REFERENCE DOCUMENT

including the Annual Financial Report

Fiscal Year 2018

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

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 2 April 2019 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*.

The English version of the *Document de référence* has been prepared for the convenience of English-speaking readers, and is a free translation of the original French *Document de Référence*. It is intended for general information only and in the event of discrepancies, the French original shall prevail.

CONTENTS

1 OVERVIEW OF THE GROUP

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.

Legal Entity Identifier: 969500VX2NV2AQQ65G45

1.1.5 DATE OF INCORPORATION AND TERM OF THE COMPANY

Lagardère was incorporated on 24 September 1980.

Its term 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 European Company (*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 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 10 French Magazine Publishing titles in July 2014.

- Development of the Lagardère Travel Retail division: the weight of Travel Retail business has been increased through organic growth and major acquisitions.

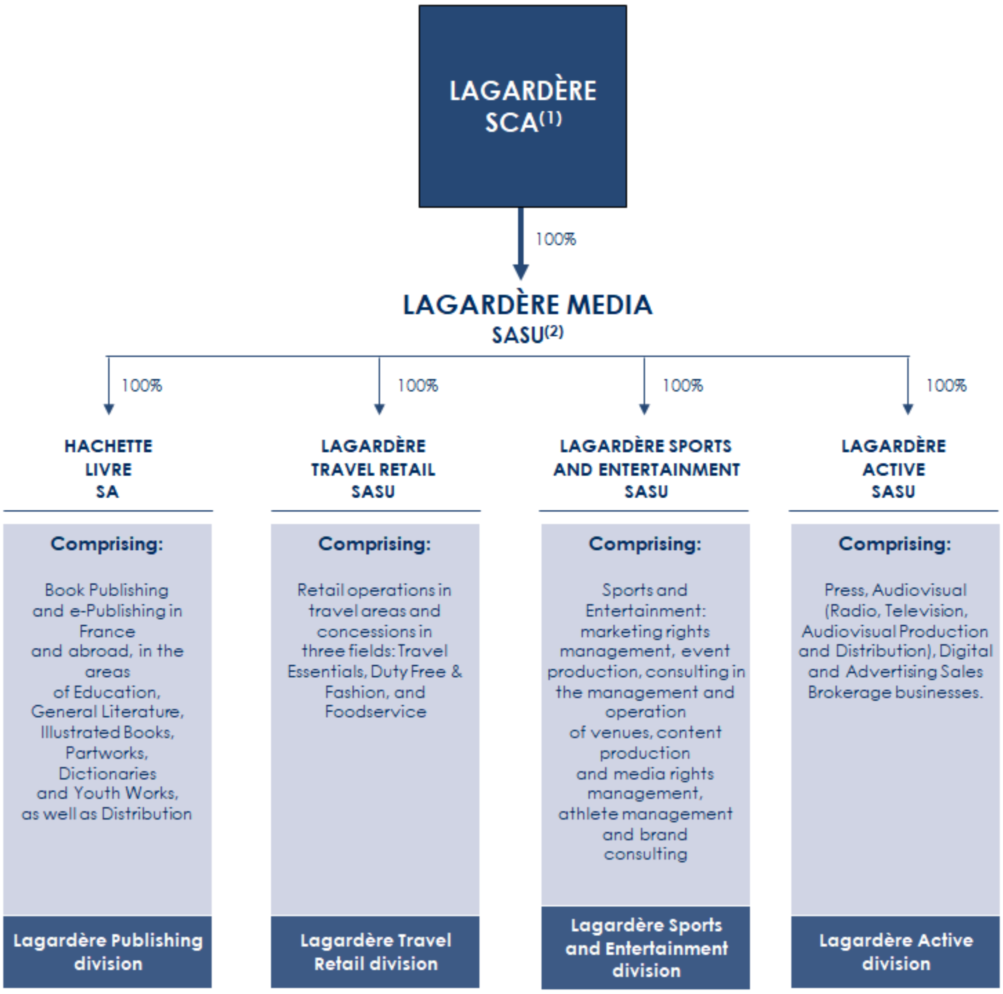
Examples of some important transactions include: the acquisition of ADR Retail Srl (since renamed Lagardère Services Travel Retail Roma), an operator of 13 duty free/duty paid stores in two airports in Rome, in September 2012 by Lagardère Services Travel Retail; the acquisition of an operator of retail stores in Amsterdam Schiphol airport, the 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; acquisition of Paradies, a leader in airport Travel Retail in North America with long-term concessions in more than 76 airports, in October 2015; acquisition of Hojeij Branded Foods, a leader in Foodservice in the Travel Retail market in North America, in November 2018.

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, lastly, Hungary (February 2017).

- 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 services,
    - stadium and arena management solutions,
    - athlete management,
    - event management,
    - live shows and production,
    - venue management.
- In 2018, the Managing Partners decided to refocus the Group on its two strongest divisions, each of which is a world leader in its respective sector: Lagardère Publishing and Lagardère Travel Retail (see section 1.4).

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 31 December 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 wholly owned 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 Sports and Entertainment: a French holding company for the Lagardère Sports and Entertainment division; and

- Lagardère Active: a French holding company for the Lagardère Active division.

A detailed list of the Group's 666 consolidated subsidiaries and their locations is provided in note 38 to the consolidated financial statements. Details of the positions held in these subsidiaries by Lagardère SCA corporate officers are presented in 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

Operating in around 40 countries, Lagardère has four business divisions: Books and e-Books; Travel Retail; Sports and Entertainment; Press, Audiovisual, Digital and Advertising Sales Brokerage.

As announced by Arnaud Lagardère at the annual results presentation on 8 March 2018 and at the Annual General Meeting of 3 May 2018, the Managing Partners have decided to refocus the Group on its two strongest divisions, each of which is a world leader in its respective sector:

- Lagardère Publishing, the power engine;
- Lagardère Travel Retail, the growth engine.

The main objectives of the strategic refocus are as follows:

- to endow the Group with an improved, simpler, more ambitious and more focused business profile;
- to improve cash generation in order to fund the growth of the Group's two priority divisions.

As part of its refocusing process, the Group has begun selling a certain number of assets that are no longer able to rely on its strategic support for their development, either because Lagardère does not have a competitive advantage, or because they require considerable investment. The disposals will be organised based on a schedule and terms decided by the Managing Partners (see below). The Managing Partners are working diligently to ensure that the sale conditions are as satisfactory as possible for all stakeholders, including the employees concerned.

The proceeds from these disposals will be reinvested first and foremost in Lagardère Publishing and Lagardère Travel Retail, in order to provide them with the means to become fixtures among the global leaders in their respective segments.

The following investments have already been made:

- acquisition of publishing house La Plage in July 2018;
- completion of the acquisition of Hojeij Branded Foods (HBF) in November 2018, a leading Foodservice operator in North America;
- start of exclusive negotiations for the acquisition of Gigamic in January 2019, which specialises in the publishing of board games.

At 31 December 2018, the Lagardère group had four business divisions:

Lagardère Publishing[1], which includes the Group's **Book Publishing and e-Publishing businesses**, and areas such as Education, General Literature, Illustrated Books, Partworks, Dictionaries, Youth Works, Mobile Games, Board 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;

[1] The Reference Document refers to this activity interchangeably as Hachette Livre or Lagardère Publishing.

- 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 continues to diversify, having acquired several companies specialising in mobile games and board games. These investments reflect the strategic aim of exploring leisure activities adjacent to the world of publishing, including consumer games in all their components.

Moreover, as part of the strategy defined for the Group by Arnaud Lagardère, Lagardère Publishing plans to position itself for the potential acquisition of an English-language publisher – yet to be identified – to increase its weight in that linguistic market, where a large part of the economic future of global publishing is being played out.

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 is now a pure player and global leader in Travel Retail.

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

- maintaining the pace of expansion so as to benefit from significant external growth opportunities;
- integrating new acquisitions and concessions (HBF in the United States, Smullers stores in railway stations in the Netherlands, Christchurch in New Zealand, etc.);
- continuing the enrichment of the product mix in Travel Essentials by rolling out the new Relay concept in all countries where Lagardère Travel Retail operates;
- accelerating innovation in the products and services provided;
- developing the Duty Free & Fashion and Foodservice segments;
- taking initiatives to improve profitability and cash generation.

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 services;
- live shows and 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.

At the end of 2018, the Lagardère group confirmed that it had begun the disposal process for Lagardère Sports and Lagardère Plus. In doing so, the Lagardère group has confirmed that the Lagardère Sports and Lagardère Plus businesses are to be sold as a whole, with the exception of Lagardère Live Entertainment, Lagardère Paris Racing and Saddlebrook. In the meantime, Lagardère Sports and Entertainment will continue to operate as normal until a commercial offer which is acceptable to the Group is received.

2019 promises to be a big year for Lagardère Sports and Entertainment with the main Asian and African football competitions, namely the Asian Cup in January and the Total Africa Cup of Nations taking place for the first time this year in June. Overall, as the business continues to grow, Lagardère Sports and Entertainment is well placed within the market and is recognised for its capability to maximise value for clients through broad local and global expertise. The agency continues to cement its position within the sports and entertainment industry and expects 2019 to be an exceptional year.

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

As part of the Group's strategic refocus (see above), the division has restructured to transform its business into several standalone units. Each of them has resources specific to its management and development. The new structure of Lagardère Active includes five business units (News, Press, TV, Audiovisual Production and Distribution, and Pure Players & B2B).

With the exception of the News unit (Europe 1, Virgin Radio and RFM, *Paris Match*, *Le Journal du Dimanche*, advertising sales brokerage and the management of the Elle licences), each unit will leverage the opportunities best enabling it to continue its development.

The News unit will work to structure and strengthen news-related businesses, building on its strong brands, the quality of its content and the independence of its editorial teams.

The divestment process was launched in the first half of 2018 and continues in 2019, with:

- the sale of the Radio businesses assets in the Czech Republic, Poland, Slovakia, Romania and Cambodia in July and October 2018;
- the sale of the stake in Marie Claire in July 2018;
- the sale of MonDocteur in July 2018 and Doctissimo in October 2018;
- the start of exclusive negotiations for the sale of the TV business (excluding Mezzo) in January 2019;
- the sale of the Boursier.com business in January 2019;
- the sale of the Radio assets in South Africa in February 2019;
- the sale of press titles in France in February 2019 (the transaction does not include *Paris Match*, *Le Journal du Dimanche* or the Elle brand and its international licences);
- the sale of Plurimedia and BilletReduc.com in February 2019.

Other disposals are expected to be effective in 2019.

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, Board 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 mention 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.

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[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 the 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.

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, Planeta 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, the United Kingdom and 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 activity.

A.1 In France[1]

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

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

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

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

The Academic and Professional activity includes Dunod-Armand Colin, leader in France's higher education market.

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

A.2 Outside France[3]

In the United Kingdom, Hachette UK was the second-largest publisher in 2018, with 12.7%[4] of the printed trade book market (see section 1.4.1A). It has seven divisions: Octopus for illustrated books; Orion; Hodder

[1] Hachette Livre's competitive positions reflect data provided by the GfK panels to which the division subscribes.
[2] Source: internal estimates.
[3] Source: internal data, based on Nielsen BookScan in the United Kingdom, internal sources in Spain and Nielsen BookScan data in the United States.
[4] Source: Nielsen.

& 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, New Zealand, Ireland, India (where it is number two in the market), Singapore and the English-speaking Caribbean.

Hachette Livre is also a key player in the textbook market with Hodder Education, which ranks second in the market.

Lastly, Hachette Livre has a Distribution business in the United Kingdom, via its new Didcot centre, which will replace the Bookpoint and LBS (Littlehampton Book Services) centres in 2020.

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 15 languages and 30 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 have made it the world leader, 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 its various business lines and its 150 brands.

B) OPERATIONS DURING 2018

Contribution to consolidated revenue in 2018: €2,252 million (€2,289 million in 2017).

Breakdown of revenue by activity

	2018	2017
Education	**14.1%**	16.0%
Illustrated Books	**12.8%**	12.7%
General Literature	**44.3%**	42.6%
Partworks	**12.2%**	12.2%
Other (including Reference)	**16.6%**	16.5%
Total	**100%**	100%

Breakdown of revenue by geographic area

	2018	2017
France	**28.1%**	29.3%
United Kingdom	**19.1%**	17.9%
United States	**25.8%**	24.6%
Spain	**5.7%**	6.0%
Other	**21.3%**	22.2%
Total	**100%**	100%

In 2018, the global publishing market was characterised by a 0.9% decline in France[1] and a 2.1% increase in Spain, as well as by the continuation of a growth trend dating back several years in the English-speaking countries. The American market grew by 1.3% in volume, the United Kingdom by 2.1% in value, Australia by 9.9% and Ireland by 6.5%.

In France, the total absence of curriculum reform had a negative impact on publishers in the Education market.

In Spain, changes of government and budgetary constraints in the regions also affected the textbook market.

E-book sales continued to decline in the English-speaking markets, while audiobooks extended their spectacular growth across all markets.

Against this backdrop, Lagardère Publishing posted revenue down 1.6% at €2,252 million (down 1.2% on a like-for-like basis) and recurring EBIT down 9.7% at €190.1 million. Its successes in General Literature in France, the United Kingdom and the United States, and a sound performance in Partworks failed to completely offset the shortfall in the Education segment.

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. Acquisitions can extend to related areas such as mobile games and board 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 in terms of potential markets;

4) broad editorial independence for publishing subsidiaries, encouraging creativity, rapid responses and team motivation;

5) active search for international bestsellers able to attract an extensive readership in all markets where the division operates;

6) management of distribution both as a cost centre and a strategic link in the book value chain, in all the markets where the division operates;

[1] Education included, source GFK (magazine Livres Hebdo cites a decline of 1.7%, but with different methods and sampling techniques).

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 and India.

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

In France, the absence of curriculum reform for any age group weighed on the revenue and profitability of Hachette Education and the Alexandre Hatier group, which relegated their efforts to extracurricular publications and the preparation of the 2019 reform.

General Literature enjoyed a stellar year, however, notably with Guillaume Musso's *La Jeune Fille et la Nuit* at Calmann-Lévy. Meanwhile, Fayard published three of the top end-of-year sales in the essays and documents category: *Qu'est-ce qu'un Chef ?* by Pierre de Villiers; *Idiss*, by Robert Badinter; and *Becoming*, by Michelle Obama. In addition, Stock won the Renaudot Essai prize for *Avec toutes mes sympathies* by Olivia de Lamberterie; the Médicis Etranger prize for Rachel Kushner's *The Mars Room*; and the Femina essay prize for *Gaspard de la Nuit*, by Élisabeth de Fontenay, while Grasset took the Médicis prize for *Idiotie* by Pierre Guyotat.

Le Livre de Poche at the same time consolidated its number one position in the French market.

In Illustrated Books, the year was marked by great successes for practical titles (the Thermomix and Simplissime series), sport (with "snapshot" books devoted to the French team's World Cup victory) and mangas, while the youth and tourism segments weakened slightly.

With 80 launches in 30 countries and 15 languages, Lagardère Publishing surpassed its direct competitor to become the world's leading publisher of Partworks, thanks largely to successes in France, Italy and Latin America.

Lastly, Distribution saw the renewal of all its major contracts.

B.2 Outside France

United States

In an American book market characterised by higher printed book sales (up 1.3% in volume terms) and spectacular growth in audiobook sales for the fourth year in a row, Hachette Book Group (HBG) posted a healthy increase in its revenue (up 3.7% like-for-like and down 0.3% on consolidated basis), thanks in large part to extensive presence on bestseller lists. HBG placed 166 titles on *The New York Times* Best Seller list, 32 of which made it to number one, making it the publisher with the highest percentage of bestsellers by the number of titles. They included *The President is Missing*, by Bill Clinton and James Patterson

(Little, Brown), the year's best-selling novel, which sold 1.2 million copies and held the top spot on *The New York Times* bestseller list for seven weeks. Nicholas Sparks, David Baldacci, Michael Connelly, Sandra Brown, Robert Galbraith and Joyce Meyer also enjoyed extended stays on the bestseller lists.

Older titles whose career continues include Jen Sincero's *You are a Badass*, which sold no fewer than 713,000 copies over the year, three years after its release.

Less, by Andrew Sean Greer (Little, Brown) won the Pulitzer Prize in the fiction category, while Orbit, the Hachette Book Group's science fiction and fantasy collection, won its authors the Hugo Award, the Nebula Award and the World Fantasy Award – a harvest unparalleled in the annals of publishing.

Political books of all stripes were another great success, with Jeanine Pirro's *Liars, Leakers and Liberals*; *Trump's America* by Newt Gingrich; and *Russian Roulette* by Michael Isikoff and David Corn.

Audiobooks continued their spectacular growth in 2018 (gaining a further 37.1% on top of growth of 30.2% in 2017), while e-book sales outperformed the market given the higher proportion of bestsellers such as *The President is Missing* listened to in this format.

Hachette Book Group also acquired Worthy Publishing Group, a publisher of faith-based books that has been housed in the Hachette Nashville division.

United Kingdom and the Commonwealth

The absence of curriculum reform in the United Kingdom did not prevent Hachette UK from delivering revenue growth of 3.2% (up 3.4% on a consolidated basis and down 0.5% like for like), outpacing the broader market. Its market share now stands at 12.6% in print, and 15% including e-books – a market where, in the absence of official statistics, Hachette UK considers itself to be the number one.

Hachette UK placed 114 titles on *The Sunday Times* Bestsellers list, 15 of which made it to number one, including *The Rooster Bar* and *Camino Island*, both of which were written by John Grisham (Hodder & Stoughton), *Listening to the Animals*, by Noel Fitzpatrick (Trapeze), *Brief Answers to the Big Questions*, by Stephen Hawking (John Murray), and *Fantastic Beasts: The Crimes of Grindelwald*, by J.K. Rowling (Little, Brown).

Additionally, Nadia Murad – author of *The Last Girl* at Virago – received the Nobel Peace Prize, the Sakharov Prize and the Václav Havel Prize for her fight against the sexual slavery imposed by Islamic State.

The new distribution centre at Didcot in Oxfordshire has already absorbed the bulk of LBS volumes and is preparing to do the same with Bookpoint. It will replace these two ageing centres and is poised to ramp up to half a million pounds of paper handled per day in 2019, with gains in terms of quality of service and productivity thanks to advanced computer science and robotics. Booksellers applauded the quality of the transfer.

Spain and Latin America

With 2,257 new titles published in 2018, 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) was completed, and changes of government, at both the national and regional level, compounded by budgetary constraints in the regions, led to the questioning of several programs and generated something of a wait-and-see attitude among the public authorities.

In General Literature, Grupo Anaya's bestsellers were *El Guardián entre el centeno*, by J.D. Salinger (Alianza Editorial); *Sesión nocturna*, by Michael Connelly (Alianza de Novelas); and *Nunca es tarde*, by Jerónimo Tristante (Algaida).

In Youth Works, Anaya Infantil y Juvenil improved the results of its main reading collections recommended for primary and secondary education.

In Latin America, Larousse Mexico had a great success in gastronomy with *Larousse del Chocolate* and *Pan artesanal in casa* by Mexican chef Irving Quiroz, and Patria expanded its collections for all school levels and expanded its preschool offer.

As a result, revenue in Spain/Latin America fell by 5.1% on a like-for-like basis.

Partworks

Partworks continued their impressive growth, enabling Lagardère Publishing to become the world leader in this market[1], thanks in large part to 80 successful launches in 30 countries, particularly in France, Italy and Latin America. Any difficulties they encounter (problems with certain distributors, devaluation of a local currency) are temporary, and are everyday occurrences as authentically international operators.

B.3 Objectives and achievements in 2018

Lagardère Publishing envisaged a slight decline in 2018 due to the absence of curriculum reform in France, Spain, and to a lesser extent the United Kingdom, and unfavourable comparisons with 2017, a year marked by great successes in bookstores, including the publication of an Asterix album and a Dan Brown novel.

This anticipation was indeed borne out, with a slight contraction in revenue and recurring EBIT.

But there were several reasons for satisfaction. Hachette Book Group restored its profitability to a healthy level, Hachette UK delivered a sterling performance despite Brexit-related tension, and the retail market continued its consolidation.

Partworks, where the division is now world leader, also demonstrated the resilience of their business model.

Sales of the two very high-potential titles slated for launch during the year, *La Jeune Fille et la Nuit*, by Guillaume Musso and *The President is Missing*, by Bill Clinton and James Patterson, far exceeded their publishers' expectations.

Lastly, the merit of the acquisition of mobile game start-ups in 2017 and 2018 was clearly reflected in those companies' average growth of 75% in 2018.

C) OUTLOOK

In 2019, Lagardère Publishing is expected to resume growth thanks to curriculum reform affecting two senior secondary classes in France, as well as vocational education.

2019 will also be an "Asterix year".

Lagardère Publishing is set to embark on a new diversification programme, this time targeting board games, which are very popular and where the business model is very similar to that of book publishing. In January 2019, Hachette Livre announced the start of exclusive negotiations for the acquisition of Gigamic, which publishes and distributes board games for all audiences, and is enjoying strong and steady growth.

Lastly, as part of the strategy defined for the Group by Arnaud Lagardère, Lagardère Publishing plans to position itself for the potential acquisition of an English-language publisher – yet to be identified – to increase its weight in that linguistic market, where a large part of the economic future of global publishing is being played out.

[1] Source: internal estimates.

1.4.2 LAGARDÈRE TRAVEL RETAIL

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

With operations in 35 countries and on five continents, Lagardère Travel Retail has been a pure player and global leader in Travel Retail since the sale of its distribution activities in 2017.

At the end of 2018, Lagardère Travel Retail operated a total of 4,652 stores. The geographic breakdown is as follows: 3,349 in Europe, Middle East and Africa, 450 in Asia-Pacific and 853 in North America.

Lagardère Travel Retail, whose strategy is to become the leading travel retail and foodservice operator for passengers, 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 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 following successful bids in 2018:
  - In EMEA:
    - the concession to operate the Smullers restaurants in nearly 30 railway stations in the Netherlands;
    - a Travel Essentials, Duty Free and Foodservice concession at Libreville airport (Gabon);
    - the Malaga airport Foodservice concession (Spain), as well as the Travel Essentials concessions at the Canary Islands airports;
    - Travel Essentials and Duty Free concessions in Italy, mainly in the Rome, Brindisi, Trieste, Bari and Cagliari airports;
    - the Travel Essentials and Foodservice concession at Toulouse airport, plus the opening of the La Villa restaurant in a hospital in Lyon and the Teppan restaurant at Terminal 1 of Paris-Charles-de-Gaulle airport (in collaboration with chef Thierry Marx), and openings of several Marks & Spencer stores in railway stations and airports.

- In Asia-Pacific:
  - a master concession at Christchurch International airport, as well as the Travel Essentials and Duty Free concessions at Nelson airport, New Zealand;
  - fashion stores and restaurants in the Zhengzhou and Qingdao airports in China, as well as continued growth in Hong Kong with the launch of the Dean & Deluca global franchise (Foodservice), and Travel Essentials stores in the stations on the high-speed train line connecting Hong Kong to mainland China.
- In North America:
  - new concessions in San Francisco in Travel Essentials and Foodservice, as well as in the new Orlando terminal.

► faster acquisition-led growth, notably with the recent acquisitions of Hojeij Branded Foods (HBF) and its subsidiary Vino Volo in November 2018 and the Tekro Foodservice activities in Austria in May 2018. The acquisition of HBF has consolidated Lagardère Travel Retail's number three position[1] in the North American Travel Essentials and Foodservice market (operations in 96 airports in the United States and Canada).

In a market characterised by constant consolidation, Lagardère Travel Retail is now the third-largest operator[2] in Travel Retail, and the biggest operating across the three business segments (Travel Essentials, Duty Free & Fashion and Foodservice). As such, Lagardère Travel Retail:

► runs the largest international network of stores dedicated to Travel Essentials;

► is the European leader[3] in the Travel Retail Fashion segment;

► ranks among the top ten[4] operators in Core Duty Free;

► is the fourth-largest[5] operator in Foodservice in travel areas worldwide.

The network includes the following stores operated:

► under its own store names:
- either international, with 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, Trib's, Vino Volo, Natoo, etc.;
- or with a strong local identity, with the Sydney Opera House, BuY Paris Duty Free and Frankfurter Markthalle);

[1] Source: Moodie Report; Lagardère Travel Retail Strategy Department; company annual reports. The Moodie Report website (www.moodiereport.com) regularly publishes changes in the market share of Travel Retail operators and is recognised as a reference in the industry.
[2] Source: Moodie Report; Lagardère Travel Retail Strategy Department; company annual reports. The Moodie Report website (www.moodiereport.com) regularly publishes changes in the market share of Travel Retail operators and is recognised as a reference in the industry.
[3] Source: Moodie Report; Lagardère Travel Retail Strategy Department; company annual reports. The Moodie Report website (www.moodiereport.com) regularly publishes changes in the market share of Travel Retail operators and is recognised as a reference in the industry.
[4] Source: Moodie Report; Lagardère Travel Retail Strategy Department; company annual reports. The Moodie Report website (www.moodiereport.com) regularly publishes changes in the market share of Travel Retail operators and is recognised as a reference in the industry.
[5] Source: Moodie Report; Lagardère Travel Retail Strategy Department; company annual reports. The Moodie Report website (www.moodiereport.com) regularly publishes changes in the market share of Travel Retail operators and is recognised as a reference in the industry.

- under franchise or licence, with retail partners such as TripAdvisor, Fnac, iStore, Marks & Spencer, Hermès, Victoria's Secret, Nespresso, Costa Coffee, Burger King, Dean & Deluca 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 150 international airports. The segment counted 2,968 stores worldwide at the end of 2018.

Some of these stores (289) are operated by a network of franchisees in countries including Belgium, Hungary, China, India, Pakistan, 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.

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 the sale of basic products in travel areas, which was previously local, is becoming global: Hudson News (Dufry) operates in 16 countries, WH Smith in 28; 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 also designs and operates stores that cover the classic categories of alcohol, tobacco, perfume, cosmetics and gastronomy, as well as specialised concepts:

- under its own store names including Aelia Duty Free, BuY Paris Duty Free, So Chocolate, The Fashion Gallery, etc.;
- or through licences for international brands including Hermès, Longchamp, Hugo Boss, Ferragamo, Victoria's Secret, etc.

In recent years, Lagardère Travel Retail has become the European leader[2] in Fashion sales in travel areas, particularly following recent successful bids (mainly Geneva in Switzerland, Lounge 3 at Amsterdam Schiphol airport in the Netherlands and the Avancorpo terminal in Rome-Fiumicino, Italy, as well as Vienna airport in Austria and Toulouse airport in France). The segment counted 671 stores worldwide at the end of 2018.

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.

[1] Source: Moodie Report; Lagardère Travel Retail Strategy Department; company annual reports. The Moodie Report website (www.moodiereport.com) regularly publishes changes in the market share of Travel Retail operators and is recognised as a reference in the industry.

[2] Source: Moodie Report; Lagardère Travel Retail Strategy Department; company annual reports. The Moodie Report website (www.moodiereport.com) regularly publishes changes in the market share of Travel Retail operators and is recognised as a reference in the industry.

c) Fast-growing operator in Foodservice

Lagardère Travel Retail operates 1,013 Foodservice stores in 20 countries (including France, the Czech Republic, Poland, Italy, Austria and Iceland, as well as North America, which was strengthened by the acquisition of Hojeij Branded Foods in late 2018):

- under its own store names, with So! Coffee, Bread&Co., Trib's, Vino Volo, deCanto, Natoo, etc.;
- through concepts tailored to meet the specific needs of licensors and locations: La Plage and Pan Garni at Nice airport and L'Étoile du Nord at Gare du Nord railway station in Paris and Teppan at Paris-Charles-de-Gaulle airport in partnership with Thierry Marx, Loksins Bar at Keflavik airport in Iceland, Bar Symon at Pittsburgh airport in the United States, etc.;
- under franchise agreements with major international brands including Starbucks, Costa Coffee, Prêt à Manger, Burger King, Ajisen Ramen, Eric Kayser, Paul, Dean & Deluca, etc., or local brands such as SumoSalad, Java U, etc.

As such, this broad brand portfolio, balanced between brands designed specifically for Travel Retail and those 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.

B) OPERATIONS DURING 2018

Contribution to consolidated revenue in 2018: €3,673 million (€3,412 million in 2017).

Breakdown of revenue by activity

	2018	2017
Travel Retail	**100%**	99.7%
Distribution	**0%**	0.3%
Total	**100%**	100%

Breakdown of revenue by geographic area (Travel Retail)

	2018	2017
France	**24.3%**	25.3%
Europe (excluding France), Middle East and Africa	**41.9%**	40.8%
North America	**21.1%**	22.2%
Asia-Pacific	**12.7%**	11.7%
Total	**100%**	100%

Travel Retail revenue increased by 7.6% on a reported basis and 8.8% on a like-for-like basis in 2018.

Travel Retail accounted for 100% of the division's consolidated revenue in 2018, up from 99.7% in 2017, following its definitive withdrawal from Press Distribution in February 2017.

All geographic areas experienced significant growth in absolute terms. The increase in the EMEA region in the geographical revenue breakdown is attributable to the ramp-up of new concessions opened in 2017 and 2018, namely Geneva (Switzerland) in Duty Free, Foodservice in Europe (Italy, Poland and the Czech Republic), and the entry into the Senegalese market in Duty Free and Travel Essentials. In the Asia-Pacific region, it is attributable to a significant level of new openings in Duty Free in Hong Kong and in Fashion and Foodservice in China.

The 2018 market environment was characterised by continued growth in air traffic in all regions.

However, the volatility of certain currencies (in particular the yuan, the rouble and the US dollar), Brexit, strikes and the yellow vests movement in France, and the continuing decline in the press market slowed the pace of growth in the relevant areas.

- Continued growth in air traffic

After growth of 4.2% in 2012, 3.9% in 2013, 4.9% in 2014, 6.1% in 2015, 6.5% in 2016 and 6.6% in 2017, 2018 saw robust air traffic growth of 6.3% worldwide. By region, air traffic growth broke down as follows: 6.3% in Europe (8.7% in 2017), 5.2% in North America (3.5% in 2017) and 8% in Asia-Pacific (8% in 2017)[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 4.4% compared with 2017, with positive variations across all segments.

2018 was marked by protests, including three months of strikes at the SNCF between late March and June (36 days in total), with a significant impact on the Foodservice and Travel Essentials activities in the railway network, as well as the yellow vests movement between late November and December, whose impact on activity is more difficult to assess.

The Travel Essentials network reported growth of 2.9%, while the Foodservice segment grew by a stronger 10.3%. The increase in Food & Beverage products as a percentage of managed revenue seen in recent years continued in 2018, with growth of 21% year on year in this category.

The Duty Free & Fashion business recorded a 4.1% increase in managed revenue year on year thanks to air traffic growth: increases of 3.7% in the Paris airports (up by 3.9% at Paris-Charles-de-Gaulle and by 3.4% at Paris-Orly), 7.2% at Lyon-Saint-Exupéry, 4.1% at Nice-Côte d'Azur, 13.1% in Nantes, 10.7% in Bordeaux and 1.6% in Marseille-Provence.

[1] Source: ACI, at end-September 2018 and end-December 2017.
[2] Managed revenue corresponds to 100% of revenue from the relevant activities regardless of Lagardère Travel Retail's level of control or ownership of them.

In **Italy,** revenue increased by 4.4% overall, but by 6.2% on a like-for-like basis, as closures of Foodservice stores continued on motorways and in town centres. Like-for-like growth was driven by Foodservice (up 10.4%), Travel Essentials (up 10.6%) and, to a lesser extent, Duty Free (up 3.7%), which enjoyed solid air traffic growth but felt the impact of an unfavourable passenger mix on the average spend (lower number of Chinese passengers in Rome) and considerable disruption in Venice following the redesign of the airport's retail area.

In **Poland,** consolidated revenue increased by 9.5%, despite the loss of contracts at Terminal 2 at Warsaw airport in June 2018. Growth was driven chiefly by Travel Essentials activities, which grew by 12%. Duty Free activities grew by 5%, despite the loss of Terminal 2 in Warsaw. The stellar performance of Foodservice activities (up 14%) reflects like-for-like growth of 18%, partially making up for changes in the scope of consolidation (closure of Terminal 2 of Warsaw not completely offset by the recent opening of five outlets in Gdansk).

In the **Czech Republic,** the 8.4% increase in revenue in 2018 was driven by good performances in Foodservice (up 10.5%) and Travel Essentials (up 15.1%). Duty Free revenue was stable compared with 2017 due to a significant decline in the average spend per passenger, attributable to exchange rates and an unfavourable passenger mix, despite the sharp increase in traffic at Prague airport (up 9%).

The rest of the region reported growth of 15% driven by the takeover of the Duty Free concession in Geneva and the start of operations in Senegal. Other noteworthy developments include:

- revenue in the **Netherlands** grew by 3.1% thanks to good momentum for the Gucci and Hermès brands and the opening of a Dutch Discoveries store, as well as the full-year effect of the two new stores opened at Eindhoven airport in 2017;
- in **Romania,** the 15.6% increase in revenue was driven by the diversification of the existing network (up 11.6%);
- in **Bulgaria,** revenue grew by 22.7% thanks to good results on the existing network (up 13.6%) and the good performance of Relay outlets opened in Sofia in 2017;
- in **Iceland,** revenue increased by 10.5%, driven by traffic growth;
- in **Germany,** revenue grew by 3.1% overall. The Travel Essentials activity recorded an increase of 3.3%, with the decline in writing products more than offset by the effect of modernisation and changes in the product mix. The Foodservice activities edged up by 0.3% thanks to the good results of the Coffee Fellows network and store openings in 2017 and 2018, despite the temporary and forced closure of the Frankfurt railway station food court since November 2018 following water damage.

Asia-Pacific

In the Pacific, revenue increased by 4.1%, driven chiefly by Duty Free activity in New Zealand, with the full-year impact of the network's biggest store, opened in December 2017. Travel Essentials revenue was down 1% due to the cumulative effects of disruptions caused by terminal redevelopments at two major airports (Auckland and Sydney), the decline in traffic in Perth, and the closing of several stores.

In **Asia,** revenue grew by a very strong 54%, driven by the low-margin wholesale activity started at the end of 2017 to supply international alcoholic beverage brands to the joint venture formed with China Duty Free Group as part of the operation of the Hong Kong airport alcohol and tobacco concession won in 2017. China delivered another year of stellar growth (up 63%), notably in Fashion and Foodservice, driven by the openings of the Beijing and Shanghai platforms.

North America

Revenue was up 7.4% on a reported basis in **North America** in 2018, and 4.8% on a like-for-like basis. Like-for-like growth can be attributed to the strong performance of the Travel Essentials business (up 5.4%), thanks in large part to airports in Phoenix (up 16.6%), Los Angeles (up 8.4%), Tampa (up 5.9%) and Dallas (up 9.1%). The Foodservice business also delivered strong performances, with like-for-like growth of 5.6% driven primarily by Denver (up 11%), Long Beach (up 4.4%) and Dallas (up 23.3%) airports. But Duty Free & Fashion activities recorded growth of just 0.8%, pulling down the average.

North American operations continue to expand, with the opening of six Travel Essentials stores at Charlotte airport, eight in Cincinnati and two in Winnipeg. The Foodservice segment saw the opening of the Limon Rotisserie restaurant in San Francisco, four restaurants in Austin and one in Denver.

2018 revenue over the region as a whole breaks down as follows between the various segments: Travel Essentials 76%, Duty Free & Fashion 12% and Foodservice 12%. The performance of the Travel Essentials business was up 5.3% on a like-for-like basis.

B.2 Objectives and achievements in 2018

The overriding aim in 2018 was to integrate new acquisitions and concessions (Auckland, Cairns, Geneva, Warsaw, Krakow, Gdansk, Romania, Dakar, Saudi Arabia, Hong Kong, China, etc.).
Their integration is progressing satisfactorily, and the performance delivered is broadly in line with expectations, with the exception of the Auckland platform.

The second objective was to maintain the pace of development to benefit from significant organic or acquisition-led growth opportunities. The most significant achievements of 2018 in this regard were:

- acquisition in November 2018 of Hojeij Branded Foods (HBF) and its subsidiary Vino Volo, a leading Foodservice operator in Travel Retail in North America;
- award of the concession to operate the Smullers restaurants in nearly 30 railway stations in the Netherlands;
- acquisition in Austria of Tekro Foodservice activities at the Salzburg railway station, as well as Travel Essentials operations at Vienna airport, with a local partner;
- award in December 2018 of a Travel Essentials, Duty Free and Foodservice concession at Libreville's Léon Mba airport (Gabon);
- award of a master concession at Christchurch International airport, as well as the Travel Essentials and Duty Free concessions at Nelson airport, New Zealand.

The third objective was to continue to enrich 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. To meet this objective, the division 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;
- Lafayette Plug and Play also awarded Lagardère Travel Retail the "Corporate Engagement Award" in 2018 for its active involvement in the acceleration of start-ups.

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

- Revenue increased by 11% year on year in the Duty Free & Fashion segment in 2018, reflecting the good performance of new concessions in Switzerland (Geneva), the Middle East, Hong Kong, China and France;

- Revenue grew by 12% in the Foodservice segment in 2018, driven by a good performance by the existing network in France, Italy and Poland, coupled with numerous concession gains in all regions, as well as the acquisition of Hojeij Branded Food (HBF).

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 has significantly improved cash generation in all countries.

C) OUTLOOK

Lagardère Travel Retail's 2019 trading outlook hinges primarily on changes in airport traffic and currencies, as well as broader economic and geopolitical trends.

Objectives are focused on:

- maintaining the pace of expansion so as to benefit from significant external growth opportunities;
- integrating new acquisitions and concessions (HBF in the United States, Smullers stores in railway stations in the Netherlands, Christchurch in New Zealand, etc.);
- continuing the enrichment of the product mix in Travel Essentials by rolling out the new Relay concept in all countries where Lagardère Travel Retail operates;
- accelerating innovation in the products and services provided;
- 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 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 services;
- live shows and 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 19 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 six clubs in Ligue 1 and Ligue 2 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 is also an exclusive partner of the Football Association (FA).

Lagardère Sports also works with clubs and governing bodies in Europe.

Africa

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

Asia

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

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

Lagardère Sports also distributes media rights across Asia including J-League (Japan), A-League (Australia), K-League (South-Korea) and the Thai League.

