPERATING AND FINANCIAL REVIEW**	
9.1	Financial position	5.2
9.2	Operating results	
	9.2.1 Significant factors materially affecting operating income	5.2.1 / 5.2.2
	9.2.2 Explanation of changes in sales or revenues	5.2.1 / 5.2.2
	9.2.3 External factors that have materially affected (or could materially affect) the Company's operations	3.1.2.5 / 1.4
10	**CAPITAL RESOURCES**	
10.1	Information concerning capital resources	5.3 (note 25.6)
10.2	Cash flows	5.3 (note 24)
10.3	Information on the borrowing requirements and funding structure	5.3 (note 27)
10.4	Restrictions on the use of capital resources	5.3 (note 25)
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 2017	6.1
12.2	Trends and events reasonably likely to affect prospects for 2018	6.1.3
13	**PROFIT FORECASTS OR ESTIMATES**	**6.3**

(1) Refers to chapter and section numbers of the Reference Document.

Information		Section no.[1]
14	**MANAGEMENT AND SUPERVISORY BODIES**	
14.1	Information on members of management and supervisory bodies	2.1.4 / 2.1.5 / 2.1.6
14.2	Conflicts of interest	2.1.6
15	**REMUNERATION AND BENEFITS**	
15.1	Remuneration of senior managers and members of the Supervisory Board	2.1.5 / 2.2.1
15.2	Provisions for pension, retirement and other benefits	2.1.5 / 2.2.1
16	**BOARD PRACTICES**	
16.1	Date of expiry of current terms of office	2.1.5
16.2	Employment or service contracts	2.1.6 / 2.1.7
16.3	Audit Committee, Appointments and Remuneration Committee	2.1.5
16.4	Compliance with current corporate governance guidelines	2.1.5
17	**EMPLOYEES**	
17.1	Number of employees; breakdown by main category of activity and geographic location; temporary employees	1.4 / 4.2.1
17.2	Number of shares and share options held by corporate officers	2.1.4 / 2.1.5 / 2.2
17.3	Arrangements for involving employees in the Company's capital	2.2.4 / 4.4.1
18	**PRINCIPAL SHAREHOLDERS**	
18.1	Shareholdings exceeding specific thresholds (to the extent known)	2.1.3.8
18.2	Voting rights of major shareholders	2.1.3.8
18.3	Control of the Company: nature of such control	2.1.3.8
18.4	Arrangements which may result in a change of control of the Company	–
19	**TRANSACTIONS WITH RELATED PARTIES**	**2.1.7.1 and 5.3 (note 34)**
20	**FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**	
20.1	Historical financial information	1.5 / 5.1.1 / 5.3 (note 38) / 5.6
20.2	Pro forma financial information	–
20.3	Financial statements	5.3 / 5.4 / 5.5
20.4	Auditing of historical annual financial information	
	20.4.1 Audit reports on historical financial information	5.6 / 5.7
	20.4.2 Other information audited by the Statutory Auditors	5.8 / 7.2
	20.4.3 Financial information not taken from the audited financial statements	–

(1) Refers to chapter and section numbers of the Reference Document.

Information			Section no.[1]
20.5	Date of latest financial information		—
20.6	Interim and other financial information		—
20.7	Dividend policy		5.1.2
20.8	Legal and arbitration proceedings (last twelve months)		3.1.2.4
20.9	Significant change in the Company's financial or trading position (since last year-end)		6.1.2
21	**ADDITIONAL INFORMATION**		
21.1	Share capital		
	21.1.1	Authorised capital, subscribed capital	2.1.3.1 / 2.1.3.4
	21.1.2	Shares not representing capital	—
	21.1.3	Treasury shares	2.1.3.2
	21.1.4	Convertible securities, exchangeable securities or securities with warrants attached	2.1.3.3
	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	2.1.3.7
	21.1.7	History of share capital	2.1.3.1
21.2	Memorandum and Articles of Association		
	21.2.1	Corporate purpose	2.1.2.1
	21.2.2	Provisions of the Articles of Association, charters and rules related to members of management and supervisory bodies	2.1.2.2 / 2.1.2.3 2.1.2.4 / 2.1.5
	21.2.3	Rights, preferences and restrictions attached to each class of the existing shares	2.1.2.4 / 2.1.2.6
	21.2.4	Procedure for changing shareholders' rights	2.1.2.5
	21.2.5	Convening General Meetings of shareholders and conditions for attendance	2.1.2.6
	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	2.1.2.2 / 2.1.2.3 2.1.2.4 / 2.1.2.7
	21.2.7	Disclosure of shareholdings exceeding specific thresholds	2.1.2.8
	21.2.8	Conditions for a change in the share capital, where such conditions are stricter than is required by law	2.1.2.6.3
22	**MATERIAL CONTRACTS (LAST TWO YEARS)**		**1.7**
23	**THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTERESTS**		**–**
24	**DOCUMENTS ON DISPLAY**		**7.4**
25	**INFORMATION ON HOLDINGS**		**1.3 / 1.4 and 5.3 (note 37)**

(1) Refers to chapter and section numbers of the Reference Document.