North, Central America and the Caribbean

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

A.1.2 Golf

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

Lagardère Sports' golf talent portfolio includes over 80 players, with more than 35 on the PGA Tour. Lagardère Sports is also involved in golf events globally:

- United States of America: two PGA events (Safeway Open, 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 management, content production and marketing of media rights.

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 for the Olympic games and other events.

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 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.

A.1.5 Media

Lagardère Sports represents over 200 sports rights holders. 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 and produces original content across multiple platforms.

Its media rights portfolio includes international federations such as the International Handball Federation (IHF), International Swimming Federation (FINA), International Gymnastics Federation (FIG), International Association of Athletics Federations (IAAF), International Table Tennis Federation (ITTF) and the Badminton World Federation (BWF).

A.1.6 *Stadiums and arenas*

Lagardère Sports advises its clients on the development, management and operation of stadiums and multi-purpose 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 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 platforms. 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, Dallas, Frankfurt, Hamburg, London, Manchester, Munich, New York, Paris, Singapore and Tokyo.

Globally, Lagardère Plus 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 the Phil Collins' "Not Dead Yet" tour shows in France.

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 Arkéa Arena in Bordeaux, formerly known as Bordeaux Métropole Arena. In addition, it operates the new Aix-en-Provence Arena and owns and operates the Bataclan theatre in Paris.

B) OPERATIONS DURING 2018

Contribution to consolidated revenue in 2018: €438 million (€454 million in 2017 restated for IFRS 15)

Breakdown of revenue by activity

	2018	2017
TV rights and production	**16.3%**	22%
Marketing rights	**47.4%**	44.5%
Other	**36.3%**	33.5%
Total	**100%**	100%

Breakdown of revenue by geographic area

	2018	2017
Europe	**62.5%**	57.0%
Asia-Pacific	**17.3%**	16.8%
United States and South America	**13.2%**	12.2%
Africa	**6.9%**	13.4%
Middle East	**0.1%**	0.6%
Total	**100%**	100%

The decreased share of **Media** activities (16% in 2018, compared to 22% in 2017) is mainly due to seasonal effects and the non-recurrence in 2018 of major events that took place in 2017, chief among which are the 2017 Africa Cup of Nations and the AFC World Cup Qualifiers.

Marketing activities revenues are growing. Europe (mainly football clubs in Germany, France, and the United Kingdom) and the staging of the Commonwealth Games in Australia in 2018, more than offset the marketing revenues generated by the absence or lesser impact of major sporting events (the 2017 Africa Cup of Nations and the AFC World Cup Qualifiers). The increase in Marketing's relative weight from 45% to 47% is also due to a base effect related to the fall in Media activities.

Lastly, the share of **Other activities** is growing moderately, from 34% in 2017 to 36% in 2018. These activities mainly relate to:

- athlete management;
- brand consulting;
- venue consulting and events organisation;
- Lagardère Live Entertainment and sports clubs in France.

The increase in revenues and percentage is mainly due to a full-year effect related to the acquisition of a consultancy business in the United Kingdom at the end of 2017.

In terms of geographical distribution, the **Africa** region fell from 13% to 7% in one year, mainly because of the non-occurrence of the Africa Cup of Nations in 2018 (it only takes place every two years).

The relative weighting of the **Asia** region remains stable at 17%. The unfavourable impact related to the cyclical nature of AFC competitions is offset globally by the occurrence of the Commonwealth Games in Australia in 2018 and a base effect related to the decrease in the total revenue of Lagardère Sports and Entertainment.

The share of the **United States of America and South America** region increased slightly from 12% in 2017 to 13% in 2018. This is mainly due to the development of the Media activity and the acquisition of rights related to the American continent.

The **Europe** region grew in 2018, from 57% to 63%. In value terms, this increase is mainly due to the good performance of most of Europe's activities, particularly the activities of the Olympic division, as well as a full year effect related to the acquisition of a consultancy business in the United Kingdom at the end of 2017. In view of the lower annual revenue for Lagardère Sports and Entertainment, the weighting of the Europe region in the division's revenue is increasing.

Cyclical nature of Lagardère Sports and Entertainment as well as competition

The world's major sporting events follow two to four-year cycles. This cyclical nature has an impact on all sports-related professions whose activity depends on the timing of these events.

In view of Lagardère Sports and Entertainment's current portfolio, 2019 is a high point in its 2017-2020 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 more local players in each of its markets.

B.1 Lagardère Sports

B.1.1 Football

Europe

In 2018, after a successful programme of live testing, the German Football League (DFL) approved the implementation of a virtual advertising solution developed by Lagardère Sports, ADI and Supponor, which went live for the first time at a Bundesliga match at the start of the 2018-2019 season. Lagardère Sports' innovative virtual advertising technology was awarded the first prize in the category "Sports Tech of the Year" at the Sport Business Award 2018 in London.

In Germany, Borussia Dortmund and Lagardère Sports extended their successful collaboration until 2026 and the German Football Federation (DFB) and Lagardère Sports extended the term of their hospitality marketing cooperation until the end of 2020. Lagardère Sports will continue to support the DFB in the hospitality marketing of the German Cup Final and the international matches of the men's and women's senior national teams and the respective U21 teams.

Lagardère Sports has signed a multi-year management and commercial representation agreement with football star Robert Lewandowski, extending the 15-year partnership with this athlete. Lagardère Sports will be responsible for the worldwide marketing of Lewandowski's commercial rights outside Poland and will be responsible for the acquisition, selection and implementation of the football star's advertising contracts.

Lagardère Sports continued to expand its football portfolio in Europe, partnering with English Premier League club West Ham United to develop a new application to engage fans. The agency brokered a deal with Leicester City and Wolverhampton Wanderers establishing W88 as the club's official betting partner. In France, the renewal of the long-term partnership between Hyundai and Olympique Lyonnais to 2020 created a blueprint for a new, innovative pan-European deal between the Korean giant Hyundai and heavyweight European clubs Chelsea, Atlético Madrid, AS Roma and Hertha Berlin. In addition, Lagardère Sports brokered a deal with tyre manufacturer Falken to extend its commitment to top class European football by partnering with clubs in Germany, England, Spain, Italy, France, the Netherlands, Poland and, for the first time, Sweden.

Africa

In 2018, the Total African Nations Championship 2018 hosted in Morocco was successfully delivered. Lagardère Sports organised two "Total Social Stadiums" activation during the opening and final matches. The tournament, which saw the host nation crowned as champions, also marked the one-year anniversary of the "Total Social Stadium" activation, which began at the Total Africa Cup of Nations 2017 in Gabon.

Visa, the global leader in payments, signed a partnership with the Confédération Africaine de Football (CAF) as a sponsor of the Total Africa Cup of Nations tournament in 2019 and 2021.

Asia

In 2018, 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 continued to partner with the AFF Football Championship, managing its flagship tournament, the AFF Suzuki Cup, Southeast Asia's most-watched football event. Lagardère Sports will continue to monetise and manage commercial rights for this prestigious competition until 2024.

B.1.2 Golf

In 2018, Lagardère Sports continued its work as a golf talent agency, representing more than 35 players on the PGA Tour. The roster includes Phil Mickelson, Jon Rahm, Keegan Bradley and Brandt Snedeker.

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

B.1.3 Tennis

In 2018, Lagardère Sports organised the final BNP Paribas WTA Finals Singapore presented by SC Global.

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, WTA International events and Grand Slam tournaments and continued to market to broadcasters around the globe.

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

B.1.4 Olympic sports and major events

Lagardère Sports successfully delivered the commercial programme for the Gold Coast 2018 Commonwealth Games providing a number of services including sponsorship, hospitality and broadcast rights sales, sponsor servicing and outfitting the Australian Commonwealth Games team.

B.1.5 More sports

In 2018, Lagardère Sports continued to be a major player in the field of Esports. Lagardère Sports was appointed as the commercial sales representative for Esports organisation Team Flash, whose Singapore FIFA team clinched Singapore's first ever Esports gold medal to qualify for the FIFA Eworld Cup. Lagardère Sports also facilitated a partnership which saw SAP becoming the official sponsor and innovation partner of Team Liquid, one of the biggest and most successful Esports companies across the globe.

Lagardère Sports partnered with the International Handball Federation (IHF) to cover men's and women's World Championships from 2019 to 2025. The agreement spans eight global competitions beginning with the 26th IHF Men's World Championship in Germany and Denmark from January 2019.

Lagardère Sports signed an exclusive media rights deal with the International Netball Federation (INF). As the first agency to ever represent the INF, the agency will commercialise and distribute international media rights from 2018 to 2023, beginning with the 2019 World Cup in Liverpool in July 2019. The agreement also includes the 2023 World Cup – as well as Fast5 tournaments, the Youth World Cup and World Cup qualifiers.

Lagardère Sports launched the official Professional Darts Corporation (PDC) mobile application providing fans with an innovative and interactive experience. The long-term partnership also saw Lagardère Sports become the exclusive digital sponsorship and activation agency for the PDC.

Moreover, Lagardère Sports' athlete management continued to grow too – it now represents more than 90 NFL players, including 25 Pro Bowlers, and more than 60 professional and retired baseball players. Twelve of its American football clients were selected in the 2018 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 2018, Lagardère Plus, delivered unique experiences for Hisense, the world-leading consumer electronics and home appliances company, around its sponsorship of the 2018 FIFA World Cup™ to bring fans closer to the action in Russia. This included a roadshow and social media content campaign called the "See the Incredible Tour", activation of a global conference event and the management of commercial display areas at "Fan Fests" in St Petersburg and Moscow.

Xylem, one of the world's leading water technology companies ,which is present in 150 countries across six continents, appointed Lagardère Plus to activate a multi-year partnership with Premier League champions, Manchester City.

Lagardère Plus was also appointed by Orange as its global sponsorship agency covering Europe, Africa and the Middle-East.

Lagardère Plus, on behalf of Hyundai Motor France, launched "l'Accélérateur by Hyundai", a virtual race in which all spectators can compete against each other and which was broadcast live in the Groupama Stadium.

B.3 Lagardère Live Entertainment

B.3.1 Live shows and production

In 2018, Lagardère Live Entertainment was very successful with the promotion of the comedian Kev Adams' one man show. It also successfully produced the entertainment show, *Les Choristes* at the Folies Bergère and across France. Lagardère Live Entertainment continues to secure its position as a key producer in the entertainment industry in France and abroad; a version of *Les Choristes, le spectacle musical* has been shown in Montreal from May 2018 and a version in Mandarin will take place in 2019 in China.

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. Lagardère Live Entertainment is also managing the Arena du Pays d'Aix and the Arkéa Arena in Bordeaux (formerly Bordeaux Métropole Arena), a brand-new arena with 11,300 seats which, at its opening in January 2018, hosted the legendary Depeche Mode for the band's only French tour date for the year.

B.4 Objectives and achievements in 2018

In 2018, Lagardère Sports and Entertainment delivered the commercial programme for the Gold Coast Commonwealth Games in Australia generating significant revenues. Lagardère Sports and Entertainment renewed key contracts in European football, including the extension of the collaboration with Borussia Dortmund until 2026. Lagardère Sports and Entertainment became the media distribution partner for the International Handball Federation (IHF) covering men's and women's World Championships until 2025.

Our global sponsorship sales organisations delivered a stellar performance, delivering strong revenue growth for our clients, especially on "cross border" deals (connecting rights holders and brands across Europe, Asia and the USA).

Lagardère Sports and Entertainment was able to deliver a strong financial performance from our global sponsorship sales organisations that offset the 2018 cyclical impact of not having the main Asian and African competitions.

Finally, Lagardère Sports and Entertainment continued to hold a profitable position in 2018.

C) OUTLOOK

At the end of 2018, the Lagardère group confirmed that it had begun the disposal process for Lagardère Sports and Lagardère Plus. In doing so, the Lagardère group has confirmed that the Lagardère Sports and Lagardère Plus businesses are to be sold as a whole, with the exception of Lagardère Live Entertainment, Lagardère Paris Racing and Saddlebrook. In the meantime, we will continue to operate as normal until a commercial offer is received which is acceptable to the Group.

2019 will be a big year for Lagardère Sports and Entertainment, with the main Asian and African football competitions with the Asian Cup in January and the Total Africa Cup of Nations taking place for the first time in June.

Overall, as the business continues to grow, Lagardère Sports and Entertainment is well placed within the market and is recognised for its capability to maximise value for clients through broad local and global expertise. The agency continues to cement its position within the sports and entertainment industry and expects 2019 to be an exceptional year.

1.4.4 LAGARDÈRE ACTIVE

The following comments describe the position of Lagardère Active based on its 2018 scope and business developments. They therefore take into account the acquisition of a majority stake in Skyhigh TV in March 2018, plus the sale of a number of assets (radio assets in the Czech Republic, Poland, Slovakia and Romania, the e-Health unit, the stake in Marie-Claire and the agreement to sell certain magazine press titles in France).

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

Lagardère Active encompasses the Magazine Publishing, Radio, Television channels, Audiovisual Production and Distribution, Digital businesses and Advertising Sales Brokerage business units.

A.1 Magazine Publishing

In 2018, Lagardère Active was a leader in Magazine Publishing for the general public in France, boasting 13 press titles (excluding Disney titles) plus other licensed titles published internationally (78 magazines and more than 55 digital platforms in 45 countries).

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 quarter of Radio revenue was generated outside France in 2018. 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 3.2 million daily listeners[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 2.4 million daily listeners[2].

[1] Source: Médiamétrie 126,000 Radio; Monday Friday; 13+; cumulative audience 5 a.m.-midnight; January-December 2018.
[2] Source: Médiamétrie 126,000 Radio; average Monday-Friday; 5 a.m.-midnight; November-December 2018.

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 2.0 million daily listeners[1].

International radio

Lagardère Active Radio International (LARI), which developed its radio broadcasting skills in nine countries (Central Europe, Germany, South Africa, French-speaking Sub-Saharan Africa and Cambodia) saw its business contract to Africa following the sale of its radio stations in the Czech Republic, Poland, Slovakia and Romania in July 2018 and the sale of its stakes in radio stations in Cambodia in October 2018.

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

Lagardère Active's television 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 Digital Terrestrial Television (DTT) channel. Gulli also has two international variants: Gulli Africa, which covers 25 French-speaking countries in sub-Saharan Africa, and Gulli Bil Arabi, broadcast in 18 countries in North Africa and the Middle East.

  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 (99% of households with children know at least one of these channels[2]);

- 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 for women aged 18 to 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 internet service providers (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.

The Television unit's offer also extends outside France, through Mezzo and Mezzo Live HD, which are now available in 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.

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 mainly from advertising.

[1] Source: Médiamétrie 126,000 Radio; average Monday-Friday; 5 a.m.-midnight; November-December 2018.
[2] Source: CSA; 2018 CSA Research Observatory on awareness of additional channels, April 2018.

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, Finland and, since March 2018, the Netherlands. Lagardère Studios also produces corporate and web videos.

In 2018, Lagardère Studios moved from being the largest to the third-largest producer of drama, with more than 45 hours of original programming broadcast in prime time between 1 September 2017 and 31 August 2018[1]. The decline can be ascribed largely to the creation of Mediawan, which did not exist as a group in the previous year's ranking, and to the absence of broadcasts of Lagardère Studios international co-productions during the period.

Lagardère Studios is also the second-largest producer of programmes for immediate broadcast[2], with over 820 hours broadcast over the same period on French channels.

In Spain, Lagardère Studios is a leading independent audiovisual production group, with approximately 500 hours of programming delivered in 2018.

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 Digital Pure Player

Lagardère Active has pure digital assets operating in diversified markets:

- in 2018, the Group completed the sale of two assets, Doctissimo (France's leading health and wellness information website) and MonDocteur (an online medical appointment scheduling service);
- Doctipharma.fr provides French pharmacies with the tools needed to sell their drugstore products online;
- Label Box is a specialist in monthly online subscription packs;
- Newsweb, France's leading financial information service and publisher of Boursier.com, markets monetisation expertise for third-party websites via its subsidiary Moneytag.
- BilletReduc.com offers discounted theatre and concert tickets.

A.6 Advertising Sales Brokerage

In 2018, Lagardère Publicité marketed a rich and varied media offering and smart media solutions closely matched to the needs of advertisers, media agencies and communications consultants. Following the sale of most of the magazine publishing titles in France to Czech Media Invest (CMI) and the creation of the News business unit, the advertising sales brokerage has been renamed Lagardère Publicité News.

Lagardère Publicité News is the advertising agency of six of the Group's emblematic and complementary benchmark brands firmly rooted in the daily lives of French people for news, exclusive content and entertainment: Europe 1, Virgin Radio, RFM, Le Journal du Dimanche, Paris Match and Routard.com.

[1] Source: *Écran Total* – 2018 ranking of drama producers.
[2] Source: *Écran Total* – 2018 ranking of producers of programmes for immediate broadcast.

Lagardère Publicité News draws on the full extent of its business expertise, innovative media solutions and the power of its brands to amplify conventional media campaigns or design tailor-made communication solutions (media and non-media) aimed at qualified audiences.

Its offer spans radio, the press, digital formats, experiences and events to meet the specific needs of advertisers, media agencies and communications consultants:

- integrated studio;
- consulting in editorial strategy, design and creation of original content;
- 360° offers.

Lagardère Publicité News is a powerful name reaching 33 million individuals, or 63% of the French population[1].

B) OPERATIONS DURING 2018

Contribution to consolidated revenue in 2018: €894 million (€929 million in 2017 restated for IFRS 15).

Breakdown of revenue by activity

	2018	2017 pro forma
Press	**46.3%**	47.3%
of which: Magazine Publishing	**39.7%**	40.5%
Other activities including pure play and B2B Digital activities	**6.6%**	6.8%
Audiovisual	**53.7%**	52.7%
of which: Radio	**17.4%**	20.3%
Television production and channels	**36.3%**	32.4%
Total	**100%**	100%

Breakdown of revenue by geographic area

	2018	2017 pro forma
France	**77.1%**	78%
International	**22.9%**	22%
Total	**100%**	100%

[1] Source: Cross Media; 2017; base 15+; three weeks' exposure; 5 p.m.-midnight for radio; three press insertions; three weeks on digital, tablet (excluding *Le Journal du Dimanche*, Virgin Radio and RFM) and mobile (excluding *Le Journal du Dimanche* and RFM).

B.1 Magazine Publishing France

On 26 July 2018, the Group entered into an agreement with Czech Media Invest for the sale of certain magazine titles in France, namely *Elle* and its various extensions, including the online presence of Elle in France, *Version Femina*, *Art & Décoration*, *Télé 7 Jours* and its various extensions, *France Dimanche*, *Ici Paris* and *Public*. The sale was effective on 14 February 2019. The titles *Paris Match* and *Le Journal du Dimanche*, as well as the Elle brand and its international licences, are outside the scope of this transaction.

In 2018, 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 was down 4.5% on a like-for-like basis. This compares with a 0.2% decline in 2017, a year driven by political and celebrity news very favourable to *Paris Match*, *Le Journal du Dimanche*, *Public* and *Elle*, as well as significant support for sales on digital news stands.

- *Paris Match* largely maintained its leading position in per-issue sales in its segment (per-issue sales 2018-2017, market comprising *Gala*, *VSD, Point de Vue, Madame Figaro* and news magazines).

- After a remarkable year in terms of circulation in 2017, *Le Journal du Dimanche* posted an 8.5% decline in sales in the first half of 2018. This was nevertheless the best performance in its segment: *Libération* (down 19.5%), *Le Monde* (down 14.9%), *L'Équipe* (down 13.8%), *Aujourd'hui en France* (down 13.5%) and *Le Figaro* (down 12.8%)[1].

- *Elle* maintained its leading position in paid circulation in France[2] in the high-end paid weekly market, posting healthy growth of 4.2% (per-issue sales 2017-2018 versus 2016-2017) in a broader market down 2.2%. *Elle* displayed a much better trend in per-issue sales, with a decline of 2.2% in a market down 10.2%.

- *Elle Décoration* and *Art & Décoration* are well entrenched at the top of the market, with combined market share in terms of paid circulation[3] 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 207,000 copy mark) and per-issue sales.

- *Elle à Table*'s market share was down slightly year on year[4].

- *Version Femina* remains far and away the leader among general interest women's magazines despite the reduction in paid circulation in France (down 4.8%)[5]. Its results reflect those of the regional dailies, generally home delivered, a segment that is more resilient than per-issue sales.

- Despite a 1.4% decline in a market down 1.6% (per-issue sales 2017-2018 versus 2016-2017, market comprising *Closer*, *France Dimanche*, *Ici Paris*, *Point de Vue*, *Public* and *Voici*), *France Dimanche* remains the leader, with paid distribution of 265,695 copies.

- *Ici Paris* did better than its market, with growth of 1.0% (per-issue sales 2017-2018 versus 2016-2017, market comprising *Closer*, *France Dimanche*, *Ici Paris*, *Point de Vue*, *Public* and *Voici*). Unprecedentedly, *Ici Paris* should end 2018 as the leader in per-issue sales in its segment.

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[1] Source: ACPM per-issue sales H1 2018; segment comprising *Aujourd'hui en France*, *L'Équipe*, *Libération*, *Le Journal du Dimanche*, *Le Monde* and *Le Figaro*; www.acpm.fr

[2] Source: Paid circulation France/ACPM 2017-2018; weeklies segment with three titles (*Grazia*, *Gala*, *Madame Figaro*); monthlies segment with six titles (*Marie Claire*, *Cosmopolitan*, *Psychologies Magazine*, *Biba*, *Glamour*, *Vogue*).

[3] Source: Paid circulation France/ACPM 2017-2018; decorating segment with eight titles (*Art & Décoration*, *Côté Sud*, *Côté Ouest*, *Côté Est*, *Marie Claire Maison*, *Ideat*, *AD*, *Elle Décoration*).

[4] Source: Paid circulation France/ACPM 2017-2018; high-end segment with four titles (*Elle à Table*, *Saveurs*, *Régal*, *Cuisine et Vins de France*).

[5] Source: Paid circulation France/ACPM 2017-2018; women's segment with six titles (*Avantages*, *Femme Actuelle*, *Maxi*, *Modes & Travaux*, *Prima*, *Version Femina*).

- *Public* demonstrated good health, with sales up 0.2% (per-issue sales 2017-2018 versus 2016-2017, 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 4.2% in a market down 5.4% (per-issue sales 2017-2018 versus 2016-2017, market comprising *Télé 2 Semaines*, *Télé 7 Jours*, *Télé Loisirs*, *Télé Magazine*, *Télé Poche*, *Télé Star*, *Télé Z*, *Télé Câble* and *TV Grandes Chaînes*). *Télé 7 Jours* showed the greatest resilience in per-issue sales of all major TV weeklies.

For Elle's **international licensing,** 2018 was marked by:

- *Elle Italia*'s move to a weekly format in November (versus monthly previously);
- the launch of *Elle Décoration* in Ukraine and Argentina;
- the launch of the Elle Argentina website and the further development of the digital business internationally;
- the publication of numerous spin-offs and supplements (marriage, children, decoration, etc.);
- further development of events: Elle Active (Japan, Italy, China, United Kingdom, etc.), Elle Weekender UK, Elle Women in Tech (United States, Norway), Elle International Beauty Awards, Elle Deco International Design Awards, etc.;
- the launch of the Elle International Fashion and Luxury Managing Partners Program with MIT in Boston (December 2017-May 2018).

In **Advertising,** Magazine Publishing revenue fell in a challenging economic environment[1].

- With advertising page volume down a slight 1.7% in a segment down 5.6%, *Paris Match* gained 0.5 percentage points on its market share of 12.1% in 2017 in the news segment.
- *Le Journal du Dimanche* stabilised its market share (which edged down 0.4 percentage points in 2018 from its level of 5.8% in 2017), with a 1.1% increase in advertising page volume.
- In a depressed market, *Elle* remained the undisputed leader in its segment, with market share of 26.3% (versus 26% in 2017), 5.7 percentage points above its nearest competitor, *Madame Figaro*.
- *Version Femina* recorded an increase in advertising page volume (up 2.7% versus 2017), but saw its market share gain 2.7 percentage points year on year to 25% in 2018. In 2018, the volume of advertising pages contracted across all titles in the segment (down 8.1% versus 2017). *Version Femina* was the only title to record an increase in advertising page volume, with its two main competitors (*Femme Actuelle* and *Maxi*) displaying declines of 12.7% and 11.3% respectively.
- In a decorating market that contracted by 3.2% in 2018, *Elle Décoration* saw its advertising page volume fall by 1.9% but its market share remain more or less stable (up 0.3 percentage points versus 2017). *Art & Décoration* recorded market share of 14.9% (versus 15.5% in 2017).

[1] Source: Kantar Media; January-November 2018; January-November 2017 for 2017 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.

- *Elle à Table* posted a 21.6% decline in advertising page volume in a declining market (down 17%) but remains the leader in its segment, with market share of 24.9%.
- *Télé 7 Jours*, in a television news segment in structural decline, recorded negative trends in advertising page volume (down 14.8%), but remains the leader in its segment, with a market share of 16.8%.
- *France Dimanche* and *Ici Paris* recorded declines in their advertising page volume.
- In a growing market, *Public* posted a 2.6% increase in advertising page volume in 2017.

In the **digital** segment:

- in 2018, the Paris Match website each month recorded between 13 and 16 million visits, with an average of six pages viewed per visit[1]. This is compounded by a strong influence on social networks, with 1.2 million Facebook fans, 1 million Twitter followers, 217,000 followers on Instagram and pride of place on Snapchat Discover since the last quarter of 2016, thereby reaching different digital audiences, including the youngest ones;
- the Elle.fr site each month receives more than 4.5 million unique visitors (all devices combined) [2] and sits at the top of its segment (women's high-end). The Elle application ranked first in the November 2018 ACPM ranking in terms of page views per visit (21.7 per month), with a steady increase in the contingent of loyal users. The Elle brand's presence on social networks increased further in 2018 to 1.7 million fans on Facebook (Elle and BeautyGang by Elle), 337,000 on Instagram (Elle and BeautyGang by Elle) and more than 1.7 million Twitter followers (Elle and Elle Fashion);
- the Télé 7 Jours brand saw growth in all audiences in 2018. The site has grown sharply, logging 91 million visits (up 58% versus 2017) and 215 million page views (up 71% versus 2017)[3]. It is one of the most powerful applications on the market, ranking ninth all media categories combined[4]. Lastly, Télé 7 Jours occupies the second place in its segment (Television), with 4.5 million unique visitors across all media[5];
- the Public site had a record audience this year, with 296 million visits (up 53% versus 2017) and 714 million page views (up 18% versus 2017)[6]. This puts it in a very firm position at the top of its segment (women's celebrity) on the web, with nearly 30 million visits across all media (desktop, mobile web and AMP)[7]. Moreover, in terms of page views, Public is part of the Top 10 applications across all media categories[8].

B.2 Radio

Europe 1

Key figures:

In 2018, Europe 1 achieved a cumulative audience share of 6.4%[9], down 0.8 percentage points compared with 2017 and 1.7 percentage points compared with 2016.

[1] Source: AT Internet; 2018.
[2] Source: Médiamétrie; October 2018.
[3] Source: AT Internet; 2018.
[4] Source: ACPM; November 2018.
[5] Source: Médiamétrie; July 2018.
[6] Source: AT Internet; 2018.
[7] Source: ACPM; November 2018.
[8] Source: ACPM; November 2018.
[9] Source: Médiamétrie 126,000 Radio; 13+; Monday-Friday, 5 a.m.-midnight; January-December 2018; cumulative audience; audience share.

Europe 1's audience share was 5.1%[1] in 2018, down 0.7 percentage points compared with 2017 and 1.7 percentage points compared with 2016.

On the commercial targets, Europe 1's 2018 results were as follows:

- 3.4% audience share among people aged 25-59[2], down 0.8 percentage points compared with 2017 and 1.6 percentage points compared with 2016;
- 4.9% audience share among upper occupational groups[3], down 1.0 percentage points compared with 2017 and 2.1 percentage points compared with 2016.

  Europe 1 is committed to winning back its listeners. It was the first radio station to give listeners the floor. We need to rekindle this special relationship. That is why dialogue, exchange and sharing with listeners will be a fixture in the new programming. Europe 1 is also aiming to streamline and simplify its programming to better identify the various moments that punctuate its broadcasts. The result is a tighter schedule and clearer time slots: 11 shows during the week and 11 on weekends.

Music radio

<u>Virgin Radio, second in music radio in France in cumulative audience on the 25-49 age bracket</u>:

In a declining market for music radio, Virgin Radio recorded cumulative audience of 4.4% and audience share of 2.4%[4]. It attracts 2.390 million listeners every day[5].

With 1.6 million listeners between the ages of 25 and 49 during the day (5 a.m. to midnight), Virgin Radio ranks second in the world of music radio[6].

In the morning, Camille Combal's *Virgin Tonic* (7 a.m.-10 a.m.) gained 17,000 listeners in quarter-hour audience over the year. He attracts a total of 1.411 million listeners to his slot every day[7].

His show also ranks second in cumulative audience on the 25-49 age bracket in music radio[8].

<u>RFM, the leading music radio in listening time by listener</u>:

With 1 hour and 38 minutes of listening time, RFM still boasts the longest listening time of any music station[9].

Each day, 2,030,000 listeners tuned in over the November-December 2018 period, putting cumulative audience at 3.7%[10].

In the world of adult music stations, RFM has the second-highest audience share in the 35+ age bracket (3%) on the upper occupational groups target (2.9%)[11].

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[1] Source: Médiamétrie 126,000 Radio; 13+; Monday-Friday, 5 a.m.-midnight; January-December 2018; cumulative audience; audience share.

[2] Source: Médiamétrie 126,000 Radio; Monday Friday; 5 a.m.-midnight; January-December 2018; audience share 25-59 years.

[3] Source: Médiamétrie 126,000 Radio; Monday-Friday; 5 a.m.-midnight; January-December 2018; audience share upper occupational groups.

[4] Source: Médiamétrie 126,000 Radio; 13+ and 25-49; average Monday-Friday; 5 a.m.-midnight and 7 a.m.-10 a.m.; November-December 2018; cumulative audience, audience share and quarter-hour average.

[5] Source: Médiamétrie 126,000 Radio; 13+ and 25-49; average Monday-Friday; 5 a.m.-midnight and 7 a.m.-10 a.m.; November-December 2018; cumulative audience, audience share and quarter-hour average.

[6] Source: Médiamétrie 126,000 Radio; 13+ and 25-49; average Monday-Friday; 5 a.m.-midnight and 7 a.m.-10 a.m.; November-December 2018; cumulative audience, audience share and quarter-hour average.

[7] Source: Médiamétrie 126,000 Radio; 13+ and 25-49; average Monday-Friday; 5 a.m.-midnight and 7 a.m.-10 a.m.; November-December 2018; cumulative audience, audience share and quarter-hour average.

[8] Source: Médiamétrie 126,000 Radio; 13+ and 25-49; average Monday-Friday; 5 a.m.-midnight and 7 a.m.-10 a.m.; November-December 2018; cumulative audience, audience share and quarter-hour average.

[9] Source: Médiamétrie 126,000 Radio; 13+, 35+; upper occupational groups; average Monday-Friday; 5 a.m.-midnight; November-December 2018; cumulative audience, audience share and listening time per listener.

[10] Source: Médiamétrie 126,000 Radio; 13+, 35+; upper occupational groups; average Monday-Friday; 5 a.m.-midnight; November-December 2018; cumulative audience, audience share and listening time per listener.

[11] Source: Médiamétrie 126,000 Radio; 13+, 35+; upper occupational groups; average Monday-Friday; 5 a.m.-midnight; November-December 2018; cumulative audience, audience share and listening time per listener.

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

Cumulative audience %	2012	2013	2014	2015	2016	2017	**2018**
Europe 1	8.9%	9.0%	8.9%	9.0%	8.1%	7.2%	**6.4%**
Virgin Radio	4.3%	4.3%	4.2%	4.7%	5.0%	4.8%	**4.5%**
RFM	4.5%	4.4%	4.6%	4.5%	4.4%	4.2%	**4.1%**

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

International radio

Internationally, the first half of 2018 saw strong growth in advertising activity, driven largely by excellent performances in Poland, the Czech Republic and Romania.

The bulk of the international radio activity was subsequently sold to Czech Media Invest on 26 July 2018.

B.3 Television channels

On 31 January 2019, the Lagardère group announced that it had entered into exclusive negotiations with the M6 group with a view to finalising an agreement to sell the channels of its TV unit (excluding Mezzo): see section 6.1.1.

DTT channels recorded audience share of 30.1% in 2018, virtually unchanged year on year (30.4%)[1].

In 2018, Gulli ranked eighth among DTT channels in audience share[2], with 1.7% of viewers aged 4 and over (3 a.m.-3 a.m.), throughout France. In 2018, Gulli reached an average 28,300,000 viewers aged 4 and over every month (versus 29,257,000 viewers in 2017). The decline in the number of viewers affected all DTT channels.

Well ahead of its rivals, Gulli set some impressive records in 2018:

- all-time high audience share for the 4-10 age bracket: 18.9%[3];
- all-time high audience share for the 4-14 age bracket: 16.4%[4].

It was once again the leading offer for children aged 4-10 during the day (6 a.m.-8 p.m.), with 18.9% audience share[5] (well ahead of TF1, with 13.6%). Gulli also maintained its audience among mothers, with audience share of 2.3% (3 a.m.-3 a.m.)[6]. Note that France Télévisions is looking into discontinuing broadcasts of France 4, which is well behind Gulli (10.7% audience share this year).

Canal J and TiJi respectively occupy the fifth and sixth positions on cable and satellite television (extended competition) in the 4-10 age group, with audience share of 1.2% and 1.1% respectively[7].

[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 2018; 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.
[3] Source: Médiamétrie - Médiamat 2018; 6 a.m.-8 p.m.
[4] Source: Médiamétrie - Médiamat 2018; 3 a.m.-3 a.m.
[5] Source: Médiamétrie - Médiamat 2018; 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: Médiamétrie - Médiamat 2018; 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.
[7] Source: Médiamétrie - Médiamat' Thématik; January-June 2018; cumulative audience; extended competition.

The TV unit's youth channels represent combined market share of 40% on the youth theme among the 4-10 age group[1] (up 1 percentage point 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 November 2018, TiJi had 11.7 million subscriber households, and Gulli close to 6.5 million.

The channels in the TV unit's musical offer, MCM, MCM TOP, Virgin Radio TV and RFM TV, attract nearly 5 million viewers on average each month[2].

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.

In 2018, the Gulli application was redesigned, with the integration of new features and a SVOD section known as GulliMax. It was later given a new Web version in September 2018. The new GulliMax service has already been voted best SVOD service at the seventh SMA Awards.

Examples for the TV unit include:

- nearly 300 million videos viewed via on-demand service in 2018, stable compared with 2017;
- growth of over 46% in the number of views on YouTube to 220 million in 2018, driven by Gulli, *Gu'Live* and *Les tactiques d'Emma* (second season in partnership with UNICEF).

Diversification also continued, notably around the Gulli brand. An eighth Gulli Park was opened in Rouen (France), the marketing of Gulli touch pads continued, and numerous special operations were held in winter sports resorts.

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 2018, Lagardère Studios continued its development in Europe with the acquisition of Dutch production company Skyhigh TV, which specialises in programmes for immediate broadcast and documentaries, in March. Skyhigh TV regularly works with the three major television groups in the Netherlands, namely NPO (public), RTL and Talpa TV (private groups).

In France, Lagardère Studios' recurring prime-time series continued to attract very good viewing figures, particularly *Caïn, Tandem, Joséphine, ange gardien* and *Clem*. Two programmes featured in the year's 100 biggest audiences in 2018[3]: an episode of *Joséphine, ange gardien* and the single episode *Le jour où j'ai brûlé mon cœur*. Lagardère Studios also produced single-episode works and hit mini-series including *Tu vivras ma fille*, *Le jour où j'ai brûlé mon cœur* and *Ad Vitam*, which also enjoyed great success. Lastly, Atlantic Productions produced and delivered two international co-productions for Arte, one with Germany (*Eden*) and the other with Spain (*Hierro*).

[1] Source: Médiamétrie - Médiamat' Thématik; January-June 2018; cumulative audience; extended competition.
[2] Source: Médiamétrie - Médiamat' Thématik; January-June 2018; cumulative audience; pay channels.
[3] Source: Mediamat – Médiamétrie; Top 100 prime time.

In programmes for immediate broadcast, daily magazine *Ça commence aujourd'hui* (produced by Réservoir Prod) has seen its audiences significantly increase since the start of 2018. Programmes for immediate broadcast, such as *Maison à vendre*, *Recherche appartement ou maison* and *C dans l'air*, continued to enjoy good ratings. Lastly, 909 Productions produced and delivered the adaptation of two formats for RMC Découverte, *Retour à l'état sauvage* (Discovery format originally titled *Naked and Afraid*) and *Building Wild*. The first, broadcast at the end of the year, was a ratings success.

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 such as *La Voz*, continue to enjoy great success. Two prime time dramas were delivered in 2018: *La Otra Mirada* for RTVE and *Presunto Culpable* for Antena 3.

In Finland, Aito Media ceased its activity of supplying technical resources to public broadcaster Yle in the studios of Tampere (through its subsidiary Studio Mediapolis). But it delivered its first drama in 2018 (Pirjo, a humorous short programme for Yle) and started production of two new dramas for delivery in 2019.

Lastly, in Africa, Keewu delivered eight episodes of *Sakho et Mangane*, a detective series for A+.

B.5 Digital

In 2018, Lagardère Active embarked on an asset disposal strategy:

- Doctissimo and MonDocteur were sold to leading players in their field.

In other digital activities:

- BilletReduc.com consolidated its leading position in discount ticket bookings in France, with over 3 million tickets sold. It was sold to the Fnac Darty group on 28 February 2019 (see section 6.1.1);
- Label Box continued its growth, both in its legacy activity and through the launch of new boxes, particularly in the areas of diets and leisure/lifestyle;
- Newsweb, publisher of Boursier.com and France's leading financial information service, continued to develop its monetisation expertise for third-party websites via its subsidiary Moneytag. On 31 January 2019, the Boursier.com website and its financial markets information and publishing activities were sold to the Les Échos-Le Parisien group (see section 6.1.1).

B.6 Objectives and achievements in 2018

Lagardère Active's business in 2018 focused on the strategic refocusing plan announced by the Group in the spring of 2018.

Several significant transactions, including the sale of the radio assets in the Czech Republic, Poland, Slovakia and Romania, the agreement reached for the sale of magazine titles in France, the sale of the e-Health unit and the disposal of the stake in Marie Claire were completed during the year.

At the same time, Lagardère Active restructured to transform its business into several standalone units. Each of them has resources specific to its management and development. The new structure of Lagardère Active includes five business units (News, Press, TV, Audiovisual Production and Distribution, and Pure Players & B2B). With the exception of the News unit, which brings together under the authority of Constance Benqué Europe 1, the French music radios (Virgin Radio and RFM), *Paris Match*, *Le Journal du Dimanche*, advertising sales brokerage and the management of the Elle licences, each unit will leverage the opportunities best enabling it to continue its development.

Lastly, Lagardère Active remained highly focused on measures designed to contain expenses in order to improve its overall operating performance.

C) OUTLOOK

As part of the Group's strategic focus on Lagardère Publishing and Lagardère Travel Retail, implemented since the spring of 2018, the plan to sell media assets (excluding the News unit) is now underway, with the effective completion of a number of transactions in 2018 (sale of the stake in Marie Claire, LARI radio assets in the Czech Republic, Poland, Slovakia, Romania and Cambodia, and MonDocteur and Doctissimo) and early 2019 (Boursier.com, radio assets in South Africa, press titles in France other than those of the News section, Plurimedia, BilletReduc.com). Other disposals are expected to be effective in 2019.

The News unit, comprising Europe 1, Virgin Radio, RFM, *Paris Match*, *Le Journal du Dimanche*, the advertising sales brokerage and the management of the Elle brand licences, will work to structure and strengthen news-related businesses, building on its strong brands, the quality of its content and the independence of its editorial teams.

1.5 CONSOLIDATED KEY FIGURES FOR 2018

1.5.1 CONSOLIDATED KEY FIGURES

(in millions of euros)	2018	2017[1]	2016
Revenue	**7,258**	7,084	7,391
Recurring operating profit of fully consolidated companies[2]	**401**	399	395
Non-recurring/non-operating items	**4**	(127)	(91)
Income from equity-accounted companies[3]	**4**	3	10
Profit before finance costs and tax	**409**	275	314
Finance costs, net	**(59)**	(73)	(49)
Income tax benefit (expense)	**(134)**	2	(69)
Profit for the year	**216**	204	196
o/w attributable to minority interests	**22**	28	21
o/w attributable to owners of the Parent	**194**	176	175
Total equity	**2,001**	1,924	2,035
Cash and cash equivalents (net debt)	**(1,375)**	(1,368)	(1,389)
Goodwill	**1,624**	1,809	1,856
Investments	**610**	321	361

(1) Data for 2017 restated for the retrospective application of IFRS 15 (see note 1.1 to the consolidated financial statements).

(2) 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.

(3) Before impairment losses.

1.5.2 PER SHARE DATA

(in euros)	2018		2017[1]		2016	
	basic	diluted[2]	basic	diluted[2]	basic	diluted[2]
Profit attributable to owners of the Parent, per share	**1.49**	**1.47**	1.36	1.34	1.36	1.34
Equity attributable to owners of the Parent, per share	**14.22**	**14.04**	13.76	13.56	14.75	14.54
Cash flow from operations before change in working capital, per share	**3.89**	**3.84**	4.13	4.07	4.31	4.25
Share price at 31 December	**22.02**		26.73		26.40	
Dividend	**1.30**[3]		1.30		1.30	
Extra dividend	**-**		-		-	

[1] Data for 2017 restated for the retrospective application of IFRS 15 (see note 1.1 to the consolidated financial statements).

[2] The method used to calculate diluted earnings per share is described in note 15 to the consolidated financial statements.

[3] Dividend submitted for approval to the General Meeting to be held on 10 May 2019.

1.6 MAJOR INVESTMENTS

The Group's major contractual commitments in terms of investments are set out in notes 32 and 33 to the 2018 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)	2018	2017[(1)]	2016
Lagardère Publishing	43	46	38
Lagardère Travel Retail	130	138	147
Lagardère Active	34	8	14
Lagardère Sports and Entertainment	62	59	53
Other Activities	1	2	1
Total	**270**	253	253

(1) Data for 2017 restated for the retrospective application of IFRS 15 (see note 1.1 to the consolidated financial statements).

1.6.1.2 Purchases of investments

(in millions of euros)	2018	2017	2016
Lagardère Publishing	13	30	90
Lagardère Travel Retail	308	18	3
Lagardère Active	12	12	5
Lagardère Sports and Entertainment	1	6	7
Other Activities	6	2	3
Total	**340**	68	108

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

1.6.2 MAJOR INVESTMENTS IN 2016

Purchases of property, plant and equipment and intangible assets chiefly concerned Lagardère Travel Retail (in connection with store refurbishments 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.

1.6.3 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.

1.6.4 MAJOR INVESTMENTS IN 2018

Purchases of property, plant and equipment and intangible assets essentially concerned Lagardère Travel Retail in line with its growth strategy, and to a lesser extent Lagardère Sports and Entertainment (acquisition of sports rights), Lagardère Publishing (logistics projects in the United Kingdom and United States) and Lagardère Active (fitting out of new premises following the sale of a building in Levallois-Perret).

Purchases of investments mainly include the November 2018 acquisition of Hojeij Branded Foods (HBF), a leading Foodservice operator in North America, by Lagardère Travel Retail. Purchases also include Lagardère Publishing's acquisition of Worthy Publishing Group, a publishing house in the United States and Lagardère Active's acquisition of a majority stake in Skyhigh TV, the Netherlands' leading independent production company.

1.7 MAJOR CONTRACTS

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 OF THE EUROPA BUILDING

On 28 June 2017, the Lagardère group sold a 26,500 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.

DISPOSAL OF THE HEADQUARTERS OF EUROPE 1

On 23 May 2018, the Lagardère group sold the headquarters of French radio station Europe 1, located in rue François 1er in central Paris, to the Ardian Real Estate group. Four-fifths of the €253 million sale price was paid over on the signing date of the final deed of sale; the balance was paid at the end of 2018.

SALE OF RADIO BUSINESSES IN THE CZECH REPUBLIC, POLAND, SLOVAKIA AND ROMANIA

On 17 April 2018, the Lagardère group announced the sale of its Radio assets in the Czech Republic, Poland, Slovakia and Romania to the Czech Media Invest group.

The sale price was €73 million for consolidated revenue of around €56 million in 2017.

Further to the lifting of all of the conditions precedent on 19 July 2018 (mainly concerning clearance from the local regulatory authorities in the countries concerned), the transaction closed on 26 July 2018.

SALE OF ITS MAGAZINE PUBLISHING TITLES IN FRANCE TO THE CZECH MEDIA INVEST GROUP

On 18 April 2018, the Lagardère group announced that it had entered into exclusive negotiations with Czech Media Invest with a view to selling certain magazine titles in France, namely *Elle* and its various extensions, including the online presence of Elle in France, *Version Femina*, *Art & Décoration*, *Télé 7 Jours* and its various extensions, *France Dimanche*, *Ici Paris* and *Public*.

Following the signing of an agreement on 26 July 2018 and the approval of the competition authorities, the transaction closed on 14 February 2019.

In connection with the sale, CMI was granted an exclusive licence for the Elle brand covering France. The Lagardère group remains the owner of the Elle brand in France and internationally.

The amount of the transaction was €52 million. In 2018, these activities generated revenue in the region of €239 million, recurring EBIT of around €22 million and pro forma EBIT (including restructuring costs) of about €10 million. Six hundred and forty-nine employees are being transferred to CMI as part of the deal.

DISPOSAL OF THE E-HEALTH BUSINESS

The Group sold its e-Health business on the basis of an aggregate enterprise value of €60 million for 100%, via the following transactions:

- MonDocteur, the online medical appointment platform, was sold on 10 July 2018 to Doctolib, which thereby consolidated its position as the leading e-Health business in Europe;
- Doctissimo, a leader in health and wellness information, was sold to the TF1 group on 10 October 2018.

ACQUISITION BY LAGARDÈRE TRAVEL RETAIL OF THE HOJEIJ BRANDED FOODS (HBF) GROUP, A LEADING FOODSERVICE OPERATOR IN TRAVEL RETAIL IN NORTH AMERICA

On 20 November 2018, Lagardère Travel Retail finalised the acquisition of Hojeij Branded Food (and its subsidiary Vino Volo), a leading Foodservice operator in the Travel Retail market in North America.

Announced on 15 August, this acquisition will help Lagardère Travel Retail achieve its aim of strengthening its leading position in the airport foodservice sector in North America. The consolidation of HBF and Vino Volo will create a new number three in the North American Travel Retail and Foodservice market, with total annual revenue exceeding $1.1 billion.

HBF has been consolidated in Lagardère’s financial statements since 1 December 2018.

The acquisition was valued at $330 million on a cash-free and debt-free basis, net of the partners’ share in operating joint ventures (ACDBE programmes) estimated at 16% over the period of the business plan.

This value-creating transaction is an important step in Lagardère Travel Retail’s global growth strategy, making it one of the leading Foodservice operators in the Travel Retail market in North America.

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 on 19 September 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, maturing in May 2022;
- 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%.

1.8 REAL ESTATE PROPERTY

The total net value of property, plant and equipment belonging to the Lagardère group is €800 million.

This includes the gross value of land (€47 million) and buildings (€463 million). The net book value of land and buildings is €265 million, i.e., approximately 3.22% of the balance sheet total.

In addition, an office complex located in the eighth *arrondissement* of Paris housing Lagardère Active's Radio and Television teams, classified as assets held for sale at its net book value at 31 December 2017, was sold in May 2018, generating a pre-tax capital gain of €245 million.

The Group no longer owned any investment property at 31 December 2018. In view of the nature of the Group's business activities, the value represented by real estate property is not significant.

2 CORPORATE GOVERNANCE

2.1 CORPORATE GOVERNANCE REPORT

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. The additional information referred to in paragraph 6 of article L. 225-37-4 of the French Commercial Code is covered in section 4.3.1.2 – Diversity and gender balance in human capital.

It was prepared with the assistance of the Board Secretary and Group Legal Department, and was approved by the Supervisory Board on 13 March 2019.

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.

   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), Chairman of its Board of Directors and/or Chief Executive Officer and/or 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 13 members, selected exclusively among shareholders who are neither General nor Managing Partners.

   Pursuant to the 12th resolution adopted by the Annual General Meeting of 3 May 2018, the maximum number of Supervisory Board members as per the Articles of Association will be automatically reduced to 12 members, whenever one or more vacancies appearing on the Board and not filled by the Supervisory Board or the General Meeting has reduced the total number of Supervisory Board members to 12 or below.

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 submitted to the shareholders.

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 (*société anonyme*) 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 2018 are as follows (in thousands of euros):

Balance sheet

Assets	
Accounts receivable	26,450
Cash and cash equivalents	10
Total	***26,460***

Shareholders' equity and liabilities	
Shareholders' equity	26,412
Accounts payable	48
Total	***26,460***

Income statement

Operating revenues	0
Operating expenses	30
Net operating loss	(30)
Financial income	931
Financial expenses	0
Net financial income	931
Net exceptional income	0
Income tax benefit	274
Profit for the year	**627**

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 of the Articles of Association 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 (*société anonyme*) 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

On 31 December 2018, the share capital of the Company amounted to €799,913,044.60 and was divided into 131,133,286 shares of par value €6.10 each, all ranking *pari passu* and fully paid.

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
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
2018	Award of free shares to employees	384,440	2,345,084		802,258,128.60	131,517,726
	Capital reduction by cancelling shares	384,440	2,345,084		799,913,044.60	131,133,286
	Award of free shares to employees	97,800	596,580		800,509,624.60	131,231,086
	Capital reduction by cancelling shares	97,800	596,580		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 2018, the Company directly held 1,260,478 of its own shares (par value: €6.10), representing 0.96% of the total share capital at that date. The total cost of these shares was €33,715,573.88.

Based on the average weighted market price of Lagardère SCA's shares in December 2018 (€22.64 per share) a provision of €5,179,366.99 was recorded, reducing the total carrying amount of treasury shares directly held by the Company to €28,536,206.89.

2.1.3.2.2 Share buyback programmes: shares acquired, sold, transferred or cancelled

A) TRANSACTIONS CARRIED OUT IN 2018

Buyback transactions carried out by the Company in 2018 under the authorisations granted by the Annual General Meetings of 4 May 2017 and 3 May 2018 fulfilled two of the following five major objectives it had set: delivering shares to beneficiaries of share purchase option plans, awarding free shares, reducing the share capital, acquiring shares for the purpose of being kept and subsequently tendered in exchange or payment for acquisitions, and promoting liquidity of the market for Lagardère SCA's shares through a liquidity agreement.

1. Market liquidity transactions

The Company assigned €10 million to the liquidity agreement signed on 7 October 2008 and renewed yearly with Képler Cheuvreux. Under this agreement, in 2018 the Company:

- purchased 883,813 shares for a total price of €21,059,533.30 or an average per-share price of €23.83;
- sold 716,313 shares for a total price of €17,452,394.78 or an average per-share price of €24.36.

2. Capital reduction

The Company cancelled 482,240 shares in 2018.

3. Partial reallocation for other uses

The Company reallocated 482,240 shares from the "award to employees" objective to the "capital reduction" objective.

B) POSITION AT 31 DECEMBER 2018

At the end of 2018, the 1,260,478 shares directly held by the Company representing 0.96% of the share capital were allocated as follows:

- 1,027,978 shares allocated to the objective "award to employees", representing 0.78% of the share capital, for a total cost of €28,340,633.65;
- 232,500 shares allocated to the objective "promotion of market liquidity", representing 0.177% of the share capital, for a total cost of €5,374,940.23.

C) TRANSACTIONS CARRIED OUT UNDER THE AUTHORISATION GRANTED BY THE ANNUAL GENERAL MEETING OF 3 MAY 2018

The Annual General Meeting of 3 May 2018 renewed the authorisation granted to the Managing Partners by the Annual General Meeting of 4 May 2017 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 remit shares upon the exercise of rights attached to securities giving access to the Company's share capital in any way whatsoever;
- 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;
- and more generally, to carry out any transaction in accordance with applicable laws and regulations and in particular, with market practices accepted by the AMF.

This authorisation was granted for an 18-month period starting on 3 May 2018.

The corresponding share buyback programme was described in a press release issued on 7 May 2018.

Under this authorisation, the Company carried out the following transactions from 7 May 2018 to 28 February 2019:

1. Market liquidity transactions

The Company purchased 645,422 shares for a total price of €15,054,777.33 and sold 553,922 shares for a total price of €13,121,940.51 on the market, under the liquidity agreement referred to above.

2. Capital reduction

The Company cancelled 97,800 shares.

3. Partial reallocation for other uses

The Company reallocated 97,800 shares from the "award to employees" objective to the "capital reduction" objective.

The Annual General Meeting of 10 May 2019 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 2018, 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 2019 and 2022 as a result of free share awards made in 2015, 2016, 2017 and 2018 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 2,473,330 shares with a par value of €6.10 each, representing a maximum share capital dilution of 1.89% 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 2018, only the authorisations relating to awards of free shares were used.

The Annual General Meeting of 10 May 2019 will be asked to renew all of the foregoing authorisations.

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	€300m (~37.5% of the share capital)		€80m (~10% of the share capital)							
	€1,500m for debt securities									
Used in 2018	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 16 April 2018 covering 524,370 shares representing 0.340% of the share capital, with 453 beneficiaries.

(2) A free performance share award plan was established by the Managing Partners on 16 April 2018 covering 224,090 shares representing 0.171% of the share capital, with 45 beneficiaries.

(3) A free performance share award plan was established by the Managing Partners on 16 April 2018 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 2018

- Number of shareholders: 115
- Number of shares: 9,732,999 (7.42% 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 2018

Pledges concern 9,597,121 shares held by Lagardère Capital & Management (LC&M), representing 7.32% 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 2018: 131,133,286
- Number of shares listed on 31 December 2018: 131,133,286
- Listed on: Euronext Paris, Compartment A

2.1.3.6.2 Dividends (over the last five years), share prices and trading volumes (over the last four years)

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)
2014	127,563,424	1.30	None	1.30[1]	165.83
	127,563,424	6.00	None	6.00[2]	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
2018	129,858,508	1.30	None	1.30	168.82

[1] Ordinary portion of the 2013 dividend.

[2] 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)

	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
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
March	24.38	8 March	21.99	9 March	23.20	23.33	23.28	13,283,797	306.42	21
April	23.84	26 April	22.76	3 April	23.68	23.32	23.31	10,087,545	235.04	20
May	25.43	3 May	22.17	29 May	23.10	23.16	23.10	23,863,192	552.32	22
June	24.22	12 June	22.61	29 June	22.61	23.44	23.40	13,330,581	312.67	21
July	25.24	30 July	22.35	9 July	24.99	23.48	23.49	9,969,012	235.27	22
August	25.85	28 Aug.	24.34	15 Aug.	25.40	25.08	25.10	6,824,824	170.86	23
September	26.81	20 Sept.	24.67	6 Sept.	26.51	25.78	25.83	6,956,966	180.03	20
October	26.79	1 Oct.	23.60	29 Oct.	24.19	25.37	25.21	9,139,992	230.89	23
November	26.33	8 Nov.	24.04	1 Nov.	24.98	25.00	25.01	7,026,313	175.97	22
December	25.38	3 Dec.	20.99	20 Dec.	22.02	22.75	22.63	6,953,260	157.30	19
2019										
January	23.74	28 Jan.	21.36	7 Jan.	22.83	22.53	22.60	7,068,807	159.31	22
February	23.51	1 Feb.	22.01	12 Feb.	22.75	22.69	22.65	5,138,861	116.30	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 2018				At 31 December 2017				At 31 December 2016			
Shareholders	Number of of shares	% of share capital	% of voting rights exercisable at General Meetings	% of theoretical voting rights	Number of of shares	% of share capital	% of voting rights rights exercisable at General Meetings	% of theoretical voting rights	Number of of shares	% of share capital	% of voting rights exercisable at General Meetings	% of theoretical voting rights
Non-French investors(*)	87,319,618	66.59	60.51	60.12	90,084,603	68.7	61.62	61.08	89,553,317	68.29	61.46	60.76
French institutional investors(**)	17,913,055	13.66	15.60	15.71	19,278,001	14.7	16.84	16.69	19,071,631	14.54	16.75	16.56
Lagardère Capital & Management(***)	9,606,781	7.33	10.93	10.78	9,694,807	7.39	11.08	10.98	10,026,836	7.65	11.90	11.76
Private investors	12,600,976	9.61	10.68	10.53	6,897,139	5.25	7.29	7.21	6,889,544	5.26	6.76	6.68
Employees and Group Savings Plan investment funds	2,603,977	1.98	2.28	2.25	3,620,695	2.76	3.17	3.14	3,646,845	2.78	3.13	3.10
Treasury shares	1,088,879	0.83	-	0.61	1,558,041	1.2	-	0.9	1,945,113	1.48	-	1.14
Total	131,133,286	100	100	100	131,133,286	100	100	100	131,133,286	100	100	100

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

Of the 1.98% of capital held by Group employees, 0.51% 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 2018, the share capital was held by 48,667 shareholders and intermediaries directly registered in the Company's register; intermediaries registered in the Company's register representing shareholders who are not tax residents in France constitute the majority of the non-French investors listed in the table above, holding 66.59% 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 2018 (readers should however refer to shareholding threshold disclosures submitted by DNCA Finance and BlackRock, Inc. since 1 January 2019).

2.1.3.8.2 Regulatory shareholding threshold crossings

Date of AMF notice	Shareholder	Threshold crossed
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
20 March 2018	Schroders Investment Management Limited	Above 5% of share capital on 16 March 2018
3 May 2018	DNCA Finance	Above 5% of voting rights on 8 August 2017
1 June 2018	BlackRock Inc.	Below 5% of share capital on 31 May 2018
12 June 2018	BlackRock Inc.	Above 5% of share capital on 11 June 2018
14 June 2018	BlackRock Inc.	Below 5% of share capital on 12 June 2018
15 October 2018	Schroders Investment Management Limited	Below 5% of share capital on 11 October 2018
16 October 2018	Schroders Investment Management Limited	Above 5% of share capital on 12 October 2018
6 November 2018	BlackRock Inc.	Above 5% of share capital on 2 November 2018
12 November 2018	BlackRock Inc.	Below 5% of share capital on 8 November 2018
12 November 2018	Schroders Investment Management Limited	Below 5% of share capital on 8 November 2018
13 November 2018	Schroders Plc	Below 5% of share capital on 9 November 2018
22 November 2018	DNCA Finance	Below 5% of share capital on 16 November 2018
17 December 2018	Amber Capital UK LLP and Amber Capital Italia SGR SpA	Above 5% of share capital on 11 December 2018
18 December 2018	Amber Capital UK LLP and Amber Capital Italia SGR SpA	Above 5% of share capital on 12 December 2018
27 December 2018	Amber Capital UK LLP	Above 5% of share capital on 19 December 2018
22 February 2019	DNCA Finance	Below 5% of voting rights on 18 February 2019
26 February 2019	BlackRock, Inc.	Above 5% of share capital on 22 February 2019
27 February 2019	BlackRock, Inc.	Below 5% of share capital on 25 February 2019
28 February 2019	BlackRock, Inc.	Above 5% of share capital on 26 February 2019

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 2018 was 175,780,285.

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 2018 amounted to 178,240,858.

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., 175,780,285 at 31 December 2018.

The percentage of voting rights held by Supervisory Board members was 0.0065% at 31 December 2018 (0.0050% of the share capital).

2.1.3.8.5 Principal shareholders

Arnaud Lagardère, personally and via his three companies, Lagardère SAS, LM Holding and LC&M, held 7.33% of the share capital and 10.93% of the rights to vote at General Meetings at 31 December 2018. 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 2018, Qatar Investment Authority (via its subsidiary Qatar Holding LLC) held 13.03% of the share capital and 19.45% of the rights to vote at General Meetings, based on the shareholdings indicated in the latest threshold declaration received by the Company prior to that date.

At 31 December 2018, DNCA held 4.98% of the share capital and 5.83% of the rights to vote at General Meetings, on behalf of the funds it manages and in concert with DNCA Finance Luxembourg, based on the shareholdings indicated in the latest threshold declaration received by the Company prior to that date.

At 31 December 2018, Amber Capital UK LLP held 5.10% of the share capital and 3.81% of the rights to vote at General Meetings, on behalf of the funds it manages, and held 5.31% of the share capital and 3.96% of the rights to vote at General Meetings, in concert with Amber Capital Italia SpA and on behalf of the funds it manages, based on the shareholders indicated in the latest threshold declaration received by the Company prior to that date.

To the best of the Company's knowledge, at 31 December 2018 no other shareholder held more than 5% of the share capital or voting rights directly or indirectly, alone or in concert.

On 22 February 2019, DNCA Finance submitted a declaration to the Company and to the French financial markets authority, stating that it had crossed below the 5% voting rights threshold and that at 18 February 2019, based on the shareholdings indicated in said threshold declaration, DNCA Finance held 4.06% of the share capital and 4.97% of the rights to vote at General Meetings, on behalf of the funds it manages and in concert with DNCA Finance Luxembourg.

On 25, 26 and 27 February 2019, 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% share capital threshold, and that at 26 February 2019, based on the shareholdings indicated in the latest threshold declaration, BlackRock, Inc. held 5.003% of the share capital and 3.68% 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 31 December 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 2018, 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 2018 (see section 2.1.3.8.1): 9,606,781.

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, with which he held a 7.33% stake in Lagardère SCA at 31 December 2018 (see section 2.1.3.8.1).

A. Principal positions (at 31 December 2018)

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 2018)

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)

Chairman, Lagardère Médias News SAS

Chairman, Lagardère North America

C. Directorships and other positions held outside the Group (at 31 December 2018)

Chairman, Lagardère SAS

Chairman, Lagardère Capital & Management SAS

Chairman, LM Holding SAS

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

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 2018):

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 2018: 94,195

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 2018)

Co-Managing Partner of Lagardère SCA

Secretary General of the Lagardère group

B. Directorships and other positions held in the Group (at 31 December 2018)

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 2018)

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

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 2018: 172,643

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 2018)

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 2018)

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 2018)

Director, Lagardère Capital & Management SAS

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

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

Since the remuneration of the Managing Partners 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, of the French Commercial Code introduced by act no. 2016-1691 of 9 December 2016 (*Loi Sapin II*) concerning the approval by the General Meeting of the remuneration policy for executive corporate officers, are not applicable to French partnerships limited by shares, in accordance with article L. 226-1 of said Code.

2.1.5 SUPERVISORY BOARD

A) MEMBERS

Pursuant to the Articles of Association, the Supervisory Board comprises a maximum of 13 members. The maximum number of Supervisory Board members as per the Articles of Association will be automatically reduced to 12 members, whenever one or more vacancies appearing on the Board and not filled by the Supervisory Board or the Annual General Meeting, has reduced the total number of Supervisory Board members to 12 or below.

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 2018, the Board comprised 13 members:

List of members of the Supervisory Board during 2018

	Personal information				Experience	Position on the Board				Participation in Board committees
	Age	Sex	Nationality	Number of shares	Number of directorships held in listed companies[1]	Independence[2]	First appointed	End of of of office	Board seniority	
Xavier de Sarrau *Chairman*	68	M	Swiss	750	1	Yes	10 March 2010	2022 OGM*	8 years	Audit Committee (*Chairman*)
Nathalie Andrieux	53	F	French	600	2	Yes	3 May 2012	2020 OGM*	6 years	Audit Committee
Jamal Benomar	61	M	British Moroccan	150	0	Yes	12 September 2018	2019 OGM*	3 months	
Martine Chêne	68	F	French	400	0	Yes	29 April 2008	2020 OGM*	10 years	
Georges Chodron de Courcel	68	M	French	600	2	Yes	19 May 1998	2019 OGM*	20 years	Appointments, Remuneration and Governance Committee
François David	77	M	French	600	1	Yes	29 April 2008	2020 OGM*	10 years	Audit Committee Appointments, Remuneration and Governance Committee (Chairman)
Yves Guillemot	58	M	French	600	3	Yes	6 May 2014	2022 OGM*	4 years	
Pierre Lescure	73	M	French	150	1	Yes	22 March 2000	Resigned, 12 September 2018	18 years	Appointments, Remuneration and Governance Committee
Jean-Claude Magendie	73	M	French	0	1	Yes	27 April 2010	3 May 2018	8 years	
Soumia Malinbaum	56	F	French	650	1	Yes	3 May 2013	2021 OGM*	5 years	Appointments, Remuneration and Governance Committee
Hélène Molinari	55	F	French	600	1	Yes	3 May 2012	2020 OGM*	6 years	Appointments, Remuneration and Governance Committee
François Roussely	74	M	French	600	1	Yes	11 May 2004	2019 OGM*	14 years	
Aline Sylla-Walbaum	46	F	French	610	0	Yes	3 May 2013	2021 OGM*	5 years	Audit Committee
Susan M. Tolson	56	F	American	600	3	Yes	10 May 2011	2019 OGM*	7 years	
Patrick Valroff	70	M	French	600	1	Yes	27 April 2010	2022 OGM*	8 years	Audit Committee
Laure Rivière *Secretary*										

1 Outside the Lagardère group.
2 Under the Afep-Medef corporate governance criteria 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: 3 May 2018

End of current term of office: 2022 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 setting up 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[3]

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)

Director, Quotapart (Luxembourg)

► 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

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

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.

In April 2018, she was appointed Chief Executive Officer of Geolid.

► Directorships and other positions held in other companies

In France:

Chief Executive Officer, Geolid

[1] The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

Member of the Board of Directors and Remuneration Committee, Casino Guichard[1]

Member of the Strategy Committee, Groupe Open[2]

- Directorships and other positions held during the last five years

Chair of the Board of Directors, ENSCI – Les Ateliers

Member of the Strategy Committee, Geolid

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

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

[1] Listed company.
[2] Listed company.

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

Jamal Benomar

9 Rutland Road – Scarsdale NY – 10583 – United States

Date of birth: 11 April 1957

Nationality: British and Moroccan

First appointed: 12 September 2018

End of current term of office: 2019 OGM[1]

Number of Lagardère SCA shares held: 150

Jamal Benomar has 35 years of experience in roles with international responsibility, including as Special Advisor to the UN Secretary-General and as Under-Secretary-General.

After earning degrees in sociology, economics and politics from the universities of Rabat, Paris and London, Jamal Benomar worked as a lecturer and research associate. At the UN, his work focused on diplomatic actions and governance issues.

► Directorships and other positions held in other companies

Jamal Benomar holds no positions in any other companies.

► Directorships and other positions held during the last five years

Jamal Benomar has not held any other directorships or other positions in the last five years.

Martine Chêne

64 rue du Parc – 34980 Saint-Gély-du-Fesc, France

Date of birth: 12 May 1950

[1] The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

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[2]

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[3]

Director, FFP SA (Société Foncière, Financière et de Participations)[4]

Chairman, GCC Associés SAS

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[1] The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

[2] The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

[3] Listed company.

[4] Listed company.

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

Chairman, BNP Paribas SA (Switzerland)

Deputy Chairman, Fortis Bank SA/NV (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

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[2]

Member of the Supervisory Board, Galatée Films

[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 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)

Board advisor, SPIE Batignolles

Yves Guillemot

28 rue Armand-Carrel – 93100 Montreuil, France

Date of birth: 21 July 1960

Nationality: French

First appointed: 6 May 2014

Date of re-appointment: 3 May 2018

End of current term of office: 2022 OGM[1]

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 more than 15,000 talented people in some 40 studios worldwide, who create and sell video games published by Ubisoft and its partners across five continents.

In 2018, Yves Guillemot was named "Entrepreneur of the Year" by audit firm Ernst & Young. He also won the "Franco-Québécois Company Manager of the Year Award" in France in 2012, the "Personality Award" at the European Games Awards in Germany in 2011 and the "Grand Prix" at the MCV Awards in the UK in 2011.

► Directorships and other positions held in other companies

In France:

President and Chief Executive Officer and Director, Ubisoft Entertainment SA[2]

Deputy Chief Executive Officer, Guillemot Corporation SA[3]

[1] The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the preceding year.
[2] Listed company.
[3] Listed company.

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 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, 1492 Studio 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), Blue Mammoth Games LLC (United States), Dev Team LLC (United States)

Chairman of Dev Team LLC (United States), Chairman and Director of Ubisoft Divertissements Inc. (Canada), Ubisoft Editions Musique Inc. (Canada), Hybride Technologies Inc. (Canada), Ubisoft Toronto Inc. (Canada), Ubisoft Winnipeg 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), BMG Europe 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)

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 Gameloft SE

Director of Guillemot Corporation SA

[1] Listed company.

Outside France:

Chairman and Director of Technologies Quazal 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 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

Resignation date: 12 September 2018

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 of the Supervisory Board, Mediawan[1]

Member of the Appointments, Remuneration and Governance Committee of Mediawan

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

[1] Listed company.

Outside France:

Member of the Board of Directors, Kudelski[1] (Switzerland)

► Directorships and other positions held during the last five years

Member of the Supervisory Board of Lagardère SCA

Member of the Appointments, Remuneration and Governance Committee of Lagardère SCA

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: 3 May 2018

Number of Lagardère SCA shares held: 0

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. In 2018, he was appointed Chairman of the Ethics Committee at Véolia.

► Directorships and other positions held in other companies

Chairman of the Ethics Committee, Véolia[2]

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

Member of the Commission for analysis on prevention of conflicts of interest in public life

[1] Listed company.
[2] Listed company.

Soumia 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 of Nexity[2] and member of the Remuneration and Appointments Committee

► 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[3]

Number of Lagardère SCA shares held: 600

Member 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.
[3] The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

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 executive corporate officer of AHM Conseil, a company specialising in the organisation of cultural events, and in 2015, co-founded the contemporary art fair, Asia Now.

► Directorships and other positions held in other companies

Member of the Strategy Committee, Be-Bound

Director and Chair of the Appointments Committee, Amundi[1]

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

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

► Directorships and other positions held during the last five years

Vice-President, Be-Bound

Member of the Board of Directors, NQT (Nos quartiers ont des talents)

Member of the Board of Directors, Celsa (Centre d'Études Littéraires et Scientifiques Appliquées)

Member of the Board of Directors, EPA (Entreprendre pour Apprendre)

Committee member, JDE (Les Journées de l'Entrepreneur)

Member of the Board of Directors, Axa IM Limited

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

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

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[1]

- 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

30 Glenilla road – NW3 4AN London, 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.

[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 during the last five years

Member of the Board of Directors, Musée d'Orsay

Vice-Chair of the Board of Directors, Orchestre de Paris

Member of the Board of Directors, Louvre-Lens museum

Susan M. Tolson

3319 Prospect St. NW,

Washington, DC 20007, USA

Date of birth: 7 March 1962

Nationality: American

First appointed: 10 May 2011

Date of re-appointment: 5 May 2015

End of current term of office: 2019 OGM[1]

Number of Lagardère SCA shares held: 600

Susan M. Tolson graduated from Smith College in 1984 with a 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 – where between April 1990 and June 2010 she successively served as a financial analyst, senior account manager and then Senior Vice-President, a position she left to join her husband in Paris.

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

► Directorships and other positions held in other companies

In France:

Director, WorldLine E-Payment Services[2] and Member of the Audit, Governance and Remuneration Committees

Outside France:

Director, Outfront Media[3], Chair of the Governance and Appointments Committee and member of the Audit Committee

Director, Take-Two Interactive[4], 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.

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[1] The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.
[2] Listed company.
[3] Listed company.
[4] Listed company.

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

Director, the American Cinémathèque

Director, Terra Alpha LLC

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: 3 May 2018

End of current term of office: 2022 OGM[1]

Number of Lagardère SCA shares held: 600

Member of the Audit Committee of Lagardère SCA

Patrick Valroff holds a degree in law and is a graduate of the Institut d'Études Politiques de Paris and École Nationale d'Administration. He began his career in the French civil service. In 1991, he joined the specialist consumer credit company Sofinco as Deputy Chief Executive Officer. In 2003, he was appointed Head of Specialised Financial Services at Crédit Agricole SA Group, which comprises Sofinco, Finaref, Crédit Agricole Leasing and Eurofactor, and subsequently served as Chairman and 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[2]

Member of the Financial Committee of the International Chamber of Commerce

► Directorships and other positions held during the last five years

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

* * *

[1] The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

[2] Listed company.

Changes in the composition of the Supervisory Board and the Supervisory Board Committees in 2018

At 31 December 2018

	Departures	Appointments	Re-appointments
Supervisory Board	Jean-Claude Magendie (3 May 2018) Pierre Lescure (12 September 2018)	Jamal Benomar (12 September 2018)	Xavier de Sarrau (3 May 2018) Yves Guillemot (3 May 2018) Patrick Valroff (3 May 2018)
Audit Committee			Xavier de Sarrau (3 May 2018) Patrick Valroff (3 May 2018)
Appointments, Remuneration and Governance Committee	Pierre Lescure (12 September 2018)		

Besides the changes recommended to the Annual General Meeting of 10 May 2019, no significant changes are planned to date in the composition of the Supervisory Board.

* * *

The Supervisory Board pays particular attention to its composition and to the composition of its Committees.

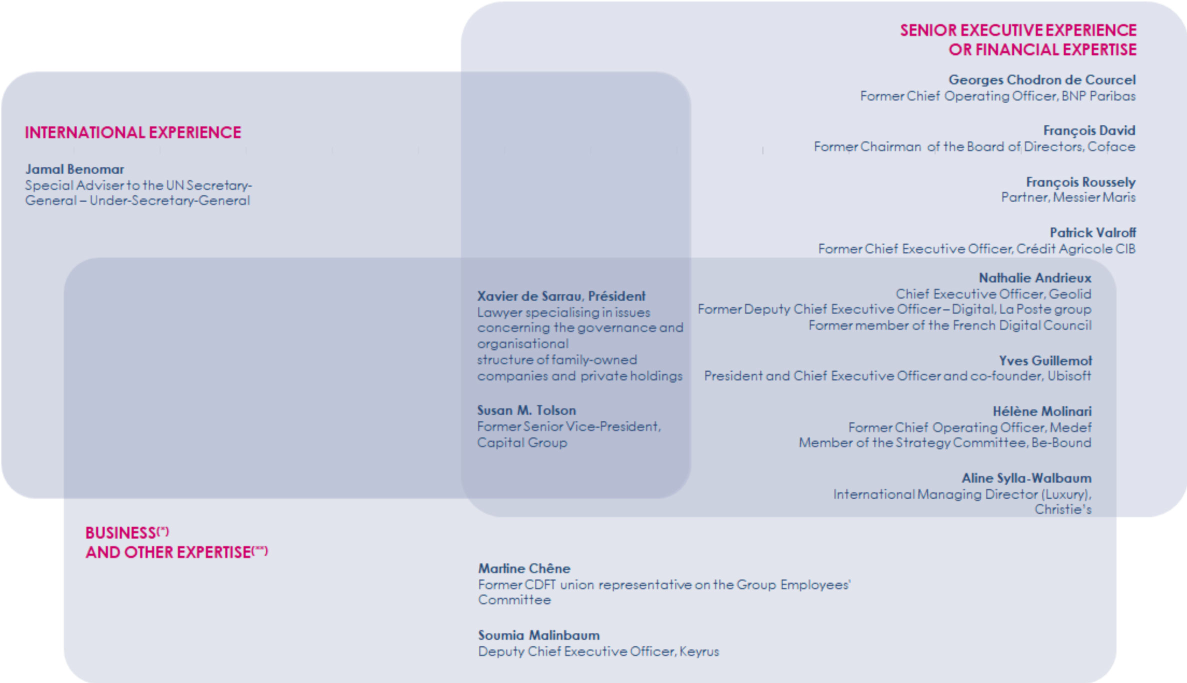
The Board has put in place a policy aimed at ensuring Board and Board Committee members have a broad range of skills (managerial, financial, strategic and/or legal), experience and knowledge of the Group’s businesses, as well as different age, gender, nationality and cultural profiles. This diversity is essential to the effectiveness of the Board’s work, guaranteeing high quality discussions and the proper performance of its supervisory duties.

In order to put this policy into place, the Board adopted a series of criteria for selecting members that mirror these goals, based on a recommendation of the Appointments, Remuneration and Governance Committee. The composition of the Supervisory Board and the Board Committees is reviewed each year by the Appointments, Remuneration and Governance Committee, which reports its findings to the Supervisory Board and puts forward recommendations in this regard.