8.3 CORPORATE SOCIAL RESPONSIBILITY CROSS-REFERENCE TABLE

Cross-reference table with the French Commercial Code

Cross-reference table with article R. 225-105-1 of the French Commercial Code			
Information	**Subject**	**Paragraph**	**Section**
Social	Employment	Total workforce and breakdown of employees	4.2.1
		Recruitments and redundancies/dismissals	4.4.1
		Remuneration and pay rises	4.4.1
	Organisation of working hours	Organisation of working hours	4.4.1
		Lost time	4.4.1
	Labour relations	Organisation of labour relations	4.4.1
		Summary of collective agreements	4.4.1
	Health and safety	Health and safety conditions at work	4.4.1
		Summary of health and safety agreements	4.4.1
		Frequency and severity of work-related accidents and sick leave	4.4.1
	Training	Policies implemented	4.2.2
		Total number of training hours	4.2.2
	Equal opportunities	Measures taken to promote gender balance	4.2.1
		Measures taken to promote the employment and integration of people with a disability	4.2.1
		Anti-discrimination policy	4.2.1
	Promotion of and compliance with the fundamental principles of the ILO	Compliance and freedom of association and right to collective bargaining	4.4.1
		Elimination of discrimination in respect of employment and occupation	4.2.1
		Elimination of forced compulsory labour	4.1.1
		Effective abolition of child labour	4.2.3

Cross-reference table with article R. 225-105-1 of the French Commercial Code			
Information	**Subject**	**Paragraph**	**Section**
Environmental	General policy	Organisation of the company and assessment and certification processes	4.2.5 & 4.3.1
		Employee information and training initiatives	4.2.5 & 4.3.1
		Measures taken to prevent environmental risks and pollution	3.1.4.7
		Provisions and guarantees set aside for environmental risks	3.1.4.7
	Pollution	Measures taken to prevent, reduce and clean up discharges into the air, water and soil	Not 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	4.2.5
		Fighting food wastage	4.3.3
		Water consumption and supply in accordance with local constraints	4.4.2.A
		Consumption of raw materials and measures taken to improve efficiency of use	4.2.5
		Energy consumption, measures taken to improve energy efficiency and use of renewable energy	4.3.1
		Land use	Not pertinent
	Climate change	Significant contributors to greenhouse gas emissions due to company activity, for instance by using the goods and services it produces	4.3.1
		Adaptation to the consequences of climate change	4.3.1
	Preservation of biodiversity	Measures taken to preserve and develop biodiversity	4.2.5

Cross-reference table with article R. 225-105-1 of the French Commercial Code			
Information	**Subject**	**Paragraph**	**Section**
Societal	Territorial, economic and social impact of the company's activities	Regional employment and development	
		Resident and local populations	4.4.3
	Relations with people or organisations with an interest in the Company's activities	Relations with people or organisations	4.1.1.C
		Partnership or sponsorship operations	4.2.6
	Subcontractors and suppliers	Recognition of social and environmental priorities in the procurement policy	4.3.2
		Importance of subcontracting and recognition of subcontractors' and suppliers' corporate social responsibility in relations with them	4.3.2
	Fair business practices	Action undertaken to prevent corruption	4.3.5
		Measures taken to ensure customer health and safety	4.3.3
	Other action undertaken to promote human rights		4.1.1

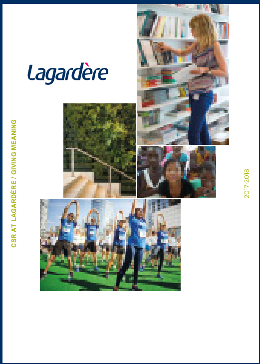
Document prepared by the Corporate Communications Department
Design: Sugar Pepper & Salt
Photo credits: Gilles Bassignac/Lagardère
Production: BRIEF

Avec Ecofolio tous les papiers se recyclent.

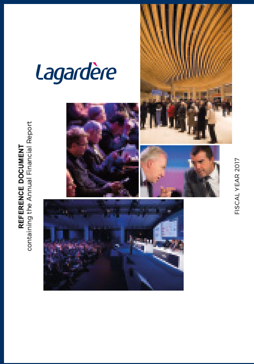
This document is printed on paper from environmentally certified sustainably managed forests. It carries PEFC certification based on the physical separation model.

10-31-1222 / Certified PEFC / pefc-france.org

PUBLICATIONS



CSR at Lagardère in 2017-2018



Reference Document
containing the Annual
Financial Report
Fiscal Year 2017

2017-2018 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 ÉDITEUR DE SAVOIRS · LB LITTLE, BROWN AND COMPANY

Lagardère TRAVEL RETAIL

RELAY · aelia DUTYFREE The Art of the Gift · DISCOVER D DISCOVER · hubiz · TRIB'S · SO! COFFEE

Lagardère ACTIVE

PARIS MATCH · Lagardère STUDIOS · Europe 1 · gulli · ELLE · Doctissimo vivre bien au quotidien

Lagardère SPORTS AND ENTERTAINMENT

Lagardère SPORTS · Lagardère PLUS · Lagardère LIVE ENTERTAINMENT · CASINO DE PARIS · BORDEAUX METROPOLE ARENA · Lagardère Paris Racing

www.lagardere.com