Each year, the Board critically reviews its composition through the self-assessment procedure.

In this way, members form a competent, independent and attentive Supervisory Board, fully able to represent shareholders’ interests (see below).

The chart below reflects the results of the policy in place:



(*) 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 (article L. 225-79-2 I), it is not subject to the obligation to include employee representatives on the Supervisory Board. However, particular attention is paid to the provisions of the French law promoting business growth and transformation (*Loi Pacte*), which will be applied in the allotted timeframe.

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 2018

	X. de Sarrau	N. Andrieux	J. Benomar	Martine Chêne	G. Chodron de Courcel	F. David	Y. Guillemot	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	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Not to receive variable remuneration in cash or shares or any other remuneration linked to the performance of the Company or Group	✓	N/A											
Conclusion	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 regularly updated by the Supervisory Board, most recently on 13 March 2019.

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 Secretary General of Lagardère SCA 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 2018

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 taking into account corporate social responsibility issues, and the Group's strategy. During these meetings, the Committees report to the Board on their work. The Supervisory Board defines an annual schedule for its meetings, four of which are planned for 2019. During 2018, the Supervisory Board met six 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 on corporate governance and adopt its report to the shareholders. The Supervisory Board also recommended the re-appointment of certain members whose terms of office were set to expire at the General Meeting, as well as the change in the Articles of Association to reduce the size of the Supervisory Board. It also reviewed the agreement signed and authorised during a previous year that remains in effect;

- on 11 April with an attendance rate of 86%, to give its opinion on the draft resolutions to be put to the General Meeting of 3 May 2018 by a group of minority shareholders;
- on 3 May at the end of the General Meeting, with an attendance rate of 93%, to re-elect the Chairman of the Supervisory Board and to appoint the members of the Audit Committee, including the Chairman;
- on 6 June with an attendance rate of 100%, to review recent developments within the Group, its radio business (presentation given by Laurent Guimier and Donat Vidal Revel), and developments in the Group's compliance with the General Data Protection Regulation;
- on 12 September with an attendance rate of 93%, to place on record Pierre Lescure's resignation from his office as member of the Supervisory Board and to appoint Mr Jamal Benomar to replace him, to review the Group's general business position and the business outlook, along with the interim parent company and consolidated financial statements. The Board also discussed the progress of Lagardère Travel Retail's acquisition of Hojeij Branded Foods (presentation given by Dag Rasmussen and his team) and approved its work plan for 2019;
- on 12 December with an attendance rate of 93%, to discuss developments in legal proceedings and divestments in progress. The findings of the self-assessment of the operation and membership of the Supervisory Board and its Committees were also presented.

In June 2018, the Supervisory Board convened for a seminar during which its members discussed the Group's strategy in depth.

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 2018, these duties gave rise to numerous meetings with the Managing Partners, the Secretary General, the Chief Financial Officer, division senior executives in France and abroad and the Statutory Auditors, as well as to working sessions with the Internal Audit and Risk departments. The Chairman of the Supervisory Board is responsible for any dealings between shareholders and the Board.

Members' attendance at Supervisory Board and Committee meetings in 2018

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%	-
Jamal Benomar	100%	-	-
Martine Chêne	66.66%	-	-
Georges Chodron de Courcel	83.33%	-	71.42%
François David	100%	100%	100%
Yves Guillemot	100%	-	-
Pierre Lescure	100%	-	80%
Jean-Claude Magendie	50%	-	-
Soumia Malinbaum	100%	-	100%
Hélène Molinari	100%	-	100%
François Roussely	83.33%	-	-
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. 2018)**	**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 2018, 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; ► monitors the effectiveness of internal control and risk management systems and where applicable internal audit, as regards accounting and financial reporting procedures; ► ensures that the Company has internal control and risk management procedures, particularly procedures for (i) risk assessment and management, and (ii) 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; ► monitors the implementation of measures to prevent and detect corruption; ► 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 2018	During 2018, the Audit Committee met five times with an attendance rate of 100%, it being specified that two meetings to review the annual and interim financial statements were held more than five days before the Supervisory Board's meetings. ► The meeting of 1 March involved a review of the impairment tests on intangible assets for the purposes of the financial statements for the year ended 31 December 2017, as well as a review of the Group's 2017 consolidated financial statements. It also reviewed relations with Lagardère Capital & Management (LC&M). ► On 24 May, the Committee focused on the Group's internal audit activity during the first half of 2018 and reviewed the fees of the Statutory Auditors. The Audit Committee were also reminded of the professional conduct and independence rules of the Statutory Auditors, as well as the audit approach for the year to come. The Group's risk map was presented to the Committee. ► On 25 July, the Committee reviewed the Group's consolidated financial statements for the first half of 2018 and was presented with the results of the internal control self-assessment. ► The meeting of 4 October was held to present the Group's IT security processes and the findings of its IT security survey conducted in 2018. A presentation was also given on the Group's financing policy. ► Lastly, at the meeting of 20 November, the Committee reviewed internal audit activities during the second half of 2018 and the audit plan for 2019. It also received a progress update on the Group's Compliance program and on disputes and claims. Lastly, the Committee was briefed on the latest developments in the IFRS 16 project. 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 Management Control Director, Group IT Director, Group General Counsel and Group Treasury and Financing Director, as well as certain members of their teams, were asked to provide input on an as-needs basis.

D.2 Appointments, Remuneration and Governance Committee

Members **(at 31 Dec. 2018)**	**François David (Chairman)** **Georges Chodron de Courcel** **Soumia Malinbaum** **Hélène Molinari** At 31 December 2018, 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; - ensuring that an anti-discrimination and diversity policy exists within the Group's managing bodies. ► *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 2018	In 2018, the Committee met seven times with an average attendance rate of 92%. All members attended the meetings of 28 February, 25 April, 26 September and 7 December. 80% of members attended the other three meetings. During its meeting in January, the Committee analysed the composition of the Board and the Board Committees and the independence of their members, prepared the re-appointment of the members whose terms of office were set to expire, and recommended to the Board a reduction in its size. In February, the Committee reviewed and adopted the corporate governance report, and adopted its recommendations for the Board regarding the re-appointment of its members. The Committee met for a first time in April after draft resolutions had been filed by a group of minority shareholders in order to examine the two proposed Board appointments and issue a recommendation to the Board. The Committee met for a second time at the end of April to review, ahead of the General Meeting, the main comments of proxy advisors and investors as regards the Supervisory Board. In September, the Committee met for a first time to prepare the Supervisory Board concerning the review of a proposed Board appointment, and subsequently for its annual update on the latest developments in the Group's CSR roadmap in 2018. The Committee also approved its schedule and work plan for the coming year. Lastly, at its meeting in December, the findings of the millennials study led by two Committee members were unveiled. 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 focusing on the composition and operation of the Board and its Committees. 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 the Deputy Director of Non-Financial Reporting and Environmental Responsibility.

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 2018 under the aegis of the Appointments, Remuneration and Governance Committee. The findings were presented to the Supervisory Board on 12 December.

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 notably included receiving more information between Board meetings about the Group and any recent developments, and expanding the role of the Appointments, Remuneration and Governance Committee.

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 (*Code de gouvernement d'entreprise des sociétés cotées*) revised in June 2018. 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 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 last re-appointments of these members to be shorter than those of the other terms of office.

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):

	2017 for 2016	2018 for 2017	2019 for 2018
Nathalie Andrieux	51,578.95	55,629.14	58,721.70
Jamal Benomar	_	_	6,524.63 [1]
Martine Chêne	18,421.05	18,543.05	15,659.12
Georges Chodron de Courcel	52,500.00	51,178.81	50,053.26
François David	106,842.11	106,807.95	117,443.41
Xavier de Sarrau	92,105.26 [1]	92,715.23 [1]	97,869.51 [1]
Yves Guillemot	18,421.05	15,761.59	19,573.90
Pierre Lescure	43,657.89	39,496.69	43,025.30
Jean-Claude Magendie	18,421.05	18,543.05	4,567.24
Soumia Malinbaum	55,263.16	55,629.14	58,721.70
Hélène Molinari	55,263.16	55,629.14	58,721.70
Javier Monzón	18,421.05 [1]	11,125.83 [1]	_
François Roussely	15,657.89	18,543.05	17,616.51
Aline Sylla-Walbaum	51,578.95 [1]	55,629.14 [1]	58,721.70 [1]
Susan M. Tolson	15,657.89 [1]	18,543.05 [1]	19,573.90 [1]
Patrick Valroff	55,263.16	55,629.14	58,721.70
Total	**669,052.62** [1]	**669,404.00** [1]	**685,515.28** [1]

[1] Less withholding tax.

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 2.2.3).

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) was incorporated some 30 years ago by Jean-Luc Lagardère, who wished to combine within a single structure the Group's General Management under his responsibility as General and Managing Partner, and the guarantee of his accountability, his personal investment, which represented 5% of Lagardère SCA's share capital at that time. Arnaud Lagardère maintained this structure while increasing his personal investment, with LC&M now holding 7.33% of the share capital of Lagardère SCA.

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 and identifying 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 necessary 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 salaries and performance share awards, and provisions for supplementary pensions) and the related overheads as reinvoiced by the Lagardère group (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, and other levies including property taxes.

LC&M's mission is carried out within the framework of the Service Agreement initially put in place in 1988, and currently in force between LC&M and 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 set at 10%, with an absolute upper limit of €1 million. After examination by the Audit Committee, this remuneration package was approved by the Supervisory Board on 12 March 2004 and subsequently by the General Meeting of Shareholders on 11 May 2004.

This contractual framework brings together in a clear and transparent manner the expenses corresponding to the total cost of the General Management, which would in any event have been borne by the Group, and subjects them to the legal verification procedure applicable to related-party agreements.

The Service Agreement (as well as the provisions related to it concerning the supplementary pension plan for eligible employees of LC&M) is subject to an annual review by the Audit Committee and by the Supervisory Board, in accordance with article L. 225-88-1 of the French Commercial Code, and are also referred to in the special reports of the Statutory Auditors prepared in accordance with article L. 226-10 of said Code.

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), and any changes therein, is the subject of a report submitted for review by the Supervisory Board.

In 2018, LC&M invoiced €21 million to the Group in respect of the Service Agreement, further to review by the Audit Committee of 7 March 2019 and by the Supervisory Board at its meeting of 13 March 2019, versus €23.8 million in 2017. Total payroll costs recognized by LC&M amounted to €17.2 million. These correspond to gross salaries, plus the related taxes, payroll taxes and pension provisions. With the other expenses set out above (support costs invoiced by the Group for €1.9 million, and miscellaneous fees and taxes in the amount of €0.9 million) total costs amounted to €20 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 2018 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 2018 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 EXECUTIVE AND NON-EXECUTIVE CORPORATE OFFICERS

2.2.1 REMUNERATION POLICY FOR EXECUTIVE AND NON-EXECUTIVE CORPORATE OFFICERS

In accordance with the recommendations set out in the Afep-Medef Corporate Governance Code which the Company uses as its corporate governance framework, this section describes (i) the principles and criteria for calculating, allocating and awarding components of remuneration for the Company's executive and non-executive corporate officers, and (ii) the components of remuneration paid or granted in respect of the 2018 financial year in application of said principles. These components paid or granted are put to the vote of shareholders.

Within the meaning of the Afep-Medef Corporate Governance Code, the Company's corporate officers are:

- 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, an executive corporate officer within the meaning of the Afep-Medef Corporate Governance Code;
- Pierre Leroy and Thierry Funck-Brentano, who, in their capacity as Chief Operating Officers of Arjil Commanditée-Arco, Managing Partner of Lagardère SCA, act as Co-Managing Partners of Lagardère SCA and therefore, like Mr Lagardère, qualify as executive corporate officers;
- 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 Afep-Medef Corporate Governance Code.

2.2.1.1 Remuneration policy for executive corporate officers

The principles governing the remuneration policy for executive corporate officers 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 best corporate governance practices, in particular 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 the performance for the year concerned) and the portion based on long-term objectives (free shares contingent on meeting specific performance targets being met 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.

With a view to continuing to apply best corporate governance practices and meeting stakeholders' expectations, the principles for calculating variable remuneration for executive corporate officers will nevertheless be amended in 2019 to incorporate quantifiable criteria relating to the Group's key corporate social responsibility (CSR) commitments. These objectives, which will take into account the context of the Group's strategic refocusing, will notably concern gender equality, a reduction in the environmental impact of its activities, and the overall non-financial performance.

With the exception of Arnaud Lagardère, the variable portion of cash remuneration for executive corporate officers also includes a portion dependent on qualitative criteria based on a set of specific priority targets assigned to them each year.

As conditions for the vesting of the performance shares allotted, the quantitative targets assigned 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). In accordance with statutory laws and the recommendations of the Afep-Medef Corporate Governance Code, additional lock-up conditions apply 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. The assigned performance objectives, which are described below in further detail, guarantee management's incentive to adopt a long-term view in which its interests are closely aligned with those of the Company and its shareholders.

Bonuses may also be granted, in very specific and exceptional circumstances, especially in connection with one-off transactions requiring extensive involvement of the executive corporate officers, 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 are determined in accordance with best corporate governance practices. Any exceptional bonus award, which must be disclosed and justified in detail, may not in any case exceed 150% of the annual fixed remuneration of the executive corporate officer concerned.

Since 2011, the executive corporate officers (with the exception of Arnaud Lagardère) 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 Co-Managing Partners 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 Co-Managing Partners.

Executive corporate officers have a conditional right to receive a supplementary pension in addition to benefits under the basic pension system. This benefit 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, executive corporate officers do not receive:

- multi-annual variable remuneration in cash;
- attendance fees within the Group;
- benefits linked to taking up or terminating office;
- benefits linked to non-competition agreements.

Furthermore, Arnaud Lagardère, who is the Company's second largest shareholder, does not receive any share options or free share awards.

The remuneration level of executive corporate officers is reviewed on a regular basis in light of 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 executive corporate officers 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 for executive corporate officers in 2018

Remuneration paid to executive corporate officers in respect of their positions and duties within the Lagardère group, as well as remuneration paid to other members of the Executive Committee, is entirely borne by their employer, Lagardère Capital & Management, and together with the remuneration for other members of the Group's Executive Committee, accounts for most of the management fees charged by Lagardère Capital & Management to Lagardère Ressources under the Service Agreement between the two companies.

The Service Agreement, described in more detail in sections 2.1.7 and 5.8 of this document, 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 Statutory Auditors of Lagardère SCA.

A) ANNUAL CASH REMUNERATION (FIXED PORTION)

Fixed remuneration is paid in 12 equal monthly instalments over the year.

Fixed remuneration is reviewed at relatively long intervals in accordance with the recommendations of the Afep-Medef Corporate Governance Code.

Arnaud Lagardère's fixed remuneration has not changed since 2009, while the fixed remuneration of the other executive corporate officers has not changed since 2011.

B) ANNUAL CASH REMUNERATION (VARIABLE PORTION)

Based on the benchmark amounts determined for each executive corporate officer, 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, representing 123% of his fixed salary. 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 other executive corporate officers, the benchmark quantitative and qualitative portions are equal and each represent €300,000, i.e., an aggregate benchmark amount of €600,000 as a basis for 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 may not represent more than 44% of the maximum annual variable remuneration.

Overall, the benchmark amounts represent 68.05% of the fixed remuneration of executive corporate officers.

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 2018, the relevant input-based formula detailed below results in the application of a factor of 1.163 to the quantitative benchmark amounts (versus 0.932 in 2017 and 1.37 in 2016), leading to a quantitative variable portion of €1,628,200 for Arnaud Lagardère, and €348,900 for Pierre Leroy and Thierry Funck-Brentano.

	Recurring operating profit of fully consolidated companies	Net cash from operating activities	Average
2018 guidance	+0.00%		
2018 budget		€433.4 million	
2018 achievement	+2.14%	€482.5 million	
Difference	+2.14 points	+€49.1 million	
Impact	21.4%	+11.33%	
Applicable factor	1.214	1.113	1.163
Change vs. 2017 recurring operating profit of fully consolidated companies			Positive
Final factor			1.163

Qualitative portion

The variable remuneration of the executive corporate officers (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 executive corporate officer, 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 targets set for 2018 had largely been met with solid input from the Managing Partners. In view of this assessment, Arnaud Lagardère decided to award Pierre Leroy and Thierry Funck-Brentano variable remuneration based on qualitative criteria of €375,000 each, corresponding to a factor of 1.250 applied to their qualitative benchmark amount (versus 1.166 in 2017 and 2016).

Rollout of the Group's strategic plan

As part of the Group's strategic refocusing around Lagardère Publishing and Lagardère Travel Retail decided in 2018, the Group launched a divestment process for certain assets that it deemed no longer strategically relevant. The bulk of the proceeds from these disposals is to be reinvested in the two priority businesses.

The executive corporate officers are obviously fully committed to refocusing the Group around these aforementioned businesses. They define the timing and basis for the new strategy, and are working diligently to ensure that the sale conditions are as satisfactory as possible for all stakeholders, including the personnel concerned.

The Group actively pressed ahead with its strategic refocusing in 2018, with the completion of significant transactions on both the acquisitions and disposals sides of the equation.

The Group sold its 42% stake in Marie Claire, radio operations in the Czech Republic, Poland, Slovakia and Romania, most of its magazine publishing titles in France (including *Elle* and its various extensions, *Version Femina*, *Art & Décoration*, *Télé 7 Jours* and its various extensions, *France Dimanche*, *Ici Paris* and *Public*), and the MonDocteur and Doctissimo websites.

In terms of reinvestments, Hachette Livre acquired the entire share capital of the La Plage publishing house, while Lagardère Travel Retail acquired Hojeij Branded Foods (and its subsidiary Vino Volo), a leading Foodservice travel retail operator in North America, marking an important step in its development in this region.

Quality of governance and management

The priority targets assigned to executive corporate officers in this second area were related to:

1. rolling out an organisational action plan to meet the Group's strategic imperatives;
2. safeguarding the Group's reputation and assets by implementing Compliance programmes.

Concerning the first priority target, the executive corporate officers continued to focus on the Group's Corporate departments, pushing ahead with the organisational changes begun in 2016. These have led to clearer hierarchical reporting lines, closer links between related functions and the appointment of several women and young managers to executive positions, chiming with the Group's labour policy in terms of promoting diversity and talent mentoring structures.

The cost savings plan launched in 2016 ended successfully in 2018, providing the Group with a healthy basis for conducting a profound overhaul of its Corporate departments, their missions, positioning and resources within the scope of the Group's strategic refocusing and the fast-paced changes in its environments. At the end of 2018, the executive corporate officers launched the process to transform the

Group's Corporate departments. The process will be actively pursued in 2019 with the aim of seeing its benefits in organisational and budgetary terms by 2020.

Regarding the second priority target, in 2018 the Compliance Department continued its activities working closely alongside the divisions and corporate departments.

Regarding the fight against corruption, 2018 was primarily devoted to training initiatives and to the launch of a large-scale project to outsource an autonomous whistleblowing procedure, set to be rolled out in France in 2019 and subsequently to the Group's other countries.

In 2018, the focus was also on the international economic sanctions programme, which was again updated to reflect the constantly changing international geopolitical environment. The situation requires the Group to closely and continually monitor any sanctions likely to be introduced by different governments.

Lastly, the executive corporate officers discussed data protection, which is critical to the Group's digital development strategy in light of the introduction of the General Data Protection Regulation (GDPR) on 25 May 2018 in France and all other European Union countries.

Implementation of the Group's CSR policy

Particular note was taken during the year of the following achievements in respect of each of the five priority targets of the Group's CSR policy, detailed in chapter 4 of this Registration Document.

Promoting diversity and gender balance in the workplace: the training programme on decisional bias linked to stereotypes continued to be rolled out to all divisions. During the year, the Group signed the UN's Women Empowerment Principles (WEP) and was involved in the StoPe initiative fighting casual sexism in the workplace, illustrating its steadfast commitment to gender balance. The executive corporate officers were also personally involved as mentors in the employee mentoring programme put in place by the LL network.

Attracting and retaining talent, particularly in the digital age: efforts by the executive corporate officers in this area include the innovation awards, with numerous candidates from the Group's four divisions. Three projects were rewarded for their transformative potential for the Group, and for the fourth time, the Group funded employees involved in community initiatives. These initiatives came in support of the desire for meaning and purpose expressed by the Group's employees.

Encouraging responsible cultural content: the Jean-Luc Lagardère Foundation was particularly active in this area in 2018, awarding 19 grants to talented young people working in culture and the media, and continuing to support various institutions such as Institut du Monde Arabe, Villa Médicis, Science Po and Centre Pompidou. The Group also remained committed to various CSR issues, notably through its Elle Active forum, which once again welcomed one of the Co-Managing Partners as mentor and signatory of the Elle Active HeForShe Charter.

Fighting climate change: following the Group's *Bilan Carbone®* audit and its signature of the Paris Action Climat climate agreement, the executive corporate officers continued to closely monitor Lagardère's environmental footprint. They paid close attention to the various real estate transactions carried out in 2018, with a view to ensuring that they all meet high environmental performance standards. For example, in June 2018 the Arena entertainment venue in Bordeaux received NF HQE very high environmental standard certification for office buildings.

Improving the Group's CSR performance: the Group improved its non-financial performance, as can be seen by its inclusion in a fifth CSR index in 2018. At the end of the year, Lagardère was therefore listed on Vigeo Euronext Europe 120, Eurozone 120, MSCI Global Sustainability Index Series, STOXX® Global ESG Leaders indices and FTSE4 Good Index Series, and also featured on the 2019 list of the eight Sustainability Leaders for the media industry in the RobecoSAM rankings.

Components of variable remuneration granted for 2018

Based on the quantitative and qualitative criteria described above, the variable remuneration granted for 2018 is set out below.

Since variable remuneration can only be calculated after the year end, it will only be paid in 2019.

(in euros)	Minimum amount	Benchmark amount	Maximum amount (% of fixed remuneration)	Achievement rate applied to the benchmark amount	Variable remuneration	
					Amount to be paid	(% of fixed remuneration)
Arnaud Lagardère						
Quantitative	0	1,400,000	150%	1.163	1,628,200	142.73%
Qualitative	N/A	N/A	N/A	N/A	N/A	N/A
Total			**150%**		**1,628,200**	**142.73%**
Pierre Leroy						
Quantitative	0	300,000		1.163	348,900	23.67%
Qualitative	0	300,000	33%	1.250	375,000	25.44%
Total			**75%**		**723,900**	**49.11%**
Thierry Funck-Brentano						
Quantitative	0	300,000		1.163	348,900	28.93%
Qualitative	0	300,000	33%	1.250	375,000	31.09%
Total			**75%**		**723,900**	**60.02%**

C) EXTRAORDINARY REMUNERATION

The executive corporate officers did not receive any extraordinary remuneration for 2018.

D) DEFERRED VARIABLE REMUNERATION

The executive corporate officers do not receive any deferred variable remuneration.

E) MULTI-ANNUAL VARIABLE REMUNERATION

The executive corporate officers do not receive any multi-annual variable remuneration.

F) ATTENDANCE FEES

The executive corporate officers do not receive any attendance fees for their duties within the Lagardère group.

G) AWARD OF SHARE OPTIONS AND/OR PERFORMANCE SHARES

The executive corporate officers have not received share options since 2006. The last share option plan awarded in 2006 expired in 2016, with no options exercised. During 2018, no options were therefore exercised.

With the exception of Arnaud Lagardère, executive corporate officers may, however, be awarded performance share rights.

Awards to the executive corporate officers are subject to approval by the Appointments, Remuneration and Governance Committee and the Supervisory Board which, pursuant to the recommendations of the Afep-Medef Corporate Governance Code, decided that:

- 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

- the overall number of performance share rights awarded to all executive corporate officers could not represent more than 20% of the total free share awards authorised by the shareholders.

Pursuant to the authorisation given by the shareholders, the performance shares 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 six plans completed to date and their measurement in accordance with IFRS, the initial rights granted to the executive corporate officers represented 29.81% of the total remuneration received overall. The average aggregate ratio of the initial awards actually confirmed was 88.77% and the average number of shares vested to each executive corporate officer represented 0.021% of the share capital per year.

On 16 April 2018, under the authorisation granted by shareholders at the 2016 General Meeting, each executive corporate officer was awarded a total of 32,000 rights to free shares (representing 0.024% of the total number of shares comprising the share capital and a carrying amount of €599,040 under IFRS).

This award was made under the conditions set out below, in accordance with the principles defined in 2016.

In order to take into account the change in the Company's profile in connection with the strategic refocusing process that began in 2018, and with a view to continuing to apply best corporate governance practices and meet stakeholders' expectations, these principles will be amended in 2019: they will continue to be based on the Group's key strategic indicators but will seek to align the interests of the grantees even more closely with the interests of the Company and its stakeholders.

- ***Vesting period***: the shares awarded on 16 April 2018 will not vest until 17 April 2021, 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 16 April 2021; 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. 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 made to executive corporate officers are subject to the performance conditions set out below. These reflect the principles adopted in 2016 which will be amended in 2019 (see above):

  - Objective relating to growth in Group recurring operating profit (of fully consolidated companies):

    Vesting for 50% of the shares awarded is subject to the average annual growth rate for Group recurring operating profit over the 2018-2020 period being equal to or more than 12.92% (representing an increase of at least one-third compared with the average annual growth rate for 2015-2017).

- 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 2018-2020 period being equal to or more than €649.1 million (representing an increase of at least one-third compared with the average amount for 2015-2017).

For each of these two objectives, a minimum performance level has been set, corresponding to a 66% achievement rate for the objective (i.e., 8.53% for the Group recurring operating profit target and €428.4 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 17 April 2021 to 17 April 2023 inclusive. On top of the standard holding period, each executive corporate officer will 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 executive corporate officers.

Being employees of Lagardère Capital & Management (with the exception of Arnaud Lagardère), the executive corporate officers 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 the executive corporate officers 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 the executive corporate officers.

J) SUPPLEMENTARY PENSION PLAN

A supplementary pension plan was set up by Lagardère Capital & Management on 1 July 2005 for executive corporate officers. 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*).

The characteristics of this supplementary pension plan described below fully comply with the recommendations of the Afep-Medef Corporate Governance Code.

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). In addition, it cannot exceed 50 times the annual limit defined by the French social security system i.e., a maximum amount of €1,986,600 in 2018.

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 €695,310 in 2018.

The entitlements are fully borne by the company and this benefit is taken into account in determining the overall remuneration of executive corporate officers.

At 31 December 2018, 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, were €695,310 for Arnaud Lagardère and Pierre Leroy, and €658,898 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 withheld at source and any surtaxes on high incomes.

K) BENEFITS IN KIND – BUSINESS EXPENSES

Travel and entertainment expenses incurred by the executive corporate officers 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 Summary tables regarding the executive corporate officers

The information and tables provided in this section show remuneration for Arnaud Lagardère, Pierre Leroy and Thierry Funck-Brentano, executive corporate officers of the Company, using the presentation recommended by the Afep-Medef Corporate Governance Code and AMF recommendations nos. 2012-02 and 2009-16.

Arnaud Lagardère

Summary of gross remuneration and benefits (before deducting social security contributions)				
	Fiscal year 2017		**Fiscal year 2018**	
	Amounts receivable	Amounts received	**Amounts receivable**	**Amounts received**
Fixed remuneration	1,140,729	1,140,729	**1,140,729**	**1,140,729**
Variable remuneration	1,304,800 [1]	1,711,093	**1,628,200** [1]	**1,304,800**
Extraordinary remuneration	-	-	**-**	**-**
Attendance fees	-	-	**-**	**-**
Benefits in kind	18,616	18,616	**18,616**	**18,616**
Total	2,464,145	2,870,438	**2,787,545**	**2,464,145**

[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, the Group's second largest shareholder, 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 2017	**Fiscal year 2018**
Remuneration and benefits receivable for the year (details in previous table)	2,464,145	**2,787,545**
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	2,464,145	**2,787,545**

Pierre Leroy

Summary of gross remuneration and benefits (before deducting social security contributions)				
	Fiscal year 2017		**Fiscal year 2018**	
	Amounts receivable	Amounts received	**Amounts receivable**	**Amounts received**
Fixed remuneration	1,474,000	1,474,000	**1,474,000**	**1,474,000**
Variable remuneration	629,400 (1)	760,800	**723,900** (1)	**629,400**
Extraordinary remuneration	-	-	**-**	**-**
Attendance fees	-	-	**-**	**-**
Benefits in kind	16,281	16,281	**16,281**	**16,281**
Total	2,119,681	2,251,081	**2,214,181**	**2,119,681**

(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 2018						
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	16 April 2018	32,000	599,040	17 April 2021	17 April 2023[1]	[2]

(1) Applicable to 50% of the vested shares. The shares corresponding to the remaining 50% are subject to additional holding 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: none.
- Performance shares that vested during the year: 32,000.

Of the 32,000 performance shares granted to Pierre Leroy under the 1 April 2015 plan, 32,000 shares (i.e., 100%) vested on 1 April 2018, 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: 102.52%;
- average achievement of objectives relating to net cash from operating activities of fully consolidated companies: 126.85%;
- change in 2017 recurring operating profit of fully consolidated companies compared with the 2015-2016 average: positive.

Total remuneration and benefits, share options and performance shares granted		
	Fiscal year 2017	**Fiscal year 2018**
Remuneration and benefits receivable for the year (details in previous table)	2,119,681	**2,214,181**
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	724,480	**599,040**
Total	2,844,161	**2,813,221**

Thierry Funck-Brentano

Summary of gross remuneration and benefits (before deducting social security contributions)				
	Fiscal year 2017		**Fiscal year 2018**	
	Amounts receivable	Amounts received	**Amounts receivable**	**Amounts received**
Fixed remuneration	1,206,000	1,206,000	**1,206,000**	**1,206,000**
Variable remuneration	629,400 [(1)]	760,800	**723,900** [(1)]	**629,400**
Extraordinary remuneration	-	-	**-**	**-**
Attendance fees	-	-	**-**	**-**
Benefits in kind	13,644	13,644	**13,644**	**13,644**
Total	1,849,044	1,980,444	**1,943,544**	**1,849,044**

(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 2018						
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	16 April 2018	32,000	599,040	17 April 2021	17 April 2023[(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: none.
- Performance shares that vested during the year: 32,000.

Of the 32,000 performance shares granted to Thierry Funck-Brentano under the 1 April 2015 plan, 32,000 shares (i.e., 100%) vested on 1 April 2018, 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: 102.52%;
- average achievement of objectives relating to net cash from operating activities of fully consolidated companies: 126.85%;
- change in 2017 recurring operating profit of fully consolidated companies compared with the 2015-2016 average: positive.

Total remuneration and benefits, share options and performance shares granted		
	Fiscal year 2017	**Fiscal year 2018**
Remuneration and benefits receivable for the year (details in previous table)	1,849,044	**1,943,544**
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	724,480	**599,040**
Total	2,573,524	**2,542,584**

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 option 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 2019	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-2018:						
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	Plan 9
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	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	16 April 2018
Total number of free shares granted(**)	50,000	116,000	104,000	115,017	115,017	96,000	64,000	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	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	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	17 April 2021
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	17 April 2023
Performance conditions	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of shares vested at 28 February 2019	42,310	59,547	72,054	104,253	111,036	96,000	-	-	-
Total number of shares cancelled or forfeited	7,690	56,453	31,946	10,764	3,981	0	-	-	-
Arnaud Lagardère	-	-	-	-	-	-	-	-	-
Pierre Leroy	3,845	9,151	1,982	3,588	1,327	0	-	-	-
Philippe Camus	3,845	29,000	26,000	-	-	-	-	-	-
Dominique D'Hinnin	-	9,151	1,982	3,588	1,327	0	-	-	
Thierry Funck-Brentano	-	9,151	1,982	3,588	1,327	0	-	-	
Performance shares outstanding at end-2018(**)	-	-	-	-	-	-	64,000	64,000	64,000
Arnaud Lagardère	-	-	-	-	-	-	-	-	-
Pierre Leroy	-	-	-	-	-	-	32,000	32,000	32,000
Philippe Camus	-	-	-	-	-	-	-	-	-
Dominique D'Hinnin	-	-	-	-	-	-	-	-	-
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:	NA [1]		X[2]			X[3]		X
Thierry Funck-Brentano Position: Managing Partner[b] Date of appointment: End of term of office:	NA [1]		X[2]			X[3]		X

(a) Deputy Chairman and Chief Operating Officer of Arjil Commanditée-Arco whose term of office as Managing Partner of Lagardère SCA was renewed on 9 March 2016 for a six-year period.

(b) Chief Operating Officer of Arjil Commanditée-Arco, appointed in that capacity on 10 March 2010 for a six-year period and on 9 March 2016 for a further six-year period.

(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.

2.2.1.4 Remuneration policy for the Chairman of the Supervisory Board

A) ATTENDANCE FEES

In a resolution approved by 98.25% of shareholders at the General Meeting of 10 May 2011, the aggregate amount of annual attendance fees payable to Supervisory Board members was raised to €700,000.

Each member of the Supervisory Board receives a basic portion of attendance fees out of this amount. 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.

B) OTHER REMUNERATION

Following the recommendation by the Appointments, Remuneration and Governance Committee, adopted at its meeting of 20 October 2010 and approved by the Supervisory Board at its meeting of 14 December 2010, the Supervisory Board asked that the Managing Partners 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 Supervisory Board. These procedures are described in the corporate governance report (see section 2.1.5.C).

This fixed remuneration, which reflects a common market practice, was set at €240,000 per year with effect from 27 April 2010 when Xavier de Sarrau became Chairman of the Board, and has since remained unchanged.

In accordance with the recommendations of the Afep-Medef Code, the Chairman of the Supervisory Board does not receive any further variable remuneration, share or performance share options, or any further benefits.

2.2.1.5 Summary of components of remuneration for the Chairman of the Supervisory Board

The table below presents the remuneration of Xavier de Sarrau, non-executive corporate officer of the Company as defined by the Afep-Medef Corporate Governance Code, in accordance with the presentation recommended by said Code and by AMF recommendation nos. 2012-02 and 2009-16.

Attendance fees and other remuneration			
	2017 for 2016	2018 for 2017	2019 for 2018
Attendance fees	92,105.26[1]	92,715.23[1]	**97,869.51[1]**
Other remuneration	240,000[1]	240,000[1]	**240,000[1]**
Total	332,105.26[1]	332,715.23[1]	**337,869.51[1]**

[1] Less withholding tax.

2.2.1.6 Consultation of the shareholders on the components of remuneration payable or granted to the corporate officers in respect of 2018

Articles L. 225-37-2, L. 225-82-2 and L. 225-100, II of the French Commercial Code concerning the approval by the General Meeting of the components of remuneration paid or granted to corporate officers in respect of the previous fiscal year, are not applicable to French partnerships limited by shares (*sociétés en commandite par actions* – SCA), by virtue of article L. 226-1 of said Code.

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 2018 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.

The shareholders' opinion is sought regarding the components of remuneration, payable or granted to these persons in respect of 2018, 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 2018	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	€ 1,628,200	▪ Arnaud Lagardère's annual variable remuneration is based solely on quantitative criteria related to the Group's performance in 2018 (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 2018 and that generated in 2017) (see chapter 2, 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 2018 (1.163 versus 0.932 in 2017 and 1.37 in 2016), Arnaud Lagardère's annual variable remuneration amounted to 142.73% of his annual fixed remuneration in 2018.
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 2018.
Attendance fees	N/A	▪ Arnaud Lagardère was not entitled to and did not receive any attendance fees for 2018.
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 €1,986,600 in 2018). ▪ 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 €695,310 in 2018. ▪ At 31 December 2018, the estimated amount of Arnaud Lagardère's annuity, calculated in accordance with the applicable regulations, would represent approximately 28.43% of his total gross remuneration (fixed and variable) paid in 2018. ▪ No benefits were due or paid to Arnaud Lagardère under this plan for 2018.

Pierre Leroy

Components of remuneration payable or granted for 2018	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	€723,900	▪ Pierre Leroy's annual variable remuneration includes: - a portion based on quantitative criteria, determined by reference to the Group's performance in 2018 (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 2018 and that generated in 2017) (see chapter 2, 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 roll-out of the Group's strategic plan, the quality of governance and management, and the implementation of the Group's CSR policy (see chapter 2, section 2.2.1 of the 2018 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 the maximum annual variable remuneration. ▪ In light of the achievement rates for these objectives in 2018 (1.163 for the quantitative objectives versus 0.932 in 2017 and 1.37 in 2016; and 1.250 for the qualitative objectives versus 1.166 in 2017 and 2016), Pierre Leroy's annual variable remuneration amounted to 49.11% of his annual fixed remuneration in 2018.
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	€599,040	▪ In 2018 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 2021, 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 2018-2020: - for 50% of the shares, the average annual growth rate for Group recurring operating profit must be equal to or more than 12.92% (representing an increase of at least one-third compared with the average rate for 2015-2017); - for 50% of the shares, the average annual amount of consolidated net cash from operating activities must be equal to or more than €649.1 million (representing an average amount at least one-third higher than the average amount for 2015-2017). ▪ 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 2018 – was carried out by the Managing Partners on 16 April 2018 using the authorisation given at the 3 May 2016 Annual General Meeting (12th resolution). ▪ Pierre Leroy did not receive any share options in 2018 and was not granted any securities other than the above-described performance shares.
Extraordinary remuneration	N/A	▪ Pierre Leroy did not receive any extraordinary remuneration for 2018.
Attendance fees	N/A	▪ Pierre Leroy was not entitled to and did not receive any attendance fees for 2018.
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 €1,986,600 in 2018). ▪ 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 €695,310 in 2018. ▪ At 31 December 2018, the estimated amount of Pierre Leroy's annuity, calculated in accordance with the applicable regulations, would represent approximately 33.06% of his total gross remuneration (fixed and variable) paid in 2018. ▪ No benefits were due or paid to Pierre Leroy under this plan for 2018.

Thierry Funck-Brentano

Components of remuneration payable or granted for 2018	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	€723,900	▪ Thierry Funck-Brentano's annual variable remuneration includes: - a portion based on quantitative criteria, determined by reference to the Group's performance in 2018 (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 2018 and that generated in 2017) (see chapter 2, 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 roll-out of the Group's strategic plan, the quality of governance and management, and the implementation of the Group's CSR policy (see chapter 2, section 2.2.1 of the 2018 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 2018 (1.163 for the quantitative objectives versus 0.932 in 2017 and 1.37 in 2016; and 1.250 for the qualitative objectives versus 1.166 in 2017 and 2016), Thierry Funck-Brentano's variable remuneration amounted to 60.02% of his annual fixed remuneration in 2018.
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	€599,040	▪ In 2018 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 2021, 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 2018-2020: - for 50% of the shares, the average annual growth rate for Group recurring operating profit must be equal to or more than 12.92% (representing an increase of at least one-third compared with the average rate for 2015-2017); - for 50% of the shares, the average annual amount of consolidated net cash from operating activities must be equal to or more than €649.1 million (representing an average amount at least one-third higher than the average amount for 2015-2017). ▪ 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 2018 – was carried out by the Managing Partners on 16 April 2018 using the authorisation given at the 3 May 2016 Annual General Meeting (12th resolution). ▪ Thierry Funck-Brentano did not receive any share options in 2018 and was not granted any securities other than the above-described performance shares.
Extraordinary remuneration	N/A	▪ Thierry Funck-Brentano did not receive any extraordinary remuneration for 2018.
Attendance fees	N/A	▪ Thierry Funck-Brentano was not entitled to and did not receive any attendance fees for 2018.
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 €1,986,600 in 2018). ▪ 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 €695,310 in 2018. ▪ At 31 December 2018, the estimated amount of Thierry Funck-Brentano's annuity, calculated in accordance with the applicable regulations, would represent approximately 35.90% of his total gross remuneration (fixed and variable) paid in 2018. ▪ No benefits were due or paid to Thierry Funck-Brentano under this plan for 2018.

Xavier de Sarrau

Components of remuneration payable or granted for 2018	Gross amount or accounting value	Comments
Annual fixed remuneration	€240,000	▪ This remuneration – which does not constitute a salary and is subject to withholding tax – is awarded to Xavier de Sarrau on the recommendation of the Appointments, Remuneration and Governance Committee, as approved by the Supervisory Board, 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	€97,869.51	▪ This amount – which is subject to withholding tax – corresponds to the attendance fees due to Xavier de Sarrau in 2019 for the duties he performed as Chairman of the Supervisory Board and the Audit Committee in 2018. ▪ 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 2018 corresponds to five basic portions of attendance fees based on 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.

2.2.2 TRANSACTIONS IN LAGARDÈRE SCA SHARES BY THE CORPORATE OFFICERS AND THEIR RELATIVES DURING 2018

2.2.2.1 Managing Partners

Pursuant to article L. 621-18-2 of the French Monetary and Financial Code (*Code monétaire et financier*) the following transactions in the Company's shares carried out in 2018, 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 88,026 Lagardère SCA shares for a total gross amount of €2,002,391 between 23 May and 24 May 2018.

PIERRE LEROY

Pierre Leroy, Co-Managing Partner, sold 25,109 Lagardère SCA shares for a total gross amount of €600,837.44 between 21 June and 22 June 2018 and between 12 October and 19 October 2018.

A total of 32,000 Lagardère SCA shares vested for Mr Leroy on 3 April 2018 under the 1 April 2015 performance share plan.

THIERRY FUNCK-BRENTANO

A total of 32,000 Lagardère SCA shares vested for Thierry Funck-Brentano, Co-Managing Partner, on 3 April 2018 under the 1 April 2015 performance share plan.

2.2.2.2 Members of the Supervisory Board

None.

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No other transactions in the Company's shares were reported in 2018 by any executive or non-executive corporate officer or any parties related to them.

2.2.3 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 2018.

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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.

This policy enables the Group to single out and foster loyalty among those who have particularly contributed to its performance and whom the Group wishes to retain on a durable basis in order to future-proof its growth as part of its long-term corporate strategy.

For Lagardère SCA's executive corporate officers, the members of the Enlarged Committee and the Group's other senior managers, free share awards – which are all subject to exacting performance conditions – are also an important way of incentivising and encouraging a long-term vision.

In accordance with best corporate governance practices, the Lagardère SCA free share plans are not just restricted to executive corporate officers and senior managers. They also cover some 500 Group employees each year, notably young high-potential managers identified during the talent management process.

For some beneficiaries, there are no performance conditions attached to the vesting of their shares, although they must have formed part of the Group for at least three years at the vesting date. Free share awards are an important tool in the Group's human resources strategy, enabling it to recruit, incentivise and retain key talent. It is vital for the Group to retain their high-level expertise in diverse, and often highly competitive, fields, even though, due to the nature of their underlying jobs, not all beneficiaries may have a direct impact on the Group's financial performance.

In addition, as free share awards offer fiscal conditions that are more advantageous than cash-based remuneration, they are an effective way of containing payroll costs.

These plans thereby promote the close alignment of the beneficiaries' interests with those of the Company and of its shareholders.

GENERAL INFORMATION

Free share awards granted by the Company

1. Vesting of free shares in 2018

In the course of 2018, 482,240 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.

- 384,440 shares vested on 1 April 2018 for beneficiaries of the 1 April 2015 performance share plan.
- 97,800 shares vested on 24 December 2018 for beneficiaries of the 22 December 2014 free share plan, and for the heirs of a deceased beneficiary of the 9 May 2016 and 6 April 2017 free share plans.

2. Rights to free shares awarded in 2018

Based on the authorisations given by the General Meeting of 3 May 2016 (12th and 13th resolutions), on 16 April 2018, the Managing Partners of the Company carried out the following awards:

- 524,370 rights to free shares (representing 0.400% of the total number of shares comprising the share capital) to 453 beneficiaries, employees and executive corporate officers of the Company and of entities related to it.

- 288,090 rights to performance shares (representing 0.220% of the total number of shares comprising the share capital) to 47 beneficiaries, employees and executive corporate officers of the Company and of entities related it.

The performance conditions for the second plan are as follows:

- Objective relating to growth in Group recurring operating profit (of fully consolidated companies):

Vesting for 50% of the shares awarded is subject to the average annual growth rate for Group recurring operating profit over the 2018-2020 period being equal to or more than 12.92% (representing an increase of at least one-third compared with the average annual growth rate for 2015-2017).

No shares will vest in the event that the average annual growth rate for Group recurring operating profit over the 2018-2020 period is less than 8.53% (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 2018-2020 period is between 8.53% and 12.92% (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 2018-2020 period being equal to or more than €649.1 million (representing an increase of at least one-third compared with the average amount for 2015-2017).

No shares will vest in the event that the average amount of Group net cash from operating activities of fully consolidated companies over the 2018-2020 period is less than €428.4 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 2018-2020 period is between €428.4 million and €649.1 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 16 April 2021, 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 Travel Retail, Lagardère Sports and Entertainment and Lagardère Active, who are members of the Enlarged Committee must still be in their positions at midnight on 16 April 2021, 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 16 April 2018, the shares will vest on 17 April 2021 following a three-year vesting period.

For beneficiaries residing overseas for tax purposes at 16 April 2018, the shares will vest on 17 April 2022 following a four-year vesting period.

- Holding periods:

For beneficiaries residing in France for tax purposes at 16 April 2018, the holding period has been set at two years (i.e., the shares must be kept in a registered account until 17 April 2023 inclusive).

Beneficiaries residing overseas for tax purposes at 16 April 2018 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 €23.20 per share at the opening of trading on the Paris stock exchange on 16 April 2018. Determined in accordance with IFRS, this value was €18.72 per share for the shares vesting on 17 April 2021, and €17.54 per share for the shares vesting on 17 April 2022.

3. Free share award plans in force in 2018

The main characteristics of all of the free share award plans which expired in 2018 or were in force as of 31 December 2018 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
22 December 2014	306,120	16,900	289,220	-
1 April 2015	444,440	6,000	384,440	54,000
9 May 2016	829,660	6,500	6,200	816,960
6 April 2017	817,660	7,650	5,000	805,010
16 April 2018	812,460	15,100	-	797,360
Total	**3,210,340**	**52,150**	**684,860**	**2,473,330**

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

In the course of 2018, no 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 2018, 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 16 April 2018 plan described above (representing 0.024% of the total number of shares comprising the share capital and a carrying amount of €599,040 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 2018, 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 16 April 2021), except in cases of forced termination for reasons other than misconduct.

On top of the standard holding period applicable from 17 April 2021 to 17 April 2023 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 until the end of the corresponding holding periods.

2. In 2018, 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 2018, Lagardère SCA's eight employees were awarded a total number of 35,670 rights to free shares under the 16 April 2018 plan described above (representing 0.027% of the total number of shares comprising the share capital and a carrying amount of €667,742.40 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 € 83,467.80 under IFRS).

4. In 2018, 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.

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

During 2018, 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 2018, within the aforementioned entities or groups.

3 RISK FACTORS AND CONTROL SYSTEM

3.1 RISK FACTORS

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, following a call for tenders in 2018, the Asian Football Confederation (AFC) decided not to grant commercial rights to Lagardère Sports and Entertainment after 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.

An overly 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. These factors have a negative impact on the profitability of the media businesses that the Group has retained as part of its strategy announced in 2018.

3.1.1.3 Risks associated with strategy implementation

In 2018 the Group introduced a new strategy to focus on two major business divisions, Lagardère Publishing and Lagardère Travel Retail, and retain certain media businesses. As a result, most of the companies operating under Lagardère Active and Lagardère Sports and Entertainment will be sold. This restructuring process is already under way.

The success of these divestments, some of which have already been carried out, depends on the market's interest for the divested businesses and the Group's ability to manage the operations of the entities concerned in an optimal manner during the transitional period. Failure to do so could lead the Group to keep businesses in its portfolio which do not meet its profitability targets.

The operational management of restructuring may lead to unforeseen regulatory, human and technical difficulties and other issues. This could delay the restructuring process or make it more costly.

The Group also regularly carries out acquisitions and enters 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.

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 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) and audiovisual broadcasting services (radio and television) 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 industry supervision (see section 3.1.2.1.2 below) and 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., Regulation (EU) 2016/679 of 27 April 2016, referred to as the General Data Protection Regulation (GDPR), which entered into force on 25 May 2018).

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 an authorisation to provide radio or terrestrial TV service in French 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.

3.1.2.2 Risks associated with litigation in process

In the normal course of their business, Lagardère and/or its subsidiaries are involved in a number of disputes principally related to contract execution. The Group has set aside the provisions it deems necessary to cover any risks that may arise from general or specific disputes. The total amount of provisions for litigation is disclosed in note 27.2 to the 2018 consolidated financial statements.

The main litigation cases involving the Group are presented in note 34 to the 2018 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.

3.1.2.3 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 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 3.2.6.6 below).

3.1.2.5 Governmental, economic, budgetary, monetary or political factors and strategies with a potentially significant influence on the Group's operations

On 12 September 2018, the European Parliament approved an amended version of the Directive on Copyright in the Digital Single Market submitted by the European Commission on 14 September 2016, aimed at providing consumers with greater choice and access to online goods and services. The proposed directive encourages Member States for example to make compulsory certain exceptions to copyright, especially where the content is for teaching, research (text and data searches, as already envisaged in the French *Loi Lemaire*) or cultural purposes. It 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. Interinstitutional negotiations between the European Parliament, Council and Commission, or Trilogue, have begun drafting a final version of the directive. At this stage, the latest version of the text favours protecting rights holders such as publishers, but its actual impact can only be determined once the directive is passed by the European Parliament and transposed into national law.

In 2019, the Group will be closely following the political and economic developments relating to Brexit as it has businesses in the United Kingdom, operated primarily by the Lagardère Publishing and Lagardère Travel Retail divisions. A soft Brexit would be likely to have a limited impact on the entities concerned, as their business is primarily local. But the impact of a hard Brexit is more difficult to foresee for the entire market, and therefore for the Lagardère group.

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 29.1 to the 2018 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 29.2 to the 2018 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 180,000 tonnes in 2018, as described in section 4.3.2.1 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 AND NON-FINANCIAL RISKS

Some of the following risks are also described in chapter 4.

3.1.4.1 Risks associated with business ethics

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 3.2.6.5.

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 came 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.

3.1.4.2 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.

3.1.4.3 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, in particular, the General Data Protection Regulation mentioned above.

3.1.4.4 Risks associated with the management of skills and key talent

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. Or conversely, any inability on the part of the Group to attract new talent or acquire new skills could undermine its development.

3.1.4.5 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%, 22% and 31%.

3.1.4.6 Risk associated with products distributed

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.

This risk also covers physical products delivered with books sold by the subsidiaries of Lagardère Publishing (accessories, household products, toys, etc.).

3.1.4.7 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.

3.1.4.8 Industrial and environmental risks

3.1.4.8.1 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 and Travel Retail businesses 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.

3.1.4.8.2 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 2018 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

3.2.1 CONTROL ENVIRONMENT

3.2.1.1 General organisation of the Group

The consolidated financial statements of the Lagardère group included 666 companies in 2018 (the full list of consolidated companies can be found in the notes to the consolidated financial statements).

In 2018 the Group introduced a new strategy to refocus in the long term around two major divisions, Lagardère Publishing and Lagardère Travel Retail, and retain certain media businesses. As a result, most of the companies operating under Lagardère Active and Lagardère Sports and Entertainment are to be sold. This restructuring process is already under way.

The Group's operating activities are controlled respectively through Lagardère Media via Hachette Livre, Lagardère Travel Retail, Lagardère Sports and Entertainment and Lagardère Active.

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 The Executive Committee and the Enlarged 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. Two of them are, along with Arnaud Lagardère, Managing Partners and executive corporate officers.

The members of the Executive Committee are 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	

The role of the Executive Committee is to assist the Managing Partners in performing their duties.

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.

3.2.1.2.3 Governing, managing and supervisory bodies of the divisions

As at 31 December 2018, operating activities are conducted by legally independent companies grouped together in the following business divisions: Lagardère Publishing, Lagardère Travel Retail, Lagardère Sports and Entertainment, and Lagardère Active (subject to change in application of the Group's strategic refocusing plan described above).

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.

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 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.

3.2.2.1.2 Other Committees

Monthly business reviews are conducted for each division to monitor activity. The General and Managing Partner, the Group's Chief Financial Officer, as well as the senior executive and Chief Financial Officer of the division concerned, generally take part in these reviews.

The Budget Committee reviews and monitors on an annual basis the budget for the coming year and the three-year plan. It includes the General and Managing Partner, the Group Chief Financial Officer, as well as the senior executive and Chief Financial Officer of the division concerned.

The Reporting Committee, chaired by the Group's Chief Financial Officer, conducts a monthly review with all the divisions' finance managers of the results achieved against the budget and the new budgetary forecasts, to enable the Managing Partners to monitor the progress and financial position of each division and take any necessary corrective action.

Each month the Cash Flow Reporting Committee, chaired by the Group's Chief Financial Officer, examines a detailed analysis of cash flows and balances for each division, and a breakdown of the bank covenants described in note 29 to the consolidated financial statements, presented in chapter 5 of this Reference Document.

Lastly, the Counterparty Risks Committee regularly analyses these risks, as described in note 29.2 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 of Lagardère Sports and Entertainment.

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, the Risk and Internal Control Department, the Sustainable Development Department and the Corporate Communications 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 – Non-financial statement and duty of care plan in this Reference Document.

Succession planning for the Group's main executives is essential to the Group's future success, as it guarantees continuity of leadership in case of a planned or unforeseen change in a key position, and, more generally, builds an internal team of managers capable of steering the Group through its long-term growth strategy.

In accordance with best corporate governance practices, existing succession planning and review processes will be strengthened to better address these needs.

► Preparation of succession plans

Each succession plan will be designed to cover different time frames:

- unforeseen situations (resignations, incapacity, death);
- planned medium-term situations (retirement, expiry of term of office);
- longer-term plans focused on identifying, partnering and training high-potential employees within the Group.

Given the characteristics specific to the French partnership Lagardère SCA, succession planning comes under the responsibility of different management bodies, depending on the executives concerned:

- plans concerning the Managing Partners are drawn up by the General Partners, Arnaud Lagardère and Arjil Commandité Arco, which, by virtue of the Articles of Association, are exclusively empowered to nominate and ensure the duties of executive corporate officers in the interim should a vacancy occur.
- succession plans for members of the Executive Committee are drawn up by the Managing Partners;
- succession plans for divisional top management and key roles within the Group's corporate departments are drawn up by the Executive Committee;
- lastly, as part of the talent management policy in place within the Group for the past few years, development plans for employees identified as high potential are prepared and implemented under the aegis of the Group Chief Human Relations, Communications and Sustainable Development Officer, also a Co-Managing Partner.

In the context of their work, the Managing Partners and the Executive Committee ensure that these plans are coherent, that the recommendations formulated are pertinent, and that the preparatory measures put in place are appropriate.

Similar processes are put in place in the divisions to prepare succession plans for key positions.

In 2018, Lagardère Publishing successfully implemented the procedure set out in the detailed succession plan.

► Review of succession plans

Reviews of succession plans fall within the remit of the Supervisory Board, assisted as appropriate by the Appointments, Remuneration and Governance Committee.

In this respect, periodic reviews of succession plans will be carried out by a special working group comprising members of the Supervisory Board. The work performed and the resulting conclusions will be presented to the Appointments, Remuneration and Governance Committee, which will subsequently report on the matter to the Supervisory Board.

In the context of these reviews, the working group, Executive Committee and Supervisory Board will ensure that succession plans are effectively implemented and regularly updated, that they are coherent with Group and market practices, that the recommendations formulated are pertinent, and that the preparatory measures put in place are appropriate.

The next succession plan review will be in 2019 and reviews will take place every year thereafter.

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 4.2, 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 is an integral part of the Compliance and anti-corruption programme (see section 3.2.6.5).

The International Economic Sanctions Policy is an integral part of the compliance programme (see section 3.2.6.5).

A set of policies exists to guide the management of personal data processing.

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 3.2.6.8 – 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 3.2.6.8 – 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 29 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. This includes keeping various internal procedures on market abuse up to date to ensure that they are in line with French and European legislation 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.

3.2.6.5 Business ethics

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

At the initiative of the Managing Partners and under the responsibility of the Group Legal Department, in 2013 it set up a Compliance function to design Group-wide programmes common to all business activities and aimed at identifying, preventing and handling 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, training 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 2018, 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.

  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 (updated version of the1977 US Foreign Corrupt Practices Act, the 2010 UK Bribery Act and the 2016 French Sapin II 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 and awareness actions 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 2018, the Group Compliance Department worked with all functional departments to raise their awareness of the guidelines published by the French anti-corruption agency and help them measure the effectiveness of their internal procedures in light of these recommendations.

- Compliance with international economic sanctions: operating on five continents, the Group closely monitors international economic sanctions and takes steps to comply with any applicable sanctions. This includes conducting project feasibility studies and running checks on a certain number of potential partners.

  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 and updated in 2018. Sanctions are monitored regularly and routinely reported on at Group Compliance meetings and in widely circulated Compliance newsletters.

  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) continued in 2018.

  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: following the introduction on 25 May 2018 of the General Data Protection Regulation (GDPR), the Data Protection Officer, Compliance and the IT Department have pursued their projects 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, including keeping a record of processing activities. The Group has set up a network of Data Protection Officers to promote all of these initiatives within the divisions. The Group designed a Compliance Pack on personal data for its employees. This tool outlines the challenges of each phase in the personal data life cycle, the main rules and good habits to develop.

- 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 (see section 4.7). A workshop was held in 2018, led jointly by the Compliance Department, the Purchasing Department and the Sustainable Development Department, to raise employees' awareness about duty of care objectives and to share best practices already in place at the Group.

3.2.6.6 Protection of the Group's property and rights

3.2.6.6.A Protection of brands and intellectual property rights

The Group's brands and intellectual property rights are a significant 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.

3.2.6.6.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.

3.2.6.7 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.

3.2.6.8 Reporting system: frequency and timing

3.2.6.8.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.

3.2.6.8.B Preparation of budgets

During the final quarter of the calendar year, the Group's divisions establish their three-year budgets, which are submitted for approval by the Managing Partners.

These data are integrated into the single database referred to above, and used in preparing the Group's annual budget and three-year plan.

3.2.6.8.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 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 29 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 note 29.2 (see chapter 5).

3.2.6.8.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.

3.2.6.8.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;
- internal audits;
- surveys to assess the security of the IT systems and networks;
- review and regular renegotiation of insurance programmes;

- reporting activities described in section 3.2.6.8 - 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 high unit value, economic risks specific to their businesses, and risks relating to changes in consumer behaviour, technological developments and market players.

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 in order to monitor any developments and the contracts' profitability prospects.

The Group has a strategic plan for each division, primarily covering the risks referred to above.

The main financial, legal and operational risks, relating specifically to implementing the Group's strategy to refocus on two major businesses, are directly managed or supervised by the Managing Partners and the Corporate Departments concerned.

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 are described in detail in note 29.1 to the consolidated financial statements.

3.2.8.3.D Credit and counterparty risks

The methods for managing these risks are described in detail in note 29.2 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 and non-financial 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 3.2.6.7, 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, based on ISO 27001 requirements, 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. The last survey was conducted in 2018.

All measures to preserve data confidentiality, protect systems against intrusion and minimise the risk of system breakdown are adjusted based on the results of these surveys 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 Regulation (EU) 2016/679 of 27 April 2016, which came into force on 25 May 2018 (see section 3.2.6.5).

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 2018, Lagardère and its divisions were able to renew insurance coverage in 2019 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 2019, 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 2019, 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 limit is around €57 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 2019, the highest insurance coverage limit subscribed by the Group is €35 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 2018, the overall budget for the main permanent insurance policies subscribed by the Group was estimated at 0.14% of sales (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, as described in section 3.2.8.3.F.2.

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 conducted 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 3.2.6.8 – Financial reporting, as well as its configuration, are upgraded to the latest versions as often as necessary and is endowed with specific resources dedicated to the integrity, availability and confidentiality of processed data.

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.

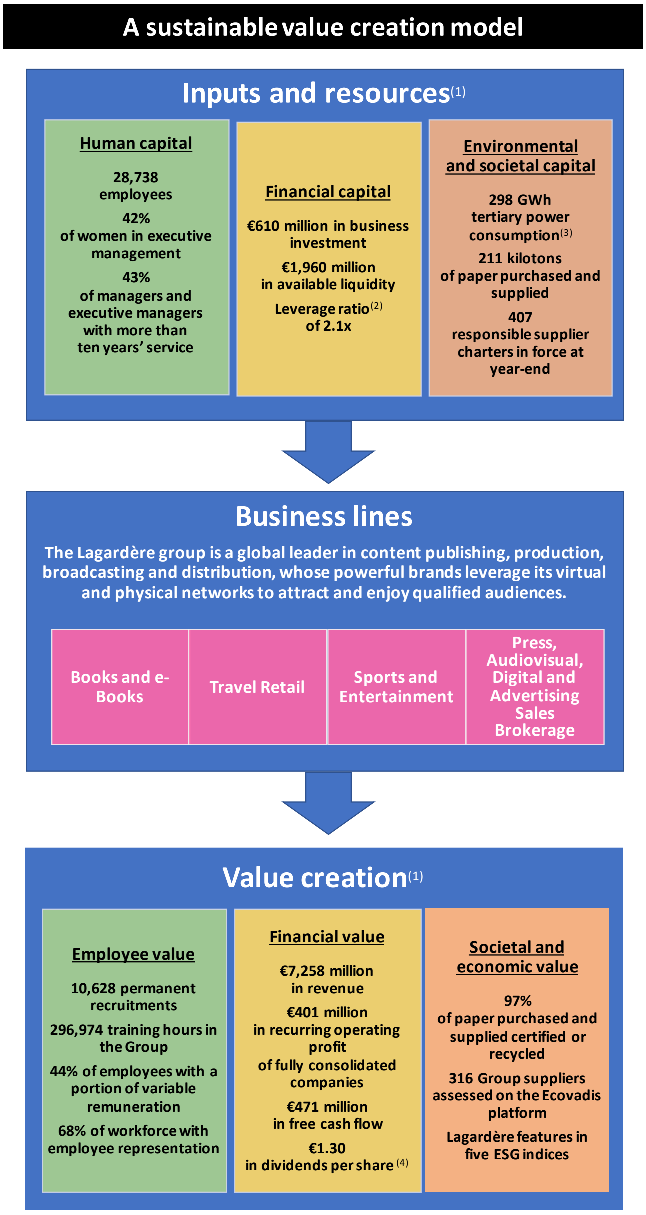
4 NON-FINANCIAL STATEMENT AND DUTY OF CARE PLAN

4.1 THE LAGARDÈRE GROUP'S BUSINESS MODEL

Section 1.4 of this Reference Document provides detailed information on the Group's strategy, businesses, business model, key figures, markets served, and more.

The Lagardère group's overarching objective is to develop the loyalty of its audiences and consumers worldwide through powerful brands that deliver content publishing, production, broadcasting and distribution. The key features of this integrated model of value creation are presented in the diagram below.

Business model



(1) Data at 31 December 2018.
(2) Leverage ratio: Net debt/recurring EBITDA.
(3) Oil, gas, electricity and district heating.
(4) Dividend submitted for approval to the General Meeting to be held on 10 May 2019.

Workforce by geographic area at 31 December 2018

FRANCE

Lagardère Publishing	2,403
Lagardère Travel Retail	4,394
Lagardère Sports and Entertainment	470
Lagardère Active	1,556
Other Activities	131
Total	**8,954**

EUROPE (EXCLUDING FRANCE)

Lagardère Publishing	2,656
Lagardère Travel Retail	5,421
Lagardère Sports and Entertainment	669
Lagardère Active	278
Total	**9,024**

AMERICAS

Lagardère Publishing	1,705
Lagardère Travel Retail	6,097
Lagardère Sports and Entertainment	151
Total	**7,953**

ASIA-PACIFIC

Lagardère Publishing	125
Lagardère Travel Retail	2,339
Lagardère Sports and Entertainment	207
Total	**2,671**

AFRICA

Lagardère Publishing	79
Lagardère Travel Retail	57
Total	**136**

4.2 CSR – KEY PRIORITIES, STAKEHOLDERS AND RESPONSIBLE CORPORATE GOVERNANCE

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

4.2.1 CSR POLICY OBJECTIVES

A) COMPLYING WITH 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. This section now meets the requirement to publish a non-financial statement pursuant to articles L. 225-102-1 and R. 225-105 of the French Commercial Code. It also complies with the duty of care law for parent and contracting companies (see section 4.7). As the relevant laws were passed late in the year (23 and 30 October 2018), the issues of food insecurity, animal welfare, tax evasion, and responsible, fair and sustainable food management were not covered in the non-financial statement published in this Reference Document. These issues, despite representing significant risks, will be covered in next year's reporting.

Regarding tax evasion, the Group takes a responsible approach to tax matters to support its business operations, and pays taxes where its economic activities take place. The Group also takes steps to comply with international requirements, such as country-by-country reporting (CBCR), and makes careful efforts to provide the utmost transparency in dealing with the tax authorities.

In application of its tax policy, Lagardère ensures that no Group business aims to transfer profits to tax havens. Intangible assets are located in countries where economic activities take place.

Internationally, Lagardère applies a number of founding documents and principles on CSR, such as the International Bill of Human Rights, Fundamental Principles of the ILO[1], the OECD[2] Guidelines for Multinational Enterprises, and the Guiding Principles on Business and Human Rights. The Lagardère group draws on other guidelines in carrying out its business activities, including ISO 26000 (used as a basis for updating the 2012 Code of Conduct), Unesco's Convention on the Protection and Promotion of the Diversity of Cultural Expressions and Unicef's Implementation Handbook for the Convention on the Rights of the Child. The UN's Sustainable Development Goals (SDGs) formulated in 2015 set out the societal priorities for building a more sustainable society. Broken out into 17 global development goals on wide-ranging topics including gender equality, climate action, quality education and innovation, the SDGs cover all of the core sustainability priorities for the period through to 2030. By setting out an organised framework and using a shared language for all stakeholders, they ensure synergy and consistency in actions and initiatives at all levels. The SDGs now serve as a valuable reference framework to guide CSR practices, the Group endeavours to build a strategy consistent with the goals that are most relevant to its businesses.

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, to which the Group has adhered since 2003 and which have guided its CSR strategy for fifteen years now.

[1] International Labour Organization.
[2] Organisation for Economic Co-operation and Development.

With operations on every continent, the Lagardère group is one of the world's leading companies in content publishing, production, broadcasting and distribution. 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.

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.

FIGHTING CORRUPTION

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

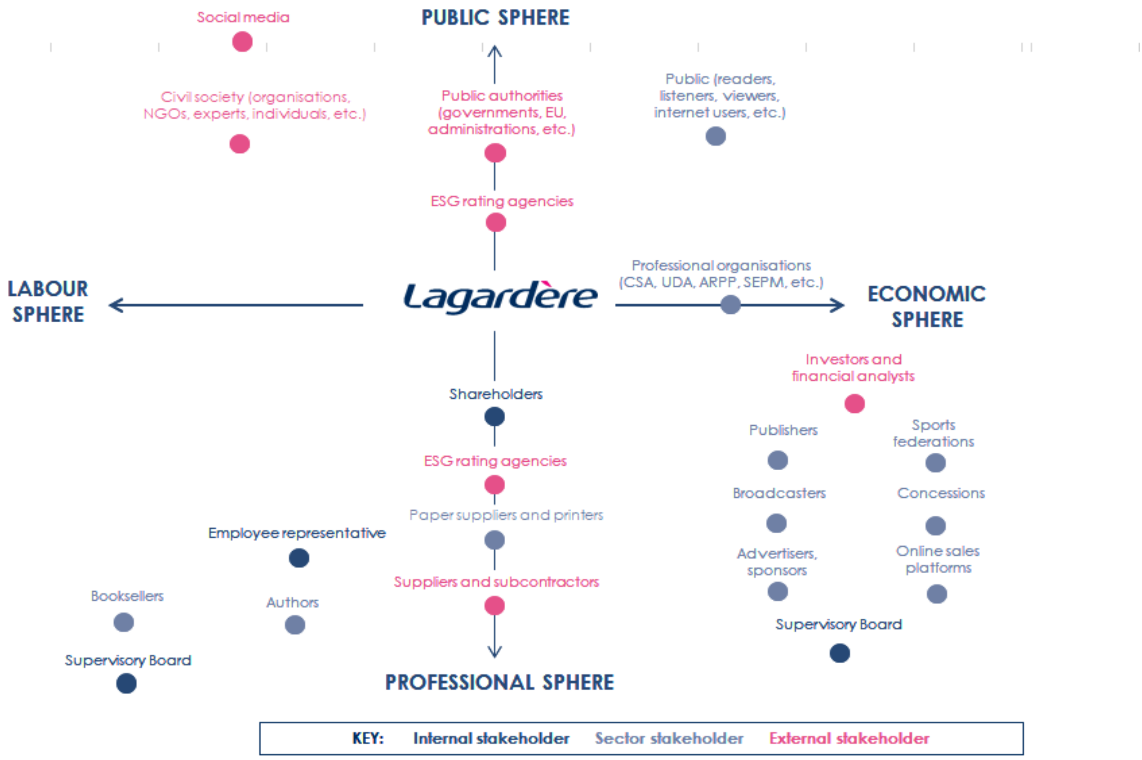
The Lagardère group aligns its CSR policy with its development strategy for its various businesses. For several years, its roadmap has therefore paid special attention to:

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



Since it first rolled out its CSR strategy, Lagardère has maintained frequent and ongoing dialogue with non-financial investment analysts. This long-term collaboration, together with the progress it achieves each year, has enabled the Group to remain in the following ESG indexes (as at 31 December 2018): Vigeo Euronext Europe 120 and Eurozone 120, FTSE4Good index series, MSCI Global Sustainability Index series and STOXX® Global ESG Leaders index. Given its strong performance based on the 2018 Dow Jones Sustainability Index review, the Lagardère group was also included in the RobecoSAM Sustainability Yearbook 2019, placing it among the eight sustainability Industry Leaders 2019 in the media industry group.

To lean in closer to its objective to enhance dialogue with stakeholders, in 2015 Lagardère set up a stakeholder panel, an advisory body that seeks to continuously 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 Group's main priorities, businesses, and industries.

This panel has three main goals:

- establish regular dialogue at Group level between Lagardère and its stakeholders;
- better understand stakeholders' perception and expectations of the Group;
- support Lagardère's forward-looking strategy for its main social, environmental and societal priorities.

In November 2018, the stakeholder panel focused on analysing non-financial risks and including them in the Group's risk map, and following up on the duty of care plan implemented early in the year.

Its objective of long-term dialogue with stakeholders also took on its full meaning in 2017, when the Lagardère group updated its CSR roadmap after setting out its first materiality matrix.

After working with the stakeholder panel in 2015 to identify and rank the 14 CSR priorities considered important for the Group in view of its activities and geographical positioning, the Sustainable Development Department wanted to develop the ideas by incorporating a broader consultation process that would encompass more internal and external stakeholders to enable a wider range of points of view to be taken into account and obtain some measure of consensus regarding the most important priorities.

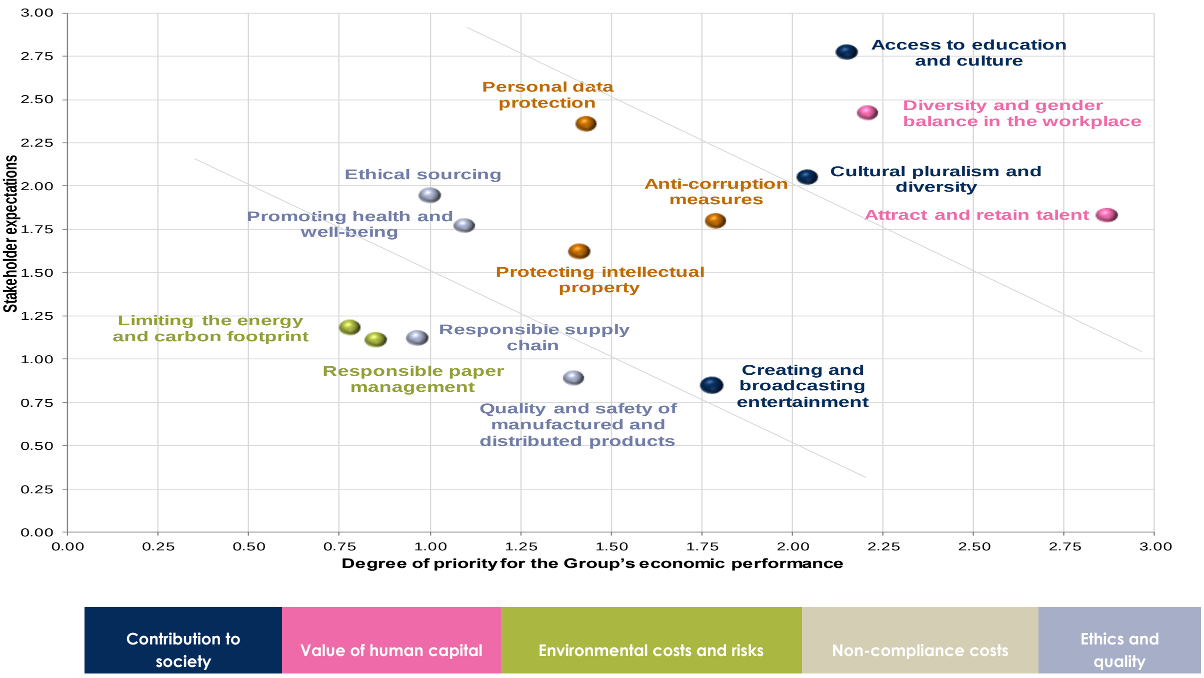
The Group reworked the definition of each of the 14 priorities and classified them into five main groups of risks and opportunities (contribution to the community, value of human capital, environmental costs and risks, cost of non-compliance, ethics and quality).

Next, a qualitative screening based on 15 interviews held with Group executives was analysed in combination with a quantitative approach developed using a questionnaire sent to employees and a selection of stakeholders.

The qualitative screening positioned each priority based on its importance to the Group from a business perspective, while the quantitative screening (covering more than 1,000 employees and over 50 external stakeholders), positioned each priority with regard to stakeholder expectations.

The final matrix, shown below, was then reworked with the aim of simplifying the CSR roadmap in its overall design. The last step involved presenting the matrix to the stakeholder panel.

The Lagardère group materiality matrix



4.2.2 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.

Each division has its own CSR policy led by a Sustainable Development manager, who handles the networks of internal correspondents, or forms local steering committees, and coordinates the CSR informational training and awareness programs aimed at employees.

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. Consequently, in 2018, the Sustainable Development Department came to give an update on the CSR roadmap.

Responsible corporate governance forms the basis of the Lagardère group's CSR roadmap. The Group's approach to responsible corporate governance is reflected in its ethical principles and in compliance programmes applicable to its employees (see section 3.2.6.5).

The Lagardère group Code of Conduct sets out a collection of guidelines 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. 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.

4.2.3 THE CSR ROADMAP

The CSR roadmap is drawn up around three key principles:

- Placing people at the heart of our strategy

  This refers to our belief that our greatest responsibility is to our employees, who should be able to work in a diverse, varied, attractive and stimulating environment, and to all people who, through our content, products and services, can enjoy a rewarding experience in line with the respect for human rights.

- Anticipating and supporting social change

  Over and beyond its responsibility that comes with producing content (to inform, raise awareness, educate, and provide tools to better understand the world), the Lagardère group works towards a pragmatic, environmentally-driven commitment that is relevant to its business activities, by focusing on three fronts: climate change, responsible resource management and an environmentally responsible approach to the food chain.

- Acting as an ethical and responsible organisation

  Responsible corporate governance is the cornerstone of trust on which the Lagardère group's CSR policy is built and above all requires strict compliance with regulations. The Group aims to transform these restrictions (often conveyed in terms of risks and sanctions) into opportunities. These compliance obligations, which have become stricter over the years, are underpinned by the Lagardère group's respect for principles and codes of conduct that form the basis of its responsibility policy, both internally and worldwide.

4.3 CSR – RISKS, OPPORTUNITIES, STRATEGY AND PERFORMANCE

In 2018, the Sustainable Development Department and Risk and Internal Control Department worked together to identify non-financial risks and integrate them into the Group's risk map.

After identifying nearly 40 non-financial risk events and opportunities divided into four categories – labour impacts, environmental impacts, respect for human rights and fighting corruption, the risk and sustainable development teams compared them with the existing materiality matrix (see section 4.2.1.C).

This cross-analysis of the 40 events was used to identify 13 non-financial risks and opportunities. These 13 risks were then assigned a rating for each of the Group's main businesses, ranked using the Group's risk scoring methodology, and weighted based on revenue to take into account the Group's strategic plan to refocus its business on Lagardère Publishing and Lagardère Travel Retail. The ranking process highlighted the nine following areas as carrying non-financial risks and opportunities:

- management of skills and key talent;
- diversity and gender balance in human capital;
- access to and dissemination of education, culture and entertainment;
- quality of products and services, promotion of health and well-being;
- management of resources and respect for the environment;
- management of energy and carbon impacts;
- respect for privacy;
- respect for fundamental freedoms;
- fighting corruption.

Section 4.3 sets out to describe the Group's strategy employed for each of these priorities, implementation of this strategy at the Group's businesses, and the indicators currently in place to monitor progress made and what remains to be done.

4.3.1 LABOUR IMPACTS OF THE GROUP'S ACTIVITIES

4.3.1.1 Management of skills and key talent

Today's world is changing fast, with new growth models emerging all the time. To keep up, the Lagardère group must attract and support the career development of talented, creative and engaged employees to design innovative products and services and produce high-quality content. The Group's success in several of its businesses is in fact a direct result of the skills and expertise of certain individual employees or Group contractors; these skills are valuable resources, which are constantly adapted to maintain the quality and diversity of the workforce.

A.1 Strategy

Under the supervision of the human resources departments at Group and business division levels, operating entities manage their employees independently and locally to bring out the best in the human capital they manage. To achieve this, they implement measures to respond to the specific needs of their activities, businesses and environments. In line with the Group's organisational approach, divisions must nevertheless adhere to a set of common commitments, including an internal talent management policy, 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. As such, it focuses on the growth of its employees, through promotion, internal mobility and training to enhance the employability of each individual. Lagardère also invests in guidance and training for young people by promoting the use and development of work-study placements and programmes.

It is also Group policy to use remuneration and pay rises – contingent on the value employees bring to their position and on variable pay scales that truly reflect the measure of individual objectives – to recognise and reward employee performance levels, using quantitative and qualitative criteria defined by the subsidiaries.

This priority, of managing skills and key talent, also responds to UN Sustainable Development Goals 4 “Quality Education” and 8 “Decent Work and Economic Growth”.

A.2 Application

Relations with schools

Because employee guidance starts early, by establishing regular dialogue with students when they are still potential candidates, the Group makes a point of attending 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 recent graduates and to offer work placements, work-study contracts or jobs, while also giving advice on first career choices.

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

Training

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. Every year, the data on training hours highlights how well-adapted the Group’s training policy is. Out of total training, more than 60% of training hours focus on “business” or “management”. These training courses closely tie in with employees’ performance in their current position and their development potential.

The Group offers a three-day leadership programme for high-potential 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 in France, Lagardère Publishing introduced its Hachette Livre forum, three one-day events that take place over the course of the year to provide new employees with the opportunity to learn more about the publishing business.

For many years, Lagardère Travel Retail has provided an internal training programme for its commercial teams. In addition, the division set up the Lagardère Travel Retail Academy in early 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. 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. In 2018, six seminars were organised in Europe, the United States and Asia.

Internal mobility

Internal mobility is a key component of human resource management, rounding out the areas of training and employee skills development. Group-wide, nearly 3% of vacancies for permanent positions were filled through mobility in 2018. While this figure would appear to be low, itis heavily impacted by the high employee turnover within the Travel Retail division of mainly retail sales staff, an employee category for which internal mobility is not a priority. When adjusted for this factor, the Group's internal mobility rate stood at 7.5% in 2018.

Furthermore, the strong differences in the Group's business activities make mobility of operating staff between divisions practically impossible. However, in France the Lagardère group has developed a special process to evaluate the different opportunities (mainly for support functions) and the profiles of candidates who have submitted a request for mobility. The inter-divisional committee (made up of HR representatives in charge of mobility) handled around 13 mobility transfers in 2018 and reviewed more than 175 jobs and 25 candidates.

Remuneration

To take into account employees' skill levels, training and responsibility and the specific nature of the business sectors they work in, individual rather than collective pay rises are increasingly common. As such, most of the Group's entities reward employees through 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. It has done so since 2007 using free share awards (see the Special Report of the Managing Partners in section 2.2.3).

A.3 Performance

To show its commitment to managing its human capital, the Lagardère group now focuses on a smaller number of indicators, which it will monitor more closely. These key indicators include voluntary departures (which cover only resignations and departures for retirement, and do not include redundancies or mutually agreed contract terminations), variable remuneration, and length of service of managers and executive managers within the Group.

Voluntary departures[1]

Division	Region	Unit	2018	2017
Lagardère group	France	%	**8**	8
	Europe	%	**16**	13
	Americas	%	**45**	45
	Asia-Pacific and Africa	%	**52**	32
	World	%	**24**	22

[1] The percentage of voluntary departures is calculated based on the number of employees reported at 31 December 2017 minus separations in 2018. As turnover is high, particularly in Travel Retail, a consistent definition cannot be applied from year to year to determine the number of employees. This figure reflects some degree of uncertainty (about 3%) despite the checks performed.

The percentage of voluntary departures in the table shows a significant contrast between regions. This is primarily due to the context of local job markets and a radically different work ethic from one country to another. Strong differences are also found between the Group's various business divisions. Voluntary departures are especially common in Travel Retail, as retail employees are included in this indicator across a broad scope.

Other performance indicators

Indicator	Unit	2018	2017	2016
Percentage of managers and executive managers with more than ten years of service	%	**43**	42	44
Percentage of employees with a portion of variable remuneration	%	**44**	40	37

4.3.1.2 Diversity and gender balance in human capital[1]

Discrimination based on gender, disability, sexual orientation, race, religion, etc. undermines self-esteem, while diversity helps create social harmony. The Lagardère group believes that having a diverse workforce (particularly in terms of gender, disability, ethnic and socio-economic background) drives creativity and growth.

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. Working diligently on this issue, as with the above-mentioned one, the Group-level and division human resources departments are on the front lines to make sure that its employees fairly represent society at large.

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.

Lagardère's strategy to promote diversity and gender balance has translated these principles into three main focal points:

- gender balance in the Group;
- breaking down 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.

[1] The information presented in section 4.3.1.2 essentially concerns the obligations provided for in paragraph 6 of article L. 225-37-4 of the French Commercial code (*Code de commerce*).

A.2 Application

Gender balance in the Group

Women continue to occupy a central position in the Group's workforce. In 2018, they represented 64% of the Group's total permanent workforce, 42% of executives and 56% of managers, Not surprisingly, they also made up the majority of training participants (women took 61% of the training hours given, and 64% 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, as 62% of promotions concerned women and 64% of pay rises were awarded to women.

In November 2017, the Group launched the LL network internally, addressing all employees in France, to promote diversity. The network grew significantly in 2018 to include over 450 members, of which about one fourth were men.

This network has three goals (improve gender balance in the Group's businesses, help women to attain management positions, strengthen constructive dialogue between members of the different Group entities) and engages in four types of action (conferences, mentoring, master classes and networking events). The network also aims to support constructive dialogue between businesses and be an instrument in attracting and retaining talent.

The LL network organised nearly 30 events (after work events, breakfasts, an annual day-long event, workshops and conferences) in 2018 and supported 14 women through its mentoring programme. The LL network also embodies the Group's commitment to various causes in support of women (endorsement of the HeForShe campaign and the Women's Empowerment Principles, a partnership with Digital Ladies & Allies, action in the #1in3Women movement to end violence against women, and the #StOpE initiative to stop everyday sexism in the workplace).

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

The agreement concerning gender equality in July 2017 within Lagardère Publishing, Hachette Livre in France commits to improve gender balance during recruitment processes for all types of employment (from publishing, to IT distribution to logistics) by 2020. 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, the agreement in respect of the mandatory annual wage negotiations signed in 2017 allocated a specific budget to reducing the pay gap between men and women. By deciding to double this budget between 2017 and 2018, the management and union organisations of Europe 1 strengthened 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, the situation at our various entities is surveyed regularly, in particular by analysing recruitment procedures to test the selection criteria for candidates applying for full employment and work placements. A second analysis took place between 2016 and 2017, which mainly helped to refine the assessment procedure and identify both progress made and new areas for improvement to focus on. A third analysis is planned for 2019.

Training designed for division managers on decisional bias caused by stereotypes is provided regularly throughout the year at the Group's operating entities. The human resources departments and executive committees of each division were the first staff segments to receive this training, which is provided for several dozen managers every year.

Europe 1 has signed the Diversity Charter which expresses a company's willingness to improve the degree to which its workforce reflects the diversity of French society.

Following on from previous years, numerous initiatives, conducted in partnership with charitable associations promoting cultural or social diversity, were continued within the Group, such as Nos Quartiers ont des Talents, Sport dans la ville, the Divertimento Orchestra, etc., which help young people from problem neighbourhoods to gain access to the training or employment opportunities that are sometimes unavailable to them due to their ethnic or social backgrounds.

In France, Lagardère Publishing teamed up with Sciences Po to provide book bursaries for students under France's programme to support equal opportunity in education (*Conventions Éducation Prioritaire* – CEP). Hachette Livre also supports the CEP programme in different ways (traineeships, tutoring, participation in admission committees, etc.).

At Lagardère Publishing in the United Kingdom, the Changing the Story programme was rolled out in 2017 in order 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.

A.3 Performance

Indicator	Unit	**2018**	2017	2016
Percentage of women in executive management	%	**42**	43	42
Percentage of women managers	%	**56**	55	55

In addition to the indicators described above, for several years the Group has also closely followed a number of formal disputes concerning discrimination alleged against one of its entities (see section 4.3.3.2 describing the respect for fundamental freedoms).

4.3.1.3 Access to and dissemination of education, culture and entertainment

The Lagardère group's businesses aim not only to instil the love for reading and learning, and develop critical thinking, but also to enhance knowledge, culture and education through the full range of content available across all media and in physical retail spaces. At the same time, entertainment and sport provide ways for people to relax and enjoy themselves. The wide array of content and products available, artists and athletes supported, countries where it broadcasts, and cultures highlighted in sales outlets, along with the multiple points of view and types of content promoted by the Group's brands, supports cultural diversity and freedom of expression.

A.1 Strategy

Culture – sometimes referred to as the fourth pillar of sustainable development – plays a central role in the Group's businesses. With its involvement in the worlds of reading, writing, travel, information and entertainment, Lagardère carries a particular responsibility as a world leader in content publishing, production, broadcasting and distribution. Culture, in all its forms and all its diversity, is the driving force behind the Lagardère group. This is shown in the variety of the books published by Lagardère Publishing, reflecting a broad spectrum of opinions in more than 70 countries and 15 languages, the reach of the Lagardère Travel Retail network (about 4,600 retail stores in more than 35 countries), the diversity of the teams and the extensive range of products on offer.

Diversity in content, culture and ideas, freedom of expression, development of critical thinking, the ability to analyse and understand the world and knowledge transmission are all issues traditionally related to the activities and values of the Lagardère group. In effect, all the Group's brands contribute, at their level and in their own way in relation to the local context, to supporting individuals in their everyday lives by helping them understand the major issues in contemporary society (environment, social justice, diversity, health, human rights, etc.) or by satisfying their need to learn, discover, gain knowledge and open up to the world around them.

This priority target is covered by the Group's operating entities that ensure the accessibility, dissemination and promotion of their products and services to all possible audiences. It primarily aims to meet Sustainable Development Goals 3 "Good Health and Well-being" and 4 "Quality Education". And because the content helps to educate, inform and raise awareness, it also responds indirectly to goals 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

Hachette Livre is a founding member of the PEN International Publishers Circle. PEN International is an NGO formed in 1921 to protect freedom of expression, particularly that of persecuted writers, and to promote literature worldwide. In the three countries where it operates (France, United Kingdom and the United States), Hachette Livre actively helps to finance PEN and various other initiatives that seek to protect freedom of expression and publication around the world.

In France, the United States and the United Kingdom, Lagardère Publishing also contributes to promoting and developing audiobooks through its various brands. This format has in particular helped people with a visual impairment or with reading difficulties, such as young dyslexics, and facilitated access to reading in general. 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.

In addition to its daily activities and involvement via the SNE (the French Publishers' Union) in all public events related to combating illiteracy and inciting reading, Lagardère Publishing leads many initiatives to promote reading and support education in all regions where it operates.

One of the most iconic activities is *Le Camion qui livre*, a bus that has travelled up and down the beaches of France every summer for the past five years in search of readers, offering a selection of Le Livre de Poche paperbacks. 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. Le Livre de Poche also works with Unicef in its mission to educate the 128 million children worldwide who are not enrolled in school, by publishing previously unpublished works and donating a portion of the proceeds to the cause.

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 plans.

Since October 2017, Hachette Livre has been 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.

Education also involves raising awareness about the major issues facing society. As the publishing business is primarily driven by the diversity of the books it publishes and the ideas it develops, Lagardère Publishing's primary responsibility is to help readers understand the major issues across the world today. In 2018, Hachette Livre bought the publishing house La Plage, which publishes books by authors involved in environmental issues and well-being topics. This move enhances the variety of works available and provides La Plage with a broader platform for its authors to spread their environmental message.

Hachette UK set up its Changing the Story programme in 2016 as part of its objective to promote diversity, social inclusion, equality, accessibility, dissemination of culture, reading and writing. This 360-degree programme takes action through several initiatives (partnerships, workshops, mentoring, fundraising, donations, editorial choices, employee engagement, training, enterprise network, etc.) to make Hachette UK the leading publisher in the United Kingdom.

In the United States, Hachette Book Group runs a number of initiatives aimed at facilitating access to reading among people with visual impairments or from underprivileged backgrounds and getting people interested in reading and writing, by donating books and e-books and providing free access to its catalogue of audiobooks, etc.

The US subsidiary also continued its partnership with the Read Ahead organisation for the seventh 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.

In France, Lagardère Travel Retail has contributed to developing freedom of expression for over 15 years. Through its network of Relay sales outlets, the division supports the work of Reporters Without Borders (Reporters Sans Frontières) 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 Without Borders in full. Relay also promotes the organisation on its website and in its stores.

In terms of educating the media, Europe 1, in partnership with Gulli, took part in the 29th Press and Media Week at School (*Semaine de la presse et des médias dans l'école*) in March 2018 for the fifth consecutive year. This event is 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. The Lagardère group's radio business invited classes of secondary school pupils to its offices to discover the world of radio by participating in a variety of activities and experiences. The 2018 edition focused on the issue of fake news.

In the area of equality and the representation of women in the media, the Radio unit of Lagardère has, since 2015, complied with 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. 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.

The 2018 data[1] show a slight decrease in the overall presence of women on the air at Europe 1 (43% versus 47% in 2017). This is due to the decline in the "Journalists/Reporters" category and the women's continued severe under-representation in politics.

Europe 1 wants women to feature more prominently as both guests and hosts in prime-time programming, thus helping to create a more feminine radio station and broadcast their expertise. The radio station also regularly defends women's rights issues, such as ending violence against women and closing the gender pay gap. Europe 1 also highlights the professional achievements of women and women who have changed history, such as Simone Veil, whose remains were transferred to the Pantheon in July 2018. Sexual harassment and violence against women were major topics of discussion in 2018, in reaction to the Weinstein case and the #MeToo movement, and its consequences on women's free speech.

The overall rate of women's presence on Virgin Radio in 2018, 27%, was similar to that in 2017.

[1] 2018 data relating to the air time allocated to women are still being analysed by the CSA. The 2017 figure (47%) is the final figure used by the CSA. The figure initially reported for 2017 (45%) was still being examined at the time of publication of the Reference Document.

The teams at Virgin Radio remain strongly dedicated to putting across a positive and dynamic image of women and helping to combat violence against women in talk radio and news programmes. Several programmes broadcast both nationwide and on regional stations discussed various issues revolving around gender bias and violence towards women.

In 2018, 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. Europe 1 continued to ensure that the various components of French society were fairly represented in the participants on the air (hosts, journalists, guests, listeners) and its programming, in addition to the topics covered in its news broadcasts and shows. The initiatives on the air highlighted the vast diversity of French society, in terms of the ethnic and cultural backgrounds of the national community, socio-economic categories, gender and disability.

Lastly, within Lagardère Active, Lagardère Publicité ensures compliance with advertising regulations with the support of the division's Legal Department. The Legal Department answers any specific questions operational staff may have about the content of advertising messages broadcast through all media (television, radio, magazines and the Internet).

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.

A.3 Performance

Indicator	Unit	2018	2017	2016
Number of audiobooks available in the Lagardère Publishing catalogue at year-end	No.	**12,363**	-	-
Air time allocated to women on Europe 1	%	**43**	47	33
Air time allocated to women on Virgin Radio	%	**27**	27	34

4.3.1.4 Quality of products and services, promotion of health and well-being

All companies must ensure the health and safety of the people who use their products and services, and comply with applicable regulations. These priorities apply to every division within the Lagardère group in different ways. As an example, both physical products delivered with books (accessories, household items, toys, etc.) and food products must conform.

With the increasing growth of the Foodservice business at Lagardère Travel Retail, food hygiene and safety issues have become a priority. An incident involving the quality of food products sold at Group stores would not only endanger the health and physical safety of consumers but could also jeopardise the Group's credibility and reputation for both its customers and partners.

At the same time, this risk creates a real opportunity to enable people to find ways for living a healthy lifestyle, promote well-being for anyone at any age, and contribute to the discussion of today's social issues about health and healthy eating habits that are good for both people and the planet. Along with its opportunity to educate and inform, the Lagardère group can also influence (content on products/disseminated) and take action (food offering), and thus contribute to changing the way people think, behave and act.

A.1 Strategy

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 growing 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 1,000 points of sale in 20 countries. Food Safety Guidelines were defined to serve as a reference in all countries where the Group operates. These standards set out the policy along with strict rules that must be adhered to and are sometimes more demanding than the local hygiene regulations.

The division is also focusing more on the issue of food waste and issues relating to the agriculture bill passed in France in late 2018 on improving animal welfare, encouraging safe, healthy and sustainable food, and reducing the use of plastic.

A.2 Application

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 created a product safety committee that meets once every quarter and has implemented incident and crisis management procedures concerning product safety to better handle all incidents. These procedures went into effect in early 2015.

In France, the division is also a member of the toy standardisation committee and participates in developing toy safety standards.

Lagardère Travel Retail has drawn up a policy with the support 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 provide tools for implementing action plans and objectives.

   In France, an HACCP[1] system for controlling food safety applies both to catering operations and the sale of packaged food items. Daily food hygiene and safety checks are performed at each point of sale, following strict and specific procedures, 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. Eight countries were audited in 2016, ten in 2017, and 14 in 2018;
3. Awareness-raising programmes, conducted in all new Foodservice regions, such as the Netherlands and Hong Kong.

In early 2018, Lagardère Travel Retail pledged that it would no longer sell eggs or egg-based products from caged hens as of 2025 throughout its network worldwide.

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

In line with its sustainable development policy, and beyond the food hygiene, safety and product traceability aspects, Lagardère Travel Retail implements four types of initiatives to prevent food wastage at its subsidiaries:

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: Lagardère Travel Retail has set a target to reduce all waste by 50% between now and 2025.

[1] HACCP: Hazard Analysis Critical Control Point.

- 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, public service announcements have been run both online and in stores, with a view to educating customers on the fight against food waste.
- In the Czech Republic, the Too Good To Go app will hopefully enable customers to buy unsold meals online at reduced prices (this project is 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. 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 such as the Salvation Army in the Czech Republic.
   - Cooperation with local food banks in the United States and Italy.

A.3 Performance

Indicator	Unit	2018	2017	2016
Number of countries audited for health and safety issues during the year	No.	**14**	10	8
Percentage of countries audited for health and safety issues at year-end	%	**70**	-	-

4.3.1.5 Preventing harm to people

As part of its business managing facilities open to the public (arenas, sports and entertainment venues) and organising events open to the public (which remain limited), the Lagardère group is exposed to risks associated with public safety. Section 3.1.4.2 of the chapter on risk factors provides further details about this risk, which is an important factor in the Group's operations management, particularly in its entertainment venues and events such as the Paris fan zone managed by Lagardère France for the UEFA Euro 2016 tournament. In a similar vein, protection measures have been implemented for employees travelling most often to foreign countries. In order to bolster its existing systems, the Group has drawn up a general policy covering personal safety.

4.3.2 ENVIRONMENTAL IMPACTS OF THE GROUP'S ACTIVITIES

4.3.2.1 Management of resources and respect for the environment

A simple, ubiquitous product, paper is historically the Group's main raw material. When produced from renewable sources, paper can be a quintessentially eco-friendly material, if and only if the impacts of its production are managed properly. Like any product, paper generates environmental impacts throughout its life cycle, from the forest and purchase of the raw material to production and recycling unsold copies. Paper pulp, which is transformed to produce paper, is a globalised resource that is transported worldwide, and imported by paper manufacturers from around the world. This globalisation means that the paper manufacturing process can combine several sources, so supply must be managed carefully. Managing this cycle responsibly relates to the need to integrate the Group's businesses into the circular economy.

A.1 Strategy

The Lagardère group has long led a 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.

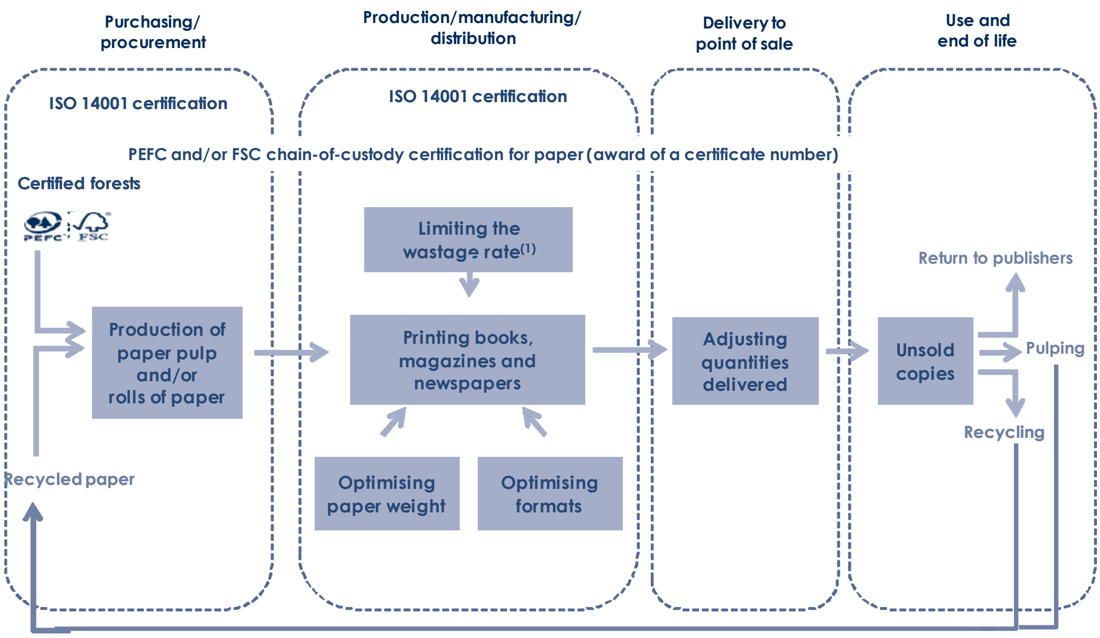
The Group's goal is first to increase the proportion of certified paper (paper from sustainably managed forests) it purchases every year, and to use PEFC or FSC certified paper, whether sourced directly from paper suppliers or supplied by printers the Group works with, or recycled paper whenever possible.

A sustainably managed forest is one in which the amount of wood harvested every year does not exceed biomass growth over that same year. This guarantees carbon sequestration in the forest, unlike overexploited forests or areas of deforestation. This sustainable approach involves controlling forest resources, but also takes into account criteria such as the productive and protective functions of forests, biological diversity, and forest health and vitality. Buying certified paper has an impact on the preservation of biodiversity.

Lastly, this sustainable use of natural resources, put into practice by technical paper manufacturing staff and purchasing functions in charge of paper procurement, helps gradually reduce 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

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.



A.2 Application

Paper procurement

Several measures are implemented alongside responsible paper procurement to control the quality of paper purchased.

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 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.

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.

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.

The Group's operating staff in charge of paper procurement have for some time run a policy to raise awareness of environmental issues with their paper suppliers and printers, both in and outside France, by encouraging certification. Consequently, more than 95% of the paper purchased by the two divisions was sourced from ISO 14001-certified suppliers.

Monitoring paper consumption

Operating staff have adopted a number of initiatives to limit wastage (percentage of paper wasted) during the production process (printing and after-press). The wastage rate is calculated by comparing the amount of paper used in the printing process with the amount of paper delivered in the form of books, newspapers or magazines. The rate can vary greatly depending on the printing technology used (type of machine or 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 determine the best technical parameters and carry out detailed calculations of the amount of paper to be allocated to the printer. Improving waste rates is a key factor in negotiations with printers.

Paper consumption and wastage rates are monitored regularly 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);

[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.

- 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 2018.

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 the library'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.

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

A.3 Performance

Indicator	Unit	2018	2017	2016
Total weight of paper purchased directly	kiloton	**180.2**	180.6	198.1
Total weight of paper purchased and supplied	kiloton	**210.9**	212.4	228.5
Percentage of certified paper	%	**87**	87	93
Percentage of recycled paper	%	**10**	10	5
Rate of returns for Lagardère Publishing	%	**22.6**	21.7	22
Percentage of returns pulped and recycled	%	**77.1**	72.6	73
Percentage of returns added back to inventories	%	**22.9**	27.4	27

4.3.2.2 Management of energy and carbon impacts

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. Taking carbon footprints into account has therefore become essential for any company committed to pursuing a serious CSR strategy.

A.1 Strategy

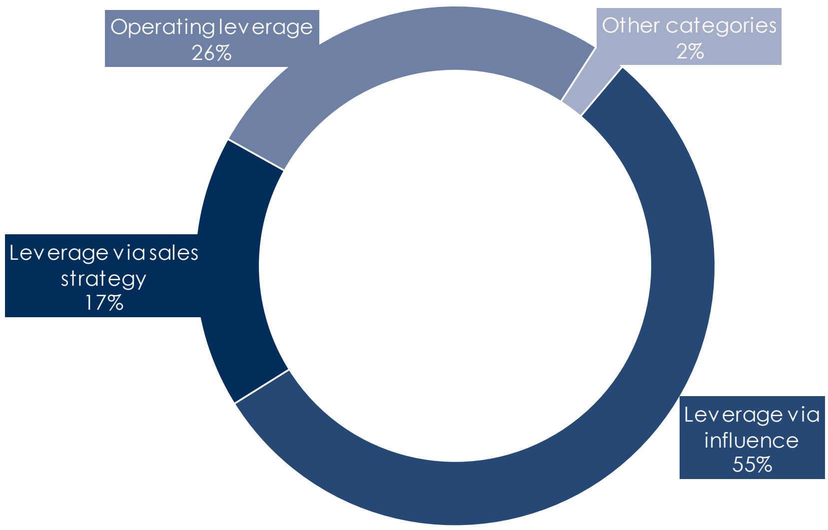
As a leading publisher, producer, broadcaster and distributor of content, the Lagardère group's main responsibility with regard to the issue of climate change is to use its capacity to raise awareness, inform and educate the general public on the issue. Helping to improve the development and sharing 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 most 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 for most Scope 3 emission sources) 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.

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



The highest emissions category is therefore the category offering leverage through influence and 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 and 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 and end-of-life products.

Lastly, it is worth noting that there is still a great deal 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 4.3.2.1);
- 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

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. This has entitled the division to display two labels on all its French language books for the last five 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, 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. Lagardère Duty Free has operated a fleet of hybrid vehicles since 2015. Today, the use of this fleet at Paris-Charles de Gaulle and Paris Orly airports has reduced fuel consumption by 20% per year.

Elsewhere, across the international store network operated by the division, energy optimisation programmes have been set up involving such actions as 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 to manage them.

In offices

The Lagardère group is implementing a strategy to reduce its carbon footprint at its offices in three ways:

- opting for energy-efficient buildings and/or buildings with environmental certification for employees of Group companies. For example, the building in Vanves that is home to Hachette Livre has obtained HQE NF very high environmental standard certification for commercial buildings, as well as the BBC energy efficiency label. The new headquarters of Hachette UK, Carmelite House, has obtained BREEAM certification;
- implementing a programme to increase its use of low-carbon energy sources. Several of its premises in Paris have been heated for years by a district heating system supplied by Compagnie Parisienne de Chauffage Urbain (CPCU). In late 2017, the Group switched to clean electricity to supply all of the sites that it controls in France;
- using offices in a rational and pragmatic way. The Group's office buildings are increasingly being configured for optimal daily energy consumption (LED lighting, occupancy sensors, labelled computer equipment, equipment sharing, etc.).

A.3 Performance

Indicator	Unit	2018	2017	2016
CO_2 emissions per FTE	tCO_2eq	**3.40**	3.59	3.51
CO_2 emissions per € of revenue	gCO_2eq	**14.6**	15.6	15.0

The ratios presented in the table above refer to Scope 1 and 2 emissions described in A.1 of section 4.4.3.

4.3.3 RESPECT FOR HUMAN RIGHTS

4.3.3.1 Respect for privacy

With the explosion in the amount of data available online and the surge in cyber-attacks in recent years, personal data protection has become a major social issue that requires increased responsibility and vigilance. Information systems are of critical importance in the day-to-day operations of the Group, which holds 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.

A.1 Strategy and application

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.

Since the adoption of the General Data Protection Regulation (GDPR) applicable in France and all EU Member States as of 25 May 2018, this issue has been brought into the spotlight and to the public's attention, requiring the close involvement of the relevant authorities. Legal precedent has begun to be established, particularly concerning sanctions and the exercise of certain rights such as the right to erasure.

The Group has been actively implementing the Regulation since 2016 with the full support of the Managing Partners. After initial awareness-raising initiatives run by the Group in its divisions as from mid-2016, a dedicated task force was created at Group level, coordinated by three departments and comprising the Data Protection Officer (DPO), the Group IT Director and the Chief Compliance Officer.

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 various applications, tools and policies to be validated for compiling information on data processed and ensuring that personal data are duly protected (see section 3.2.6.5).

Compliance issues are taken into account in the Group's constant reinforcement procedure, which is a characteristic of all of the risk management and compliance programmes. As an example, internal audit missions have already been mapped out and planned for 2019.

Chapter 3 on risk factors and control systems describes all the measures that have been undertaken in the area of information system security and the application of the General Data Protection Regulation

Protecting intellectual property is a central priority at Lagardère Publishing, as its publishers are the custodians of their authors' rights.

4.3.3.2 Respect for fundamental freedoms

In an increasingly transparent world, companies are faced with growing pressure to show that they respect human rights in their operations and value chains. These rights are inherent to all human beings, and all individuals are entitled to them without discrimination. It is within the remit of governments to transpose their international obligations to respect human rights into national legislation and ensure they are applied. But companies must also respond to the objective and challenge to enforce internationally recognised human rights. As business organisations have some control over the human rights of their employees and contractors, the people who work for their suppliers, the communities that revolve around their business activities, and the end users of their products and services, many nations have passed regulations that set out protective measures to prevent human rights violations by companies, including laws on labour, discrimination, the environment, and health and safety.

In essence, business conduct can have a direct or indirect positive or negative impact on human rights.

In practice, some rights are more relevant than others depending on the industry, region or circumstances. For the Lagardère group, human rights issues can be divided into three main categories.

First is the positive influence of the Group's businesses on culture and education and its strong knowledge of human rights (especially the right to education and freedom of expression). This positive impact is developed extensively in section 4.3.1.3.

Second, human rights are also an internal priority, affecting all Group employees and bearing risks associated with working conditions, personal health, safety and security, and discrimination. Section 4.3.1.2 and sub-sections A.2 and A.4 in section 4.4.1 cover these issues.

Lastly, the risk of human rights violations is also considered to be a priority with respect to the supply chain and sustainable procurement, and the relations that the Group's operating entities maintain with their suppliers and subcontractors.

A.1 Strategy

Since it signed the United Nations Global Compact in 2003, the Lagardère group has pledged to make respect for human rights and fundamental freedoms a key focus of its sustainable development. Although the Group's businesses are service-oriented, which tends to limit its negative impacts, all Group employees take steps to ensure that its business development and growth do not conflict with respect for human rights.

In addition to the Global Compact, the Lagardère group undertakes to uphold internationally recognised human rights set out in documents such as the International Bill of Human Rights (Universal Declaration of Human Rights, International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights), the fundamental conventions of the International Labour Organization, and the Guiding Principles on Business and Human Rights (implementing the United Nations "Protect, Respect and Remedy" Framework, or Ruggie Principles).

The Group's Code of Conduct also outlines a set of guiding principles which employees undertake to apply. The Code formally prohibits discrimination and any form of harassment, capital punishment, or mental or physical coercion.

In 2013, the Group adopted a continuous improvement process to advance its sustainable procurement strategy and practices. Since then, the Group's strategy in this area has been based on:

- a Sustainable Procurement policy that 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;
- a Responsible Supplier Charter based on certain number of international standards, such as the OECD Guidelines, the ILO Conventions and the UN Global Compact, which must be signed by new contractors working with a Group company;
- a joint project with EcoVadis to conduct regular assessments of the social, environmental and ethical performance of its suppliers and subcontractors.

A map of the Group's risks associated with the activities of suppliers and subcontractors was defined in 2017 in developing its duty of care plan. This map has strengthened the Group's sustainable procurement strategy by identifying seven major procurement categories that are most likely to generate risks involving personal health and safety, human rights or the environment (see section 4.7.1 for further details on these seven procurement categories).

A.2 Application

The Group has used three indicators for several years to report any human rights violations in which one of its operating entities could be more or less indirectly involved. The number of formal disputes involving discrimination, forced labour and child labour was monitored to measure the maturity level of Group companies with respect to these issues.

Throughout the year, the Group's operating entities implemented their action plans designed to address their specific business concerns, based on the decisions made under the duty of care plan. They primarily focused on suppliers and subcontractors operating in procurement categories at the highest risk level and in countries considered to have the most exposure to CSR risks, and with which procurement spending was most significant.

Based on this ranking, nearly 40 suppliers were assessed in 2018 in partnership with EcoVadis.

At Lagardère Publishing, the suppliers assessed in 2018 operate in printing and wholesale accessories and household items.

For Lagardère Travel Retail, the priority category for assessment was suppliers of own-label products sold in stores. A few suppliers of food products were also assessed.

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 Livre commissioned 12 such audits in 2018. Six audits validated compliance with the requirements, and four audits detected critical instances of non-compliance. Two new audits were conducted, and corrective actions were able to remedy the critical non-compliance detected for two of the four suppliers concerned. The other two suppliers are still being monitored.

A.3 Performance

Indicator	Unit	2018	2017	2016
Number of responsible supplier charters in force at year-end	No.	**407**	409	378
Number of suppliers and subcontractors assessed via the EcoVadis platform at 31 December	No.	**316**	288	238
Number of formal disputes involving discrimination	No.	**12**	6	6
Number of formal disputes involving forced labour	No.	**5**	0	0
Number of formal disputes involving child labour	No.	**0**	0	0

A number of formal disputes[1] involving discrimination, most of which involve an entity in the United States, were recorded in 2018. Of the six discrimination disputes, one was settled out of court; one was voluntarily dismissed by the former employee, and four of the cases are still under investigation. Of the five disputes concerning forced labour, two were settled out of court, one was decided in favour of the entity (the former employee's case was dismissed by the authorities with jurisdiction), and two are still under investigation.

4.3.4 FIGHTING CORRUPTION

Due to the broad diversity of its businesses and those of the outside organisations with which it deals, and its international operations and/or expansion in countries that may be less politically or legally stable, the Group is exposed to risks, especially relating to corruption (see section 3.1.4.1).

A.1 Strategy

The Group has adopted a zero tolerance policy in respect of corruption. This policy has taken shape in a special compliance programme that has been gradually implemented since 2013. The programme includes an anti-corruption policy applicable to all, and lays down the Group's ethical standards.

As such, the Group refuses to promise, offer, authorise, grant, solicit or accept illicit payments or other improper advantages with a view to winning or retaining a market, illegally influencing the decision-

[1] Formal dispute means any legal action or claim officially filed with any competent authority.

making process, abusing any real or supposed influence on a third party to obtain a favourable decision or any other undue advantage.

Overseen by the Group Compliance Department, this policy is applied through specific procedures that provide a framework for business activities deemed at risk and control processes to check that these procedures are followed.

A.2 Application

The anti-corruption programme is designed and coordinated centrally by the Group Compliance Department. It has been implemented gradually since 2013 and applied by the operating entities.

On the ground, Compliance Correspondents impart anti-corruption principles through training and provide operational staff with assistance and support in analysing risks, carrying out the necessary due diligence on future partners, and taking appropriate measures to prevent the occurrence of acts of corruption.

Managers and employees, trained in anti-corruption issues, are required to comply with applicable regulations and apply anti-corruption policy in their relations with all third parties, including governments, government bodies, and public and private customers and suppliers.

Details of the measures undertaken in this area are described in section 3.2.6.5 – Description of internal control and risk management procedures – of this Reference Document, in the sub section on business ethics.

A.3 Performance

Anti-corruption performance is monitored at several levels:

- Twice a year, the divisions prepare a dashboard which includes a progress report on the implementation of anti-corruption procedures, training provided and any incidents, as well as priorities set for the upcoming period;
- Any significant issues are reviewed by the Financial Committee and undergo specific analysis to measure compliance risks, including corruption risk;
- Internal control procedures cover compliance aspects;
- Finally, internal audit regularly checks the implementation of the anti-corruption programme at the different entities.

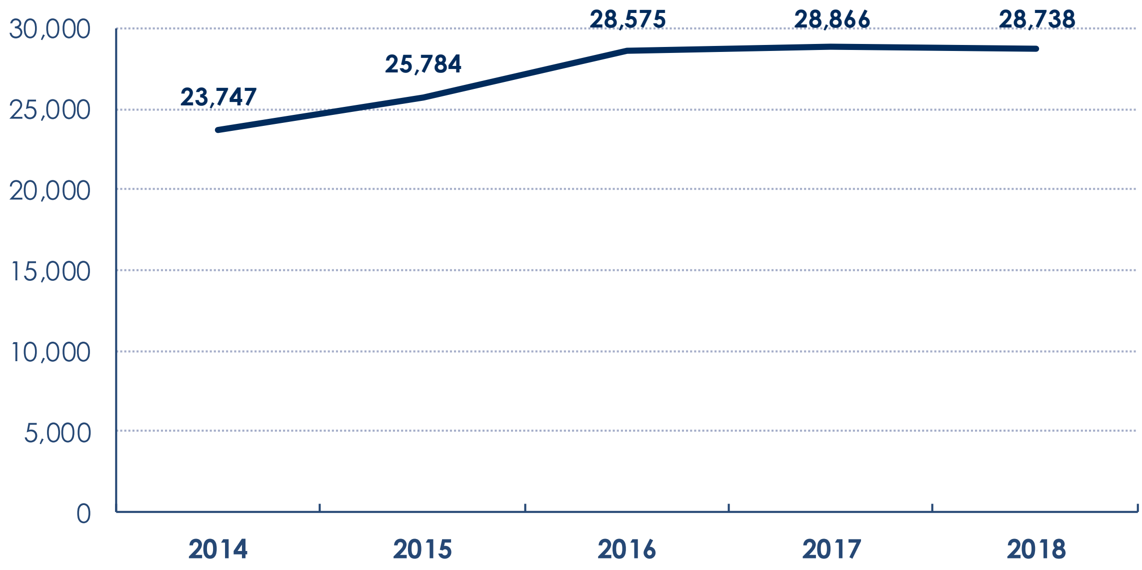
4.4 CSR, MONITORING OF OTHER INFORMATION

In addition to the information provided for the risk analysis, the section below covers the social, environmental and societal information that the Group believes is important to monitor as part of its CSR policy.

4.4.1 SOCIAL INFORMATION

A.1 Workforce

Changes in permanent workforce at 31 December 2018[1]



Workforce by division at 31 December 2018

Division	Women	Men	Total	2017/2018 change
Lagardère Publishing	4,202	2,766	6,968	1.32%
Lagardère Travel Retail	12,416	5,892	18,308	6.23%
Lagardère Sports and Entertainment	528	969	1,497	4.61%
Lagardère Active	1,035	799	1,834	-42.81%
Other Activities	72	59	131	-3.68%
Group total 2018	**18,253**	**10,485**	**28,738**	**-0.51%**

The main changes between 2017 and 2018 include:

- **Lagardère Publishing:** the slight increase in headcount is attributable to organic growth which reflects the strong business performance recorded by the division across all territories in 2018.
- **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.

[1] Permanent workforce numbers set out here correspond to the number of employees on permanent contracts who were actually in service on the last day of the year concerned. As employee turnover is high, particularly in Travel Retail, a consistent definition cannot be applied over time to determine the number of employees. This figure reflects some degree of uncertainty (about 3%) despite the checks performed.

- **Lagardère Sports and Entertainment:** this division saw a very slight increase in headcount resulting from the strength of its activities in Europe.
- **Lagardère Active:** the significant drop in headcount is due to the strategic refocusing plan announced and initiated by the Group in 2018.

Permanent workforce by age group

Division	Under 30	Age 31-40	Age 41-50	Age 51-60	Over 60	Total
Lagardère Publishing	1,343	1,916	1,893	1,476	340	**6,968**
Lagardère Travel Retail	6,159	4,795	3,563	2,697	1,094	**18,308**
Lagardère Sports and Entertainment	442	559	326	131	39	**1,497**
Lagardère Active	222	522	617	430	43	**1,834**
Other Activities	27	30	36	31	7	**131**
Group	**8,193**	**7,822**	**6,435**	**4,765**	**1,523**	**28,738**
Percentage	56%		23%	21%		

A.2 Social dialogue

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.

Collective agreements and employee representation

Indicator	Unit	2018	2017	2016
Collective agreements in place at 31 December	No.	**488**	537	660
Collective agreements signed during the year	No.	**108**	94	80
Proportion of workforce covered by employee representation at 31 December	%	**68**	71	70

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 2018	**50%**	**44%**	**32%**	**57%**	**82%**	**31%**	**77%**
Group total 2017	51%	55%	50%	67%	79%	29%	75%

A.3 Organisation of working hours

Group entities have set up 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[1]) basis, the total number of non-permanent, contract and temporary workers stood at 13.4% of the Lagardère group's total FTE workforce in 2018, compared with 11.8% in 2017.

[1] 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-month period. 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.

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

Division	2018	2017
Lagardère Publishing	**297**	379
Lagardère Travel Retail	**2,483**	1,906
Lagardère Sports and Entertainment	**443**	406
Lagardère Active	**261**	304
Other Activities	**2**	4
Group	**3,486**	2,999

Contract employees[2] (Full-Time Equivalent basis)

Division	2018	2017
Lagardère Publishing	**86**	94
Lagardère Travel Retail	**39**	38
Lagardère Sports and Entertainment	**43**	52
Lagardère Active	**1,132**	1,190
Other Activities	**23**	2
Group	**1,323**	1,375

Number of temporary hours[3] worked during the year on a Full-Time Equivalent basis

Division	2018	2017
Lagardère Publishing	**629**	586
Lagardère Travel Retail	**182**	86
Lagardère Sports and Entertainment	**14**	46
Lagardère Active	**66**	16
Other Activities	**0**	0
Group	**891**	734

A.4 Health and safety

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, the Lagardère group closely monitors the indicators covering work-related accidents, which are presented below.

[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.
[3] 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.

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	104	3,093
Lagardère Travel Retail	518	16,658
Lagardère Sports and Entertainment	32	1,253
Lagardère Active	16	772
Group total 2018	**670**	**21,776**
Group total 2017	667	23,928

Frequency and severity rate[1] and lost time[2] due to work accidents

Division	Frequency rate and change		Severity rate and change		Lost time rate and change	
Lagardère Publishing	9.43	↓	0.28	↓	0.19%	↓
Lagardère Travel Retail	18.70	→	0.60	→	0.41%	↓
Lagardère Sports and Entertainment	14.28	↑	0.34	↓	0.38%	↑
Lagardère Active	4.29	↑	0.21	↑	0.14%	↑
Group total 2018	**14.92**	↑	**0.48**	↓	**0.33%**	↓

Social dialogue and health and safety

Indicator	Unit	2018	2017	2016
Percentage of the workforce at an entity with a health and safety committee	%	**91**	86	91
Percentage of the workforce at an entity with regular health monitoring	%	**68**	73	69
Percentage of training hours dedicated to health and safety	%	**13**	11	11

4.4.2 SOCIETAL INFORMATION

A.1 Strategy

The Group's philanthropic strategy is essentially channelled into two Foundations: the Jean-Luc Lagardère Foundation and the Elle Foundation, which are focused on different yet 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

[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).

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 and implemented at business divisions 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, 307 prize-winners (19 in 2018) have received a total of €6,400,000 including €255,000 awarded in 2018.

Subsequently the winners regularly participate in other programmes run by the Foundation, as demonstrated by the three examples below:

- as part of its partnership with the French Academy in Rome, Villa Medici, three of the Foundation's prize-winners were hosted for a one-month residency in 2018;
- as a result of the Foundation's collaboration with the Studio 13/16 cultural programme at the Pompidou Centre (targeted at adolescents), three winners of the Foundation's *Bourse Scénariste TV* (television scriptwriter award) participated in a programme dedicated to television series. They were given free rein in designing workshops where they could share their love for writing and introduce teens to the creative process in developing a series;
- 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 2018 by supporting two new literary events at the Institut du Monde Arabe (IMA). One event, entitled *An hour with...*, spotlights an Arabic or French language author every Saturday afternoon to discuss the Arab world and the latest in Arabic literature. This event follows on from the collaboration that has united the Foundation and the IMA for many years in supporting the Prize for Arabic Fiction.

- 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 British-Egyptian author Omar Robert Hamilton for his novel *The City Always Wins*, published by Gallimard under its *Du monde entier* collection and translated from English into French by Sarah Gurcel.

The Foundation continued to honour its commitment to promote **access to culture for all** in 2018, through two partnerships:

- the Divertimento orchestra and its academy, which supports hundreds of young beginners (mainly from priority education zones), as well as professionals, as they discover the symphonic orchestra;
- support for the sixth edition of the Jules Rimet award, which promotes sporting fiction (2018 prize awarded to Jean Hatzfeld for his book *Deux mètres dix*, published by Gallimard), organises writing workshops led by writers to get young people in football clubs interested in reading and writing and keep their marks up in school. After Red Star and Olympique Lyonnais, these workshops took place at Olympique de Marseille football club in 2018.

Lastly, 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 10 to 12, to discover a range of sporting and cultural activities. Three of the Jean-Luc Lagardère Foundation's partner institutions (Pompidou Centre, Institut du Monde Arabe and Divertimento Symphony Orchestra) also opened their doors to these youngsters in 2018.

The Foundation continued its partnership in 2018 with Sciences 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, 123 students have participated in this programme. Between 2007 and 2018, 24 students enrolled in the Master's programmes at Sciences Po and 26 professional certificates were delivered.

In terms of employee commitment, since 2014 the Jean-Luc Lagardère Foundation has presented between one and three annual solidarity awards (€10,000 each) to community projects sponsored by Lagardère group employees. Two awards were handed out in 2018. The first went to SOS Les Enfants D'Abord, presented by a Lagardère Studios employee. The charity organisation will use the funds to build and equip a preschool classroom in Cameroon. The second award was delivered to *En avant toute(s)*, sponsored by a journalist from Europe 1. The organisation supports young women who have experienced violence by providing a free and confidential online chat service where they can talk with professionals. Since 2016, Lagardère group employees have had been able to vote online to select the winning projects via the Group's intranet.

The Elle Foundation

In 2018, the Foundation continued its involvement in supporting access to education and the emancipation of women in France and worldwide. A key project is with the international solidarity NGO European Institute for Cooperation and Development (*Institut européen de coopération et de développement* – IECD) to provide young Egyptians in the region of Cairo and Alexandria with training in energy and electricity. In three years, the project is expected to benefit 500 female students.

For the 14th edition of Elle Solidarité Mode in 2018, the Foundation again helped three young women study fashion by financing their education at top schools in Paris – École supérieure des arts et techniques de la mode (ESMOD), École de la Chambre Syndicale de la Couture Parisienne and Studio Berçot – in partnership with Amazon Mode.

In 2018, the Elle Foundation teamed up with other organisations for a worthy cause, renewing its partnership with the production studio Imagissime (subsidiary of Lagardère Studios), France Télévisions and 11 foundations to co-build the programme *ELLES ont toutes une histoire* (They All Have a Story). This third edition in 2018 was dedicated to women around the world and the work that remains on the path to achieving equality.

Individual business divisions

Beyond the actions carried out by its Foundations, 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 and girls, accessibility of content and freedom of expression through its many partnership and sponsorship operations. The Group's various entities and divisions also supported a large number of worthy causes over the course of 2018, in all the areas mentioned above, as well as in others, in the form of partnerships, charity events, prizes, competitions and donations. The examples below are not provided as a complete list or to represent the range of actions taken at all of the Group's operating entities and in the countries where it operates.

Hachette Livre's Charitable Action Committee aims to offer funding to organisations supported by employees and focused on the following themes: assisting disadvantaged people and people in distress, integration, insertion, education, helping lonely or disabled people, combating illiteracy, environmental protection and rehabilitation, or more generally, any charitable or environmental cause. Consequently, ten organisations received €39,560 worth of funding in 2018.

Lagardère Travel Retail in France continued its partnership with Action Against Hunger (*Action contre la faim*) in 2018. Over €340,000 was collected through the store network and the involvement of employees in the organisation's sports fundraiser challenge. Also in France, the division donated €300,000 in advertising space to Reporters Without Borders and Libraries Without Borders (Bibliothèques Sans Frontières).

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.

4.4.3 ENVIRONMENTAL INFORMATION

A.1 Energy consumption and CO_2 emissions (Scopes 1 and 2)

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) 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 4,600 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/m^2/month data based on the surface area and nature of the point of sale.

The Group's tertiary energy consumption, worldwide (in GWh)

Division	Year	Scope 1	Scope 2	Total
Lagardère Publishing	**2018**	**20**	**35**	**55**
	2017	21	37	58
Lagardère Travel Retail	**2018**	**13**	**193**	**206**
	2017	13	191	204
Lagardère Sports and Entertainment	**2018**	**8**	**10**	**18**
	2017	8	11	19
Lagardère Active	**2018**	**2**	**15**	**17**
	2017	3	18	21
Other Activities	**2018**	**0**	**1**	**1**
	2017	0	1	1
Total	**2018**	**43**	**254**	**297**
	2017	*45*	*258*	*302*

The Group's GHG emissions, worldwide (in tCO_2eq)

Division	Year	Scope 1	Scope 2	Total
Lagardère Publishing	**2018**	**4,718**	**10,029**	**14,747**
	2017	5,197	11,326	16,523
Lagardère Travel Retail	**2018**	**3,127**	**80,474**	**83,601**
	2017	3,023	81,674	84,697
Lagardère Sports and Entertainment	**2018**	**1,784**	**2,142**	**3,926**
	2017	1,718	2,331	4,049
Lagardère Active	**2018**	**449**	**2,991**	**3,440**
	2017	616	4,503	5,119
Other Activities	**2018**	**0**	**118**	**118**
	2017	0	137	137
Total	**2018**	**10,078**	**95,754**	**105,832**
	2017	*10,554*	*99,971*	*110,525*

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.

A.2 Water consumption

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 2018.

The Group's water consumption (cu.m)

Division	Year	Water (cu.m)
Lagardère Publishing	**2018**	**68,143**
	2017	58,746
Lagardère Travel Retail	**2018**	**417,411**
	2017	448,369
Lagardère Sports and Entertainment	**2018**	**90,095**
	2017	87,297
Lagardère Active	**2018**	**18,889**
	2017	39,038
Total	**2018**	**594,538**
	2017	633,450

4.5 CSR METHODOLOGY AND SCOPE

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 equity-accounted companies:

- entities that were disposed of or deconsolidated during the fiscal year;
- 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 division wants to immediately include the newly-acquired companies in the reporting system);
- entities that meet a size requirement.

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 in 2018:

[1] The list is provided in note 38 to the consolidated financial statements in this Reference Document.

- Éditions La Plage (Lagardère Publishing, France) was excluded from the scope of social and environmental reporting;
- Hojeij Branded Foods (Lagardère Travel Retail, United States) was excluded from the scope of social and environmental reporting;
- Skyhigh TV And Aito Media Group (Lagardère Active, Netherlands and Finland) were excluded from the scope of environmental 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 2018.

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 2018.

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.

As is the case each year, the social reporting procedure was updated in 2018.

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.

As is the case each year, the environmental reporting procedure was updated in 2018.

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 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 oil and gas, 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 (oil and gas).

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 15 indicators common to all of the Group's divisions and about 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

Independent third party's report on the consolidated non-financial statement presented in the management report

To the Shareholders,

In our quality as an independent third party, accredited by the COFRAC under number no. 3-1050 (whose scope is available at www.cofrac.fr), and as a member of the network of one of the statutory auditors of your entity (hereinafter "entity"), we hereby report to you on the consolidated non-financial statement for the year ended on the 31 December 2018 (hereinafter the "Statement"), included in the management report pursuant to the legal and regulatory provisions of articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the entity

Pursuant to legal and regulatory requirements, the managing partners are responsible for preparing the Statement including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Criteria"), the main elements of which are presented in the Statement and available on request from the entity's registered office.

Independence and quality control

Our independence is defined by the provisions of article L. 822-11-3 of the French Commercial Code and the Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a quality control system, including documented policies and procedures regarding compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

Responsibility of the independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the provisions of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R. 225-105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks, hereinafter the "Information".

However, it is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory provisions, particularly the French duty of care law and anti-corruption and tax evasion legislation;
- the compliance of products and services with the applicable regulations.

Nature and scope of the work

Our work described below has been performed in accordance with the provisions of articles A. 225-1 *et seq.* of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional guidance applicable in France to such engagements, as well as with the international ISAE standard 3000 – Assurance engagements other than audits or reviews of historical financial information.

The work that we conducted allows us to assess the compliance of the Statement with regulatory provisions and the fairness of the Information:

- we obtained an understanding of all the companies included in the scope of consolidation, the statement of the main social and environmental risks related to this activity, and, where applicable, the impact of this activity on compliance with human rights and anti-corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- we assessed the suitability of the Criteria with respect to their relevance, completeness, reliability, neutrality and understandability with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L. 225-102-1 III of the French Commercial Code, as well as information regarding respect for human rights and the fight against corruption and tax evasion;
- we verified that the Statement includes an explanation for the absence of the information required by paragraph 2 of III of article L. 225-102-1 of the French Commercial Code;

- we verified that the Statement presents the business model and the principal risks associated with the activity of all the entities included in the scope of consolidation, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and outcomes, including key performance indicators;
- we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under article R. 225-105 II of the French Commercial Code;
- we assessed the process used to select and validate the principal risks;
- we asked about the existence of internal control and risk management procedures the entity has put in place;
- we assessed the consistency of the outcomes and the key performance indicators with respect to the principal risks and policies presented;
- we verified that the Statement includes a clear and reasoned explanation for the absence of a policy regarding one or more of those risks;
- we verified that the Statement covers the consolidated scope, i.e., all the companies included in the scope of consolidation in accordance with article L. 233-16 of the French Commercial Code;
- we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix 1, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of their trends;
  - substantive tests using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of operational scopes listed hereinafter: Hachette Livre (France), Hachette UK (United Kingdom), Lagardère Travel Retail (France), Duty Free Opérations (France) which cover between 18% and 44% of the consolidated data selected for these tests (18% of revenue, 23% of permanent workforce, 44% of paper purchased and supplied, 27% of tertiary energy consumption);
- we consulted documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered the most important presented in Appendix 1;
- we assessed the overall consistency of the Statement based on our knowledge of the entity.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry more extensive procedures.

Means and resources

Our verification work mobilised the skills of three people and took place between July 2018 and March 2019 on a total duration of intervention of about seven weeks.

We conducted a dozen interviews with the persons responsible for the preparation of the Statement including, in particular, the Sustainable Development Department, the Risk and Internal Control

Department, the Human Relations Department, the Communication Department and the Purchasing Department.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us not to believe that the consolidated non-financial statement complies with the applicable regulatory provisions and that the Information, taken together, is fairly presented, in compliance with the Criteria.

Comment

Without qualifying our conclusion above and in compliance with the provisions of article A. 225-3 of the French Commercial Code, we have the following comment:

- Given the diversity of the Group's activities and its decentralised organisation, the deployment of some of the measures and key performance indicators (in particular concerning the respect for human rights topic) still needs to be further developed.

French language original signed at Paris-La Défense, on 19 March 2019

The independent third party

French original signed by

ERNST & YOUNG et Associés

Eric Duvaud	**Jean-François Bélorgey**
Partner, Sustainable Development	Partner

Appendix 1: Information considered the most important

Social Information	
Quantitative Information (including key performance indicators)	**Qualitative Information (measures or outcomes)**
The unsolicited departure rate in total and by geographic area The percentage of women among executives and managers The number of formal disputes involving discrimination	The internal talent management policy The place of women in the company and especially in executive positions The fight against stereotypes in relation to ethnic and social origins (analysis of recruitment procedures and training in decision-making bias)
Environmental Information	
Quantitative Information (including key performance indicators)	**Qualitative Information (measures or outcomes)**
The percentage of certified and recycled paper The percentage of audited countries in food safety in the Foodservice business The tertiary energy consumption The CO_2 emissions of scope 1 and 2 per euro of revenue	The policy of food safety and brand conformity of the Foodservice business (in particular the "Food Safety Guidelines" and the annual audit plan) The certified and recycled paper purchase process within Lagardère Publishing and Lagardère Active entities The analysis of significant sources of greenhouse gas emissions
Societal Information	
Quantitative Information (including key performance indicators)	**Qualitative Information (measures or outcomes)**
The air time allocated to women on Europe 1 and Virgin Radio The number of responsible supplier charters in force at year-end The number of suppliers and subcontractors assessed via the EcoVadis platform at 31 December The number of formal disputes involving forced labour and child labour	The actions of the entity Hachette Livre to promote freedom of expression and reading The actions in favour of parity and women's representation within the Radio division The assessment process of environmental, social and ethical performance of suppliers and subcontractors The audit process of suppliers and subcontractors within the entity Hachette

4.7 IMPLEMENTATION OF THE DUTY OF CARE LAW FOR PARENT COMPANIES

4.7.1 Main points of the duty of care plan

For more than 20 years, the Lagardère group has striven to carry out its businesses while strictly adhering to a certain number of universal principles. The Group's first Code of Ethics dates from 1994 and was subsequently revised in 2005, 2012 and 2016. This Code 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.

A cross-disciplinary working group was set up in the second half of 2017 to prepare the Group's compliance with French law 2017-339 of 27 March 2017 on the duty of care for parent and contracting companies. 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.

The first step involved mapping out the risks linked to the Group's supply chain. At the end of this stage, seven procurement categories were identified as being most likely to lead to risks involving subcontractors or suppliers of the Lagardère group. The categories were printing activities and printing-related services, production of paper pulp, 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), and production of plastics.

After the risk mapping process, the operating entities ranked suppliers in order of priority for their supplier assessment plan, which will be implemented over the next several years;

2018 was the first year in which the plan was rolled out.

Meanwhile, the Sustainable Development Department and Risk and Internal Control Department began collaborating more closely to identify potential non-financial risks caused by the Group's businesses, following the exact methodology used to map out risks at the Group level. The risk identification process is detailed in section 4.3.

4.7.2 Monitoring

All methods used to monitor measures taken in application of the duty of care can be found in the following sections of this Reference Document:

- regarding issues relating to respect for human rights and fundamental freedoms, see section 4.3.1.3 on access to and dissemination of education, culture and entertainment, and section 4.3.3 on the general strategy to address these issues;
- regarding issues relating to personal health and safety, see section 4.3.1.4 on the quality of products and services distributed and sold by the Group, and paragraph A.4 of section 4.4.1 on health and safety in the workplace;
- regarding environmental issues, see section 4.3.2.1 on the Group's paper procurement strategy and commitment to respect the environment and section 4.3.2.2 on energy and carbon impacts.

A set of indicators is used to assess the effectiveness of measures taken in each of these areas, some of which have been in place for many years.

The Group plans to implement a pilot whistleblowing procedure at one of its entities as of the spring of 2019.

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5 NET ASSETS, FINANCIAL POSITION AND RESULTS

5.1 PER SHARE DATA, DIVIDEND POLICY AND SHARE PERFORMANCE

5.1.1 PER SHARE DATA

(in euros)	2018		2017[(1)]		2016	
	basic	diluted[(2)]	basic	diluted[(2)]	basic	diluted[(2)]
Profit attributable to owners of the Parent, per share	**1.49**	**1.47**	1.36	1.34	1.36	1.34
Equity attributable to owners of the Parent, per share	**14.22**	**14.04**	13.76	13.56	14.75	14.54
Cash flow from operations before change in working capital, per share	**3.89**	**3.84**	4.13	4.07	4.31	4.25
Share price at 31 December	**22.02**		26.73		26.40	
Dividend	**1.30[(3)]**		1.30		1.30	
Extra dividend	**-**		-		-	

(1) Data for 2017 restated for the retrospective application of IFRS 15 (see note 1.1 to the consolidated financial statements).

(2) The method used to calculate diluted earnings per share is described in note 15 to the consolidated financial statements.

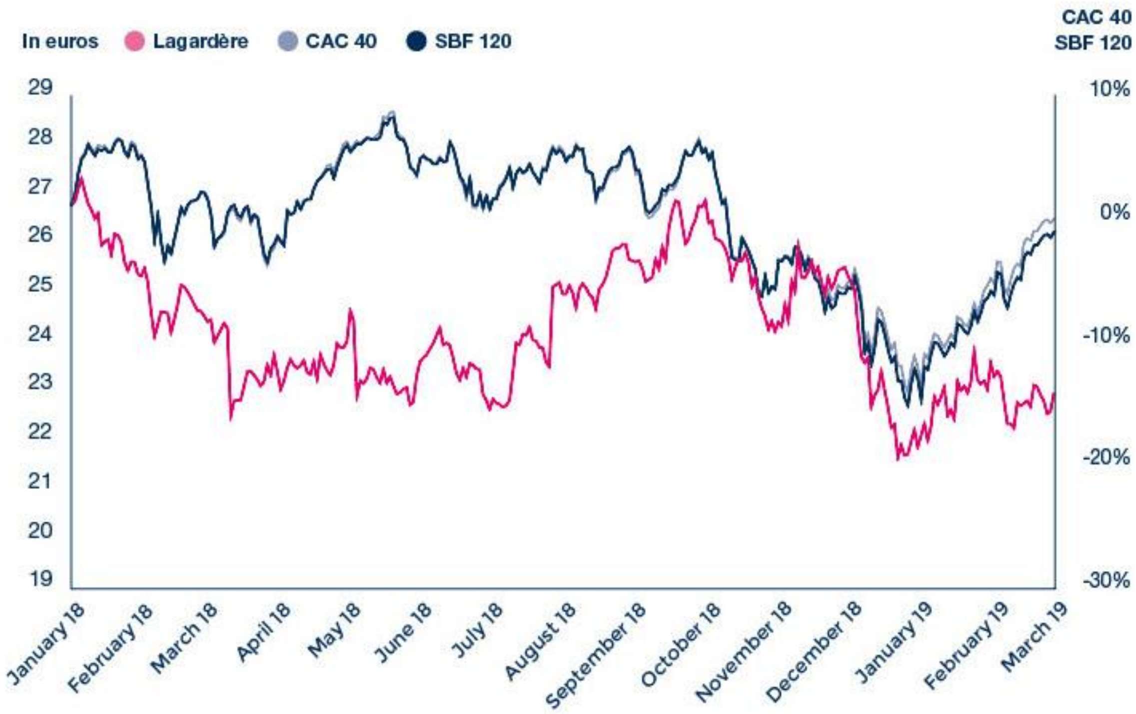
(3) Dividend submitted for approval to the General Meeting to be held on 10 May 2019.

5.1.2 DIVIDEND POLICY

Total dividends paid for the years 2015, 2016 and 2017 amounted to €168.1 million, €170.0 million, and €168.8 million, respectively.

The dividend payouts represented 96.8% and 96.0% of profit attributable to owners of the Parent in 2016 and 2017.

5.1.3 SHARE PERFORMANCE SINCE JANUARY 2018



Source: Euronext Paris.

5.2 PRESENTATION OF THE FINANCIAL POSITION AND CONSOLIDATED FINANCIAL STATEMENTS OF LAGARDÈRE SCA

Comments on the Lagardère SCA consolidated financial statements at 31 December 2018

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 the following 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 between 2017 and 2018 are described in note 4 to the consolidated financial statements.

5.2.1 CONSOLIDATED INCOME STATEMENT

(in millions of euros)	2018	2017(*)
Revenue(*)	**7,258**	**7,084**
Recurring operating profit of fully consolidated companies(*)/(**)	**401**	**399**
Income from equity-accounted companies(***)	4	3
Non-recurring/non-operating items	4	(127)
Profit before finance costs and tax(*)	**409**	**275**
Finance costs, net	(59)	(73)
Income tax benefit (expense)(*)	(134)	2
Profit for the year(*)	**216**	**204**
Attributable to:		
- Owners of the Parent(*)	194	176
- Minority interests	22	28

(*) Data for 2017 restated for the retrospective application of IFRS 15 (see note 1.1 to the consolidated financial statements).

(**) Recurring operating profit of fully consolidated companies is an alternative performance measure 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 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 2018, the Lagardère group delivered consolidated revenue of €7,258 million, up 2.5% on a consolidated basis and with further good like-for-like[1] growth of 3.3% powered by a solid performance at Lagardère Travel Retail despite lacklustre business cycles at Lagardère Publishing and Lagardère Sports and Entertainment.

The difference between consolidated and like-for-like revenue is essentially attributable to a €110 million negative foreign exchange effect resulting mainly from the depreciation of the US dollar against the euro. Changes in the scope of consolidation had a €52 million positive impact on revenue, due chiefly to the impact of the acquisitions of Jessica Kingsley, Summersdale, Kyle Cathie, Worthy Publishing and Bookouture at Lagardère Publishing, of the Hojeij Branded Foods group (HBF) at Lagardère Travel Retail in late November 2018, of Skyhigh TV and Aito Media Group at Lagardère Active, and of Brave Marketing at Lagardère Sports and Entertainment. These acquisitions were partially offset by the divestment of LARI, Doctissimo and MonDocteur by Lagardère Active and of Press Distribution activities in Hungary by Lagardère Travel Retail.

Revenue for Lagardère Publishing in 2018 totalled €2,252 million, down 1.6% on a consolidated basis and down 1.2% like-for-like. The difference between consolidated and like-for-like figures is attributable to a €40 million negative foreign exchange effect resulting mainly from the depreciation of the US dollar, partially offset by a €30 million positive scope impact, chiefly relating to the acquisitions of Jessica Kingsley, Summersdale, Kyle Cathie, Worthy Publishing and Bookouture.

France was down 3.8%, hit by an unfavourable comparison effect in Education, owing to the absence of curricular reform, and in Illustrated Books, owing to the publication of *Asterix et la Transitalique* in 2017. These factors were partly countered by good momentum in General Literature driven by the success of Guillaume Musso's *La Jeune Fille et la Nuit* at Calmann-Lévy and by a very strong year for Livre de Poche paperbacks.

The United States posted robust 3.7% growth, spurred by a busy schedule of new title releases, notably at Little, Brown and Company with the Bill Clinton and James Patterson novel *The President is Missing*, and Nicholas Sparks' *Every Breath* at Grand Central Publishing, and by a good backlist performance at Perseus.

The United Kingdom turned in a mixed performance (down 0.5%), with the success of best-selling titles such as J.K. Rowling's *Fantastic Beasts: The Crimes of Grindelwald* and Michael Wolff's *Fire & Fury* at Little, Brown Book Group partially offsetting the downturn in Education.

Business in the Spain/Latin America region declined 5.1% owing to the absence of curricular reform in Spain.

Partworks remained stable (up 0.1%) thanks to a good backlist performance after the success of new title releases in 2017, particularly in Japan.

E-books accounted for 7.9% of total Lagardère Publishing revenue in 2018, with the proportion remaining stable versus 2017, while Digital audio books represented 2.7% of revenue versus 2.0% in 2017.

2018 revenue at Lagardère Travel Retail totalled €3,673 million, up 7.7% on a consolidated basis and delivering solid 8.8% like-for-like growth. The difference between like-for-like and consolidated revenue is attributable to a €62 million negative foreign exchange effect resulting mainly from the depreciation of the US dollar, and to a €25 million positive scope effect, chiefly reflecting the acquisitions of HBF, Duty Free operations in Poland and Travel Essentials activities in the Czech Republic. These were countered by the divestment of Press Distribution operations in Hungary.

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[1] Based on constant Group structure and exchange rates.

The EMEA region (excluding France) reported bullish momentum (up 9.9%), driven in Switzerland by new concessions opened at Geneva airport in October 2017, in Poland by a good performance from Foodservice activities at Warsaw airport as well as vigorous trading for regional operations, and in Romania by solid organic growth. Italy saw advances in Palermo buoyed by the opening of new points of sale, the modernisation of the Venice concession and the opening of a new Relay store at Rome airport. A new concession opened at Dakar airport in Senegal in December 2017.

France posted 4.0% revenue growth, despite the unfavourable impact of industrial action, which affected rail traffic in the second quarter of 2018. Growth was led by network expansion and good organic growth momentum in Foodservice activities, as well as by a solid performance from regional Duty Free platforms.

North America reported solid 4.8% growth, lifted by sales initiatives and robust passenger traffic.

Business surged 22.7% in Asia-Pacific, with a solid performance in Asia powered mainly by the opening of the Hong Kong concession in partnership with China Duty Free Group in October 2017 as well as fashion stores in China. The Pacific region reported firm trading, as growth in New Zealand Duty Free activities offset an unfavourable network impact in Australia.

Lagardère Active posted revenue totalling €895 million in 2018, down 3.6% on a consolidated basis and down 2.3% like-for-like. The difference between consolidated and like-for-like figures is mainly due to a €13 million negative scope effect, linked to the divestment of LARI, MonDocteur and Doctissimo, partially offset by the acquisitions of Skyhigh TV and Aito Media Group.

The 6.2% contraction in Magazine Publishing reflects the fall in advertising revenues (down 8%). Circulation revenue fell 4.5% for the year as a whole, mainly stemming from a decline in news-stand sales.

Revenue for the Radio segment slipped 2.0%, as good momentum in music radio failed to offset lower audience figures for the Europe 1 station over the period.

Revenue from TV activities (TV channels and Audiovisual production) rose 2.2%, lifted by an advance in international operations at Lagardère Studios and by good momentum in advertising revenues from TV channels.

The year-on-year fall in advertising revenues for the division as a whole was contained over the year, at 1.8%.

Lagardère Sports and Entertainment revenue came in at €438 million, down 3.6% on a consolidated basis and down 4.1% like-for-like, The difference between these two figures is due to an €8 million negative foreign exchange impact, partially offset by a €10 million positive scope impact associated with the acquisition of Brave Marketing in 2017.

2018 marked the lowest point of the four-year sporting events cycle. The decrease in revenue is primarily linked to an unfavourable calendar effect, with the non-occurrence of the 2017 Total Africa Cup of Nations and the 2017 Asian qualifiers for the 2018 FIFA World Cup. This calendar impact was partially offset by good performances from the Olympics division and from Football activities in Europe.

Recurring operating profit of fully consolidated companies amounted to €401 million, up €2 million on 2017 (€399 million after restating for the impacts of IFRS 15). Movements in this item can by analysed as follows for each division:

- Lagardère Publishing reported €190 million in recurring operating profit of fully consolidated companies, down €20 million on 2017. This decline chiefly reflects the sharp fall in Education owing to the lack of curricular reform across all regions (France, Spain and the United Kingdom), and to a lesser extent, the contraction in Illustrated Books in France, which had been buoyed by the publication of *Asterix et la Transitalique* in 2017. These factors were only partly countered by good momentum in General Literature driven by successful new title releases such as Guillaume Musso's *La Jeune Fille et la Nuit* in France, *Fantastic Beasts: The Crimes of Grindelwald* and *Fire & Fury* in the United Kingdom, and *The President is Missing* in the United States. The unfavourable currency effect also had a €3 million negative impact.

- Recurring operating profit of fully consolidated companies posted by Lagardère Travel Retail was up €7 million year-on-year at €119 million, buoyed mainly by good performances in the EMEA region (excluding France) on the back of organic growth, especially in Italy and Poland, and a favourable network effect resulting from the new Duty Free concession opened in Geneva. North America also reported a good increase powered by upbeat trading.

- Lagardère Active reported €75 million in recurring operating profit of fully consolidated companies, up €5 million on 2017, spurred by a rise in advertising revenues from TV activities and by the impact of cost cutting plans in the Press and Radio segments in France and in the corporate function. These factors more than offset downbeat trends in Press operations, the Europe 1 radio station and certain Digital activities.

- Lagardère Sports and Entertainment reported €30 million in recurring operating profit of fully consolidated companies, up €8 million on 2017. With 2018 being the lowest point in the four-year sporting events calendar, recurring operating profit growth was driven by the development of the Sponsoring business and by the Olympics division.

- Other Activities recorded a recurring operating loss of fully consolidated companies of €13 million, compared to a loss of €15 million in 2017. The improvement reflects further beneficial effects of the plan to reduce overhead costs.

Income from equity-accounted companies (before impairment losses) came in at €4 million in 2018, versus €3 million one year earlier, buoyed by good performances from the joint operations at Lagardère Travel Retail.

Non-recurring/non-operating items included in profit before finance costs and tax represented net income of €4 million in 2018, comprising:

- €79 million in restructuring costs, including €44 million at Lagardère Active stemming mainly from the reorganisation of the division into standalone units and winding down the corporate function, €21 million at Lagardère Publishing corresponding primarily to the costs of reorganising warehouses in the United Kingdom, €8 million at Lagardère Sports and Entertainment relating to the costs of reorganising activities in Europe, and €6 million at Lagardère Travel Retail;

- €75 million in amortisation of intangible assets and costs relating to acquisitions and disposals, including €59 million for Lagardère Travel Retail, €7 million for Lagardère Sports and Entertainment, €5 million for Lagardère Publishing, €2 million for Lagardère Active and €2 million for Other Activities.

- €47 million in impairment losses recognised against property, plant and equipment and intangible assets, including €40 million attributable to Lagardère Active due to the €24 million writedown of some of the overall goodwill allocated to the Press CGU, the €9 million writedown of goodwill relating to Newsweb, the €4 million writedown of goodwill relating to Shopcade, and the €3 million writedown of some of the goodwill relating to International Radio. The remaining balance notably consists of €3 million in impairment losses charged primarily against Lagardère Sports and Entertainment intangible assets and €3 million in impairment losses charged against property, plant and equipment, mainly at Lagardère Travel Retail.
- €205 million in net gains on disposals, including a €245 million gain further to the sale in May 2018 of a Lagardère Active office building in the eighth *arrondissement* of Paris, as well as a €40 million loss booked on the sale of the Group's 42% interest in the Marie Claire group.

In 2017, non-recurring/non-operating items represented a net loss of €127 million, comprising (i) €41 million in restructuring costs, including €23 million for Lagardère Active essentially relating to restructuring costs at Europe 1; (ii) €72 million in full-year amortisation of intangible assets and expenses relating to the acquisition of consolidated companies; (iii) €33 million in impairment losses recognised against the goodwill and property, plant and equipment of a Lagardère Travel Retail entity in New Zealand and against goodwill relating to Lagardère Publishing entities in Spain and the United Kingdom; (iv) €24 million in impairment losses on equity-accounted investments concerning the interest held in Marie Claire group; and (v) €43 million in net gains on asset disposals, relating mainly to sale of an office building in Levallois-Perret (France).

As a result of the above, profit before finance costs and tax came out at €409 million for 2018, versus €275 million one year earlier.

Net finance costs were €59 million in 2018, a decrease of €14 million on 2017, chiefly reflecting a reduction in the Group's average borrowing costs further to the debt refinancing carried out in 2017.

Income tax expense booked in 2018 was €134 million, €136 million more than in 2017, and includes €83 million in tax on the sale of an office building in Paris' eighth *arrondissement* and the recognition of the tax saving expected to result from restructuring costs not yet disbursed, which represented a positive impact of €7 million. In 2017, in addition to the refund of the 3% tax on dividends in France (positive impact of €16 million) and the non-recurring corporate surtax in France (negative impact of €5 million), income tax expense included the recognition of tax loss carryforwards in France (positive impact of €40 million) in view of the planned sale of an office building in Paris' eighth *arrondissement*, and the remeasurement of deferred taxes at US subsidiaries to reflect the new 21% federal rate of income tax (positive impact of €19 million).

Profit attributable to minority interests was €22 million for 2018 versus €28 million in 2017. The change in this item was chiefly the result of a lower contribution from Lagardère Sports Asia due to an unfavourable sporting calendar effect compared to 2017, which had seen the Asian qualifiers for the 2018 FIFA World Cup.

5.2.2 CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows

(in millions of euros)	2018	2017(*)
Cash flows from operations before changes in working capital(*)	505	536
Changes in working capital(*)	55	(71)
Cash flows from operations	**560**	**465**
Income taxes paid	(77)	(89)
Net cash from operating activities(*)	**483**	**376**
Cash used in investing activities(*)	(610)	(321)
- Purchases of intangible assets and property, plant and equipment(*)	*(270)*	*(253)*
- Purchases of investments	*(340)*	*(68)*
Proceeds from disposals	401	175
- Disposals of intangible assets and property, plant and equipment	*258*	*160*
- Disposals of investments	*143*	*15*
Interest received	5	4
(Increase) decrease in short-term investments	-	-
Net cash used in investing activities(*)	**(204)**	**(142)**
Net cash from operating and investing activities	**279**	**234**
Net cash used in financing activities	**(59)**	**(207)**
Other movements	(37)	45
Change in cash and cash equivalents	**183**	**72**

(*) Data for 2017 restated for the retrospective application of IFRS 15 (see note 1.1 to the consolidated financial statements).

5.2.2.1 Net cash from operating and investing activities

In 2018, cash flows from operations before changes in working capital totalled €505 million, versus €536 million one year earlier. The decrease primarily reflects an increase in provisions, particularly at Lagadère Active, an increase in cash outflows related to restructuring measures, mainly at Lagardère Active and Lagardère Publishing, a rise in business acquisition and divestment expenses, and a fall in dividends received from equity-accounted companies.

Changes in working capital represented a positive €55 million impact over the year, after a negative €71 million change in 2017. This significant change is partly attributable to an improvement at Lagardère Publishing compared to 2017, which had been affected by a much slower release schedule than in 2016. The improvement in working capital at Lagardère Travel Retail is mainly related to its optimisation efforts, while at Lagardère Sports and Entertainment, the busy calendar of sporting events in 2019 gave rise to inflows in 2018 of amounts due in respect of the Total African Cup of Nations and the Asian Cup. It should be noted that Lagardère Active's exit from the receivables securitisation programme relating to the divested Press business reduced working capital by €22 million in 2018.

Income taxes paid totalled €77 million in 2018 compared to €89 million in 2017. The decrease in this item is primarily attributable to lower tax payments in 2018, notably at Lagardère Publishing in Spain and Japan owing to lower taxable earnings in 2017 than in 2016, and at Lagardère Sports and Entertainment owing to an income tax settlement, offset by the rise in tax payable on property sales in France.

Operating activities therefore represented a net cash inflow of €483 million in 2018, compared with a net inflow of €376 million in 2017.

Purchases of property, plant and equipment and intangible assets represented an outflow of €270 million, versus €253 million in 2017. Purchases chiefly relate to Lagardère Travel Retail (€130 million), a significant portion of which corresponds to the financing of new stores. The balance results essentially from the purchase of sports rights at Lagardère Sports and Entertainment, logistics projects in the United Kingdom at Lagardère Publishing, and the fitting out of new premises in the context of the sale of the Lagardère Active buildings in Levallois-Perret and in the eighth *arrondissement* of Paris. In 2017, this item was €253 million and related mainly to Lagardère Travel Retail, Lagardère Sports and Entertainment and Lagardère Publishing.

Purchases of investments represented an outflow of €340 million in 2018 and mainly related to the November 2018 acquisition of Hojeij Branded Foods (HBF), leader of Foodservices in North America, by Lagardère Travel Retail. Purchases also include Lagardère Publishing's acquisition of Worthy Publishing Group, a publishing house in the United States, and Lagardère Active's acquisition of a majority stake in Skyhigh TV, the Netherlands' leading independent production company.

Disposals of property, plant and equipment and intangible assets represented cash inflows of €258 million in 2018, and concerned the sale by Lagardère Active of an office building in Paris' eighth *arrondissement*. In 2017, disposals of property, plant and equipment and intangible assets represented cash inflows of €160 million and related to the sale of an office building in Levallois-Perret, also by Lagardère Active.

Disposals of investments, which include interest received, represented an inflow of €148 million in 2018, including €142 million at Lagardère Active owing to the sale of International Radio operations in Eastern Europe, MonDocteur and Doctissimo, along with the sale of the 42% interest in the Marie Claire group. In 2017, disposals of investments represented an inflow of €19 million and related mainly to Lagardère Publishing with the sale of Delcourt shares in France and the sale of a fund in the United States.

In all, operating and investing activities represented a net cash inflow of €279 million in 2018, compared with a net cash inflow of €234 million in 2017.

5.2.2.2 Net cash used in financing activities

Financing activities in 2018 represented a net cash outflow of €59 million and include:

- €198 million in dividends paid, of which €171 million by Lagardère SCA and €27 million paid to minority interests, including €22 million by Lagardère Travel Retail;
- a €206 million net increase in debt, mainly comprising short-term commercial paper issuance for €201 million;
- €57 million in interest paid, including the payment of €29 million in coupons on the 2014, 2016 and 2017 bond issues and of €19 million in relation to hedging instruments (notably swaps);
- €7 million in purchases of minority interests, mainly at Lagardère Sports and Entertainment with the acquisition of a 10% minority interest in Lagardère Sports Asia;
- purchases and sales of treasury shares under the liquidity agreement, representing a net cash outflow of €4 million.

5.2.3 NET DEBT

Net debt is an alternative performance measure 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. 2018	31 Dec. 2017
Short-term investments and cash and cash equivalents	710	546
Financial instruments designated as hedges of debt with a positive fair value(*)	8	21
Non-current debt(**)	(1,024)	(1,560)
Current debt	(1,069)	(375)
Net debt	**(1,375)**	**(1,368)**

(*) At 31 December 2018, financial instruments designated as hedges of debt with a positive fair value were included in "Other non-current assets" in an amount of €5 million and in "Other current assets" in an amount of €3 million. At 31 December 2017, financial instruments designated as hedges of debt with a positive fair value were included in "Other non-current assets" in an amount of €18 million and in "Other current assets" in an amount of €3 million.

(**) At 31 December 2018, non-current debt included financial instruments designated as hedges of debt with a negative fair value, representing €1 million.

Changes in net debt during 2018 and 2017 were as follows:

(in millions of euros)	2018	2017
Net debt at 1 January	**(1,368)**	**(1,389)**
Net cash from operating and investing activities	279	234
Interest paid	(57)	(70)
Minority interests' share in capital increases by subsidiaries	1	2
(Acquisitions) disposals of treasury shares	(4)	(1)
(Acquisitions) disposals of minority interests	(7)	(18)
Dividends	(198)	(187)
Debt related to put options granted to minority shareholders	3	2
Changes in scope of consolidation	(8)	8
Fair value of financial instruments designated as hedges of debt	(14)	33
Effect on cash of changes in exchange rates	-	22
Other	(2)	(4)
Net debt at 31 December	**(1,375)**	**(1,368)**

5.3 LAGARDÈRE SCA CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

Consolidated income statement

(in millions of euros)		**2018**	**2017(*)**
Revenue	*(Notes 5 and 6)*	7,258	7,084
Other income from ordinary activities		83	94
Total income from ordinary activities		**7,341**	**7,178**
Purchases and changes in inventories		(2,507)	(2,394)
External charges		(2,584)	(2,526)
Payroll costs	*(Note 7)*	(1,716)	(1,667)
Depreciation and amortisation other than on acquisition-related intangible assets		(202)	(193)
Amortisation of acquisition-related intangible assets and other acquisition-related expenses		(75)	(72)
Restructuring costs	*(Note 8)*	(79)	(41)
Gains (losses) on:	*(Note 9)*		
- Disposals of assets		*205*	*43*
- Fair value adjustments due to changes in control		-	-
Impairment losses on goodwill, property, plant and equipment and intangible assets	*(Note 10)*	(47)	(33)
Other operating expenses	*(Note 11)*	(27)	(61)
Other operating income	*(Note 12)*	96	62
Income (loss) from equity-accounted companies	*(Note 19)*	4	(21)
Profit before finance costs and tax	*(Note 5)*	**409**	**275**
Financial income	*(Note 13)*	20	13
Financial expenses	*(Note 13)*	(79)	(86)
Profit before tax		**350**	**202**
Income tax benefit (expense)	*(Note 14)*	(134)	2
Profit for the year		**216**	**204**
Attributable to:			
Owners of the Parent		194	176
Minority interests	*(Note 26.5)*	22	28
Earnings per share – Attributable to owners of the Parent:			
Basic earnings per share (in €)	*(Note 15)*	*1.49*	*1.36*
Diluted earnings per share (in €)	*(Note 15)*	*1.47*	*1.34*

(*) Data for 2017 restated for the retrospective application of IFRS 15 (see note 1.1).

Consolidated statement of comprehensive income

(in millions of euros)	2018	2017(*)
Profit for the year(*) (1)	**216**	**204**
Actuarial gains and losses on pensions and other post-employment benefit obligations	8	1
Tax relating to actuarial gains and losses on pensions and other post-employment benefit obligations	(2)	(3)
Change in fair value of investments in non-consolidated companies	(1)	1
Other comprehensive income (expense) for the year, net of tax, that will not be reclassified subsequently to profit or loss (2)	**5**	**(1)**
Currency translation adjustments	**41**	**(143)**
Change in fair value of derivative financial instruments:	**(12)**	**26**
- Unrealised gains and losses recognised directly in equity	*(13)*	*25*
- Amounts reclassified from equity to profit or loss	*1*	*1*
Share of other comprehensive income of equity-accounted companies, net of tax:	**-**	**1**
- Unrealised gains and losses recognised directly in equity	-	-
- Amounts reclassified from equity to profit or loss	-	*1*
Translation reserve	-	*1*
Valuation reserve	-	-
Tax relating to components of other comprehensive income (expense)	**3**	**(9)**
Other comprehensive income (expense) for the year, net of tax, that may be reclassified subsequently to profit or loss (3)	**32**	**(125)**
Other comprehensive income (expense) for the year, net of tax (2)+(3)	**37**	**(126)**
Total comprehensive income (expense) for the year (1)+(2)+(3)	**253**	**78**
Attributable to:		
Owners of the Parent	228	58
Minority interests	25	20

(*) Data for 2017 restated for the retrospective application of IFRS 15 (see note 1.1).

Consolidated statement of cash flows

(in millions of euros)		2018	2017(*)
Profit for the year(*)		**216**	**204**
Income tax expense (benefit)(*)	*(Note 14)*	134	(2)
Finance costs, net	*(Note 13)*	59	73
Profit before finance costs and tax(*)		**409**	**275**
Depreciation and amortisation expense(*)		268	260
Impairment losses, provision expense and other non-cash items(*)		32	17
(Gains) losses on disposals of assets		(205)	(43)
Dividends received from equity-accounted companies		5	6
(Income) loss from equity-accounted companies	*(Note 19)*	(4)	21
Changes in working capital(*)	*(Note 25)*	55	(71)
Cash flows from operations(*)		**560**	**465**
Income taxes paid		(77)	(89)
Net cash from operating activities(*)	*(A)*	**483**	**376**
Cash used in investing activities			
- Purchases of intangible assets and property, plant and equipment(*)	*(Note 5)*	(270)	(253)
- Purchases of investments	*(Note 5)*	(337)	(74)
- Cash acquired through acquisitions	*(Note 5)*	15	15
- Purchases of other non-current assets	*(Note 5)*	(18)	(9)
Total cash used in investing activities	*(B)*	**(610)**	**(321)**
Cash from investing activities			
Proceeds from disposals of non-current assets			
- Disposals of intangible assets and property, plant and equipment	*(Note 5)*	258	160
- Disposals of investments	*(Note 5)*	113	19
- Cash transferred on disposals	*(Note 5)*	21	(6)
Decrease in other non-current assets	*(Note 5)*	9	2
Total cash from investing activities	*(C)*	**401**	**175**
Interest received	*(D)*	5	4
(Increase) decrease in short-term investments	*(E)*	-	-
Net cash used in investing activities(*)	*(F)=(B)+(C)+(D)+(E)*	**(204)**	**(142)**
Net cash from operating and investing activities	*(G)=(A) + (F)*	**279**	**234**
Capital transactions			
- Proceeds from capital increase by the Parent		-	-
- Minority interests' share in capital increases by subsidiaries		1	2
- (Acquisitions) disposals of treasury shares		(4)	(1)
- (Acquisitions) disposals of minority interests		(7)	(18)
- Dividends paid to owners of the Parent(**)		(171)	(170)
- Dividends paid to minority shareholders of subsidiaries		(27)	(17)
Total capital transactions	*(H)*	**(208)**	**(204)**
Financing transactions			
- Increase in debt		208	583
- Decrease in debt		(2)	(516)
Total movements in debt	*(I)*	**206**	**67**
- Interest paid	*(J)*	(57)	(70)
Net cash used in financing activities	*(K)=(H)+(I)+(J)*	**(59)**	**(207)**
Other movements			
- Effect on cash of changes in exchange rates		(4)	31
- Effect on cash of other movements		(33)	14
Total other movements	*(L)*	**(37)**	**45**
Change in cash and cash equivalents	*(M)=(G)+(K)+(L)*	183	72
Cash and cash equivalents at beginning of year		**477**	**405**
Cash and cash equivalents at end of year	*(Note 25)*	**660**	**477**

(*) Data for 2017 restated for the retrospective application of IFRS 15 (see note 1.1).

(**) Including the portion of profit for the year paid to the General Partners.

Consolidated balance sheet

ASSETS (in millions of euros)		31 Dec. 2018	31 Dec. 2017(*)	1 Jan. 2017(*)
Intangible assets	*(Note 17)*	1,196	1,058	1,144
Goodwill	*(Note 16)*	1,624	1,809	1,856
Property, plant and equipment	*(Note 18)*	800	733	732
Investments in equity-accounted companies	*(Note 19)*	73	123	145
Other non-current assets	*(Note 20)*	196	219	204
Deferred tax assets	*(Note 14)*	176	206	229
Total non-current assets		**4,065**	**4,148**	**4,310**
Inventories	*(Note 21)*	566	583	600
Trade receivables	*(Note 22)*	1,296	1,418	1,481
Other current assets	*(Note 23)*	883	943	966
Short-term investments		-	-	-
Cash and cash equivalents	*(Note 25)*	710	546	481
Total current assets		**3,455**	**3,490**	**3,528**
Assets held for sale	*(Note 4.3)*	**699**	**6**	**162**
Total assets		**8,219**	**7,644**	**8,000**

(*) Data at 1 January and 31 December 2017 restated for the retrospective application of IFRS 15 (see note 1.1).

Consolidated balance sheet

EQUITY AND LIABILITIES (in millions of euros)		31 Dec. 2018	31 Dec. 2017(*)	1 Jan. 2017(*)
Share capital		800	800	800
Reserves		851	809	923
Profit attributable to owners of the Parent		194	176	175
Equity attributable to owners of the Parent		**1,845**	**1,785**	**1,898**
Minority interests	*(Note 26.5)*	156	139	133
Total equity		**2,001**	**1,924**	**2,031**
Provisions for pensions and other post-employment benefit obligations	*(Note 27)*	135	163	166
Non-current provisions for contingencies and losses	*(Note 27)*	190	220	222
Non-current debt	*(Note 28)*	1,024	1,560	1,041
Other non-current liabilities	*(Note 31)*	237	120	91
Deferred tax liabilities	*(Note 14)*	248	234	327
Total non-current liabilities		**1,834**	**2,297**	**1,847**
Current provisions for contingencies and losses	*(Note 27)*	146	147	188
Current debt	*(Note 28)*	1,069	375	832
Trade payables		1,215	1,386	1,373
Other current liabilities	*(Note 31)*	1,541	1,515	1,700
Total current liabilities		**3,971**	**3,423**	**4,093**
Liabilities related to assets held for sale	*(Note 4.3)*	**413**	**-**	**29**
Total equity and liabilities		**8,219**	**7,644**	**8,000**

(*) Data at 1 January 2017 and 31 December 2017 restated for the retrospective application of IFRS 15 (see note 1.1).

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 31 December 2016	**800**	**46**	**1,122**	**(105)**	**52**	**(13)**	**1,902**	**133**	**2,035**
Impact of first-time application of IFRS 15[c]	-	-	(4)	-	-	-	**(4)**	-	**(4)**
At 1 January 2017	**800**	**46**	**1,118**	**(105)**	**52**	**(13)**	**1,898**	**133**	**2,031**
Profit for the year	-	-	176	-	-	-	**176**	27	**203**
Other comprehensive income (expense) for the year[a]	-	-	(2)	-	(134)	18	**(118)**	(8)	**(126)**
Total comprehensive income (expense) for the year	**-**	**-**	**174**	**-**	**(134)**	**18**	**58**	**19**	**77**
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**	**1,122**	**(92)**	**(82)**	**3**	**1,785**	**139**	**1,924**
Impact of first-time application of IFRS 9[d]	-	-	(8)	-	-	-	**(8)**	-	**(8)**
At 1 January 2018	**800**	**34**	**1,114**	**(92)**	**(82)**	**3**	**1,777**	**139**	**1,916**
Profit for the year	-	-	194	-	-	-	**194**	22	**216**
Other comprehensive income (expense) for the year[a]	-	-	6	-	38	(10)	**34**	3	**37**
Total comprehensive income (expense) for the year	**-**	**-**	**200**	**-**	**38**	**(10)**	**228**	**25**	**253**
Dividends paid	-	-	(170)	-	-	-	**(170)**	(28)	**(198)**
Parent company capital increase/reduction[b]	-	(11)	(4)	15	-	-	**-**	-	**-**
Minority interests' share in capital increases	-	-	-	-	-	-	**-**	1	**1**
Changes in treasury shares	-	-	-	(4)	-	-	**(4)**	-	**(4)**
Share-based payments	-	-	13	-	-	-	**13**	-	**13**
Effect of transactions with minority interests	-	-	4	-	-	-	**4**	(4)	**-**
Changes in scope of consolidation and other	-	-	(4)	-	1	-	**(3)**	23	**20**
At 31 December 2018	**800**	**23**	**1,153**	**(81)**	**(43)**	**(7)**	**1,845**	**156**	**2,001**

(a) See note 26 to the consolidated financial statements.
(b) Capital increase carried out by capitalising reserves and capital reduction carried out by cancelling treasury shares.
(c) Data at 1 January 2017 restated for the retrospective application of IFRS 15.
(d) Data at 1 January 2018 restated for the application of IFRS 9.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(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 2018 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 IFRS standards, amendments and interpretations adopted by the European Union that are effective for periods beginning on or after 1 January 2018, including:

- IFRS 15 – Revenue from Contracts with Customers, which the Group has elected to apply using the full retrospective approach. The IFRS 15 transition approach and the impacts of applying the new standard are described in note 1.1.
- IFRS 9 – Financial Instruments, which the Group has elected to apply using the simplified retrospective approach. IFRS 9 is applied from 1 January 2018, with no restatement of prior periods required. The IFRS 9 transition approach and the impacts of applying the new standard are described in note 1.1.
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration, which prescribes the exchange rate to be used to record a foreign currency transaction upon its initial recognition in the entity's functional currency.
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions.

The application of IFRS 9 and IFRS 15 results in a change in accounting principles and valuation methods, described in note 3 to the consolidated financial statements.

The other standards and amendments endorsed by the European Union that are effective for periods beginning on or after 1 January 2018 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 2018 but which will only become mandatory subsequent to 2018:

- IFRS 16 – Leases.
- Amendment to IFRS 9 – Prepayment Features with Negative Compensation.
- IFRIC 23 – Uncertainty over Income Tax Treatments.

The work carried out by the Group in preparation for applying IFRS 16 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 2018 and which may be relevant to the Group are as follows:

- Amendments to IAS 28 – Clarification that companies should apply IFRS 9 to long-term interests in associates and joint ventures.
- Annual Improvements to IFRSs (2015–2017 cycle).
- Amendment to IAS 19 – Plan Amendment, Curtailment or Settlement.
- Amendment to IFRS 3 – Definition of a Business.
- Amendments to IAS 1 and IAS 8 – Definition of Material.

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 13 March 2019 and are subject to the approval of the General Meeting of Shareholders on 10 May 2019.

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.

The accounting principles and valuation methods applied by the Group are described in full in note 3.

1.1 FIRST-TIME APPLICATION OF IFRS 15 AND IFRS 9

1.1.1 IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 is effective from 1 January 2018 and supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue. The Group elected to use the retrospective method for its transition to the new standard at 1 January 2018. Each comparative period presented has therefore been restated in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

Our analysis of differences in accounting policies in the Group's financial statements resulting from the application of IFRS 15 was finalised at the end of 2017 and did not identify any significant impacts as a result of applying the new standard. The revenue recognition methods used for most divisional sales models remain unchanged. The differences compared with the currently applied accounting policies do not have a significant impact.

Impact on revenue and recurring operating profit of fully consolidated companies

The retrospective application of IFRS 15 has resulted in an increase of €15 million in 2017 consolidated revenue. These impacts result from Lagardère Active and Lagardère Sports and Entertainment.

The change in the timing of revenue recognition at Lagardère Sports and Entertainment has resulted in a decrease of €4 million in recurring operating profit of fully consolidated companies for 2017.

The impacts of the first-time application of IFRS 15 in the period are shown below.

Impact on the 2017 income statement

		IFRS 15			
(in millions of euros)	**2017 reported**	**Change in timing of revenue recognition**	**Agent versus principal**	**Other restatements**	**2017 restated**
Revenue	7,069	(4)	41	(22)	7,084
Other income from ordinary activities	209	-	(80)	(35)	94
Total income from ordinary activities	**7,278**	**(4)**	**(39)**	**(57)**	**7,178**
Purchases and changes in inventories	(2,550)	-	64	92	(2,394)
Capitalised production	1	-	-	(1)	-
Production transferred to inventories	91	-	-	(91)	-
External charges	(2,501)	-	(25)	-	(2,526)
Payroll costs	(1,677)	-	-	10	(1,667)
Depreciation and amortisation other than on acquisition-related intangible assets	(215)	-	-	22	(193)
Amortisation of acquisition-related intangible assets and other acquisition-related expenses	(72)	-	-	-	(72)
Restructuring costs	(41)	-	-	-	(41)
Gains (losses) on:	-	-	-	-	-
- Disposals of assets	43	-	-	-	43
- Fair value adjustments due to changes in control	-	-	-	-	-
Impairment losses on goodwill, property, plant and equipment and intangible assets	(33)	-	-	-	(33)
Other operating expenses	(61)	-	-		(61)
Other operating income	37	-	-	25	62
Income (loss) from equity-accounted companies	(21)	-	-	-	(21)
Profit before finance costs and tax	**279**	**(4)**	**-**	**-**	**275**
Finance costs, net	(73)	-	-	-	(73)
Profit before tax	**206**	**(4)**	**-**	**-**	**202**
Income tax benefit (expense)	1	1	-	-	2
Profit for the year	**207**	**(3)**	**-**	**-**	**204**
Attributable to:					
Owners of the Parent	179	(3)	-	-	176
Minority interests	28	-	-	-	28

Impact on the balance sheet at 1 January 2017

ASSETS (in millions of euros)	31 Dec. 2016 reported	IFRS 15 Change in timing of revenue recognition	IFRS 15 Agent versus principal	IFRS 15 Other restatements	1 Jan. 2017 restated
Intangible assets	1,253	-	-	(109)	1,144
PP&E, goodwill and equity-accounted investments	2,733	-	-	-	2,733
Other non-current assets	118	-	-	86	204
Deferred tax assets	224	5	-	-	229
Total non-current assets	**4,328**	**5**	**-**	**(23)**	**4,310**
Inventories	600	-	-	-	600
Trade receivables	1,268	(25)	(66)	304	1,481
Other current assets	914	29	-	23	966
Cash and cash equivalents	481	-	-	-	481
Total current assets	**3,263**	**4**	**(66)**	**327**	**3,528**
Assets held for sale	**162**	**-**	**-**	**-**	**162**
Total assets	**7,753**	**9**	**(66)**	**304**	**8,000**

EQUITY AND LIABILITIES (in millions of euros)	31 Dec. 2016 reported	IFRS 15 Change in timing of revenue recognition	IFRS 15 Agent versus principal	IFRS 15 Other restatements	1 Jan. 2017 restated
Share capital	800	-	-	-	800
Reserves	927	(4)	-	-	923
Profit attributable to owners of the Parent	175	-	-	-	175
Minority interests	133	-	-	-	133
Total equity	**2,035**	**(4)**	**-**	**-**	**2,031**
Non-current liabilities and debt	1,509	11	-	-	1,520
Deferred tax liabilities	326	1	-	-	327
Total non-current liabilities	**1,835**	**12**	**-**	**-**	**1,847**
Current provisions for contingencies and losses and debt	1,020	-	-	-	1,020
Trade payables	1,439	-	(66)	-	1,373
Other current liabilities	1,395	1	-	304	1,700
Total current liabilities	**3,854**	**1**	**(66)**	**304**	**4,093**
Liabilities related to assets held for sale	**29**	**-**	**-**	**-**	**29**
Total equity and liabilities	**7,753**	**9**	**(66)**	**304**	**8,000**

Impact on the balance sheet at 31 December 2017

ASSETS (in millions of euros)	31 Dec. 2017 reported	IFRS 15			31 Dec. 2017 restated
		Change in timing of revenue recognition	Agent versus principal	Other restatements	
Intangible assets	1,151	-	-	(93)	1,058
PP&E, goodwill and equity-accounted investments	2,665	-	-	-	2,665
Other non-current assets	143	-	-	76	219
Deferred tax assets	201	5	-	-	206
Total non-current assets	**4,160**	**5**	**-**	**(17)**	**4,148**
Inventories	583	-	-	-	583
Trade receivables	1,208	(10)	(59)	279	1,418
Other current assets	915	10	-	18	943
Cash and cash equivalents	546	-	-	-	546
Total current assets	**3,252**	**-**	**(59)**	**297**	**3,490**
Assets held for sale	**6**	**-**	**-**	**-**	**6**
Total assets	**7,418**	**5**	**(59)**	**280**	**7,644**

EQUITY AND LIABILITIES (in millions of euros)	31 Dec. 2017 reported	IFRS 15			31 Dec. 2017 restated
		Change in timing of revenue recognition	Agent versus principal	Other restatements	
Share capital	800	-	-	-	800
Reserves	813	(4)	-	-	809
Profit attributable to owners of the Parent	179	(3)	-	-	176
Minority interests	139		-	-	139
Total equity	**1,931**	**(7)**	**-**	**-**	**1,924**
Non-current liabilities and debt	2,052	10	-	1	2,063
Deferred tax liabilities	233	1	-	-	234
Total non-current liabilities	**2,285**	**11**	**-**	**1**	**2,297**
Current provisions for contingencies and losses and debt	522	-	-	-	522
Trade payables	1,445	-	(59)	-	1,386
Other current liabilities	1,235	1	-	279	1,515
Total current liabilities	**3,202**	**1**	**(59)**	**279**	**3,423**
Total equity and liabilities	**7,418**	**5**	**(59)**	**280**	**7,644**

Impact on the consolidated statement of cash flows for full-year 2017

(in millions of euros)	Full-year 2017 reported	IFRS 15 Change in timing of revenue recognition	IFRS 15 Agent versus principal	IFRS 15 Other restatements	Full-year 2017 restated
Profit for the year	**207**	**(3)**	**-**	**-**	**204**
Income tax expense (benefit)	(1)	(1)	-	-	(2)
Finance costs, net	73	-	-	-	73
Profit before finance costs and tax	**279**	**(4)**	**-**	**-**	**275**
Depreciation and amortisation expense	283	-	-	(23)	260
Changes in working capital	(90)	4	-	15	(71)
Other cash flows related to operating activities	1	-	-	-	1
Cash flows from operations	**473**	**-**	**-**	**(8)**	**465**
Income taxes paid	(89)	-	-	-	(89)
Net cash from operating activities	**384**	**-**	**-**	**(8)**	**376**
Cash used in investing activities		**-**	**-**	**-**	
- Purchases of intangible assets and property, plant and equipment	(261)	-	-	8	(253)
Other cash flows related to investing activities	111	-	-	-	111
Net cash used in investing activities	**(150)**	**-**	**-**	**8**	**(142)**
Total cash flows from operating and investing activities	**234**	**-**	**-**	**-**	**234**
Net cash used in financing activities	**(207)**	**-**	**-**	**-**	**(207)**
Total other movements	**45**	**-**	**-**	**-**	**45**
Change in cash and cash equivalents	72	-	-	-	72
Cash and cash equivalents at beginning of year	**405**	**-**	**-**	**-**	**405**
Cash and cash equivalents at end of year	**477**	**-**	**-**	**-**	**477**

a) Change in timing of revenue recognition

Two **Lagardère Sports and Entertainment** businesses are affected by the change in the timing of revenue recognition:

- Revenue generated under contracts where the Group is mandated by a rights holder solely for the purpose of **selling marketing rights (i.e., with no other associated services)** is now recognised when the rights are actually sold and no longer deferred over the duration of the rights. This decreases revenue for 2017 by €3 million.
- Revenue from **admission fees invoiced for sporting academies** is now recognised over the average period of membership as opposed to the full amount of this revenue previously being recognised when the member signed up. This decreases revenue for 2017 by €1 million.

For 2017, the restatements described above led to a decrease of €4 million in recurring operating profit of fully consolidated companies, profit before finance costs and tax, and profit before tax. The associated tax impact is a positive €1 million, representing a net negative €3 million impact on profit for the year.

The changes in the timing of revenue recognition described above led to a €7 million decrease in consolidated equity at 31 December 2017, including a €4 million decrease in the opening balance sheet at 1 January 2017 and a €3 million decrease in 2017 profit.

The activities described above led Lagardère Sports and Entertainment to recognise **contract assets and liabilities**.

Estimating the amount of revenue earned in a given reporting period results in a time lag between the date the services are rendered and the date the company has the right to receive payment from the customer. This difference results in the recognition of contract assets, while conversely, payments received from customers before all or part of the corresponding services have been provided give rise to contract liabilities. The impacts result from changes in the timing of revenue recognition and are summarised below:

- Contract assets at 31 December 2017: €10 million recorded in current assets, with an offsetting entry to trade receivables for the same amount.
- Contract liabilities at 31 December 2017:
  - €11 million recorded in non-current liabilities;
  - €65 million recorded in current liabilities, with an offsetting entry to deferred revenue and other current debt for €64 million, representing a positive net impact of €1 million in other current liabilities.

b) Agent versus principal

The Group's analysis of the criteria set out in IFRS 15 to determine whether it acts as agent or principal primarily resulted in the restatements described below:

Lagardère Travel Retail

Since display services for products sold by Lagardère Travel Retail – billed to its suppliers and previously accounted for as other income from ordinary activities – do not meet the definition of a separate performance obligation under IFRS 15, the services are now recognised as a deduction from purchases made from these suppliers. They are recorded within purchases and changes in inventories for a positive €64 million at 31 December 2017 and in external charges for a positive €6 million in 2017. The impact on the balance sheet is a decrease of €66 million and a decrease of €59 million in trade receivables and trade payables at 1 January 2017 and 31 December 2017, respectively.

Lagardère Active

Commissions paid to third parties for distributing magazines and collecting subscriptions, which were previously deducted from revenue, are now expensed. The impact is a €35 million increase in revenue for 2017, with an offsetting entry for the same amounts posted to external charges.

In addition, for certain **co-production contracts**, the portion attributable to the co-producers in the audiovisual production business is now recognised as revenue (and no longer as other income from ordinary activities and as a deduction from external charges), whereas the portion paid over to the co-producers continues to be recognised as an expense. This has a positive impact of €21 million in 2017. Accordingly, external charges for 2017 are reduced by €11 million and other income from ordinary activities for 2017 is reduced by €10 million.

Lagardère Sports and Entertainment

Income received from **sales of entertainment venue tickets**, which was previously recognised for its total amount, is now only recognised to the extent of the commission invoiced by the Group in its capacity as agent. This has a negative impact of €14 million in 2017. External charges therefore increase by €14 million in 2017.

c) Other restatements

The other restatements in the period in connection with the first-time application of IFRS 15 are shown below:

Lagardère Publishing

As part of its business of selling publications, Lagardère Publishing grants a **right of return to distributors for unsold products**. Estimates of the amount of returns were previously recognised as a deduction from gross trade receivables, advances paid to authors within current assets, and inventories, as appropriate. The application of IFRS 15 changes this accounting treatment: estimates of the amount of returns are now recognised as a refund liability within other current liabilities for the portion relating to revenue, or as a refund asset within inventories and other current assets, respectively, for the portions relating to inventories and advances paid to authors.

The impact on the balance sheet at 1 January 2017 and 31 December 2017 is an increase of €304 million and an increase of €279 million, respectively, in trade receivables against a refund liability within other current liabilities. The impact on refund assets relating to inventories is an increase of €22 million and of €20 million at 1 January 2017 and 31 December 2017, respectively, while the impact on refund assets relating to authors is an increase of €7 million and of €5 million, respectively, with an offsetting entry to inventories and advances paid to authors, resulting in a net impact of zero in other current assets and inventories.

Lagardère Sports and Entertainment

Signing fees for certain contracts, previously capitalised as sports rights assets and amortised, are now recognised in the balance sheet under advances paid and amortised as a deduction from revenue over the life of the contract. The impact is a €22 million decrease in revenue for 2017, with the offsetting entry posted to amortisation expense. The impact on the balance sheet at 1 January 2017 and 31 December 2017 is a decrease in intangible assets of €109 million and €93 million, respectively, and a corresponding increase of €86 million and €77 million, respectively, in other non-current assets, and of €23 million and €16 million, respectively, in other current assets.

Our review of the **components of other income** from ordinary activities led to the following income statement reclassifications:

- operating tax credits and subsidies obtained by the Group within the scope of its audiovisual and publishing businesses, previously included within other income from ordinary activities, are now recognised in other income. They represented an increase of €25 million in this caption in 2017;
- the CICE tax credit, previously recognised within other income from ordinary activities, is now recorded as a deduction from payroll costs and represented a positive €10 million impact in 2017;
- production transferred to inventories, which was previously a separate line of the income statement, is now included in purchases and changes in inventories and represented a positive impact of €91 million in 2017.

1.1.2 IFRS 9 – FINANCIAL INSTRUMENTS

The Group is applying IFRS 9 retrospectively and in full, using the simplified approach with effect from 1 January 2018. As allowed by the standard, the comparative period in 2017 has not been restated.

IFRS 9 supersedes IAS 39 on financial instruments and has three main phases: (i) classification and measurement; (ii) impairment; (iii) hedge accounting.

Classification and measurement

Under IFRS 9, financial assets are classified according to their valuation method, which is defined based the characteristics of the related contractual cash flows and on the business model adopted by the Group.

The application of IFRS 9 results mainly in the elimination of the IAS 39 "available-for-sale" (AFS) financial asset category, which allowed changes in the fair value of financial instruments to be recognised in "Other comprehensive income" (equity) and to be reclassified to profit or loss when the instruments were sold. At 1 January 2018, the AFS category included investments in non-consolidated companies for €36 million and units in two venture capital funds (FCPR) for €12 million. Under IFRS 9, all financial assets which give rise to cash flows that do not solely represent payments of principal and interest ("SPPI"), such as investments in non-consolidated companies, other shares and units in mutual funds, are to be classified and measured at fair value through profit or loss. However, entities may make an irrevocable election upon initial recognition of the investments and first-time application of the standard to measure assets classified as equity investments at fair value through other comprehensive income not subsequently reclassified to profit or loss. Only dividend income continues to be recognised in profit or loss. This latter category primarily includes investments in non-consolidated companies meeting the definition of equity instruments.

	Carrying amount at 1 Jan. 2018	IAS 39 category	IFRS 9 category	Impact on equity at 1 Jan. 2018
Equity investments	**48**			
- Mutual funds (including FCPI Idinvest Digital Fund II)	12	Available-for-sale financial assets	Fair value through profit or loss	-
- Investments in non-consolidated companies	36	Available-for-sale financial assets	Fair value through other comprehensive income not subsequently reclassified to profit or loss	-
- Investments in non-consolidated companies(*)	-	Available-for-sale financial assets	Fair value through profit or loss	-
Cash and cash equivalents	**477**	Amortised cost	Fair value through profit or loss	-

(*) The carrying amount of investments in non-consolidated companies carried at fair value through profit or loss was zero at 1 January 2018.

The Group is not affected by changes in the accounting treatment of financial liabilities with revised terms, since there were no changes in the terms of the liabilities on its books at 31 December 2017.

Impairment

The impairment model introduced by IFRS 9 is based on the premise of providing for expected losses, whereas under the IAS 39 model, impairment is based on certain losses (impairment recognised only once a credit event such as a late payment or significant deterioration in credit quality has occurred). Application of the IFRS 9 impairment model requires entities to bring forward the timing of impairment to be recognised against financial assets carried on the balance sheet at amortised cost.

For non-current financial assets, impairment is assessed on a case-by-case basis taking into account the counterparty's risk profile and any existing collateral.

For trade receivables, the Group has adopted the simplified approach whereby expected losses are provisioned over the remaining term of the receivables. Impairment amounts are determined differently for each business:

- Individual impairment assessed on a case-by-case basis taking into account (i) the counterparty's risk profile; (ii) historical probabilities of default; (iii) probabilities of default supplied by rating agencies; (iv) any credit insurance; and (v) estimated losses for receivables in respect of which a credit event has been identified.
- Collective impairment assessed on a statistical basis (primarily in Lagardère Publishing) using an impairment matrix based on an aged receivables analysis and expected losses. This estimate is adjusted based on changes in the operating environment for the year in progress.

The **impact of the first-time application** of **IFRS 9** impairment requirements was included in **consolidated equity at 1 January 2018 and represents a negative €8 million**.

Hedge accounting

Changes to hedge accounting introduced by IFRS 9 are designed to align accounting methods with companies' risk management models. The application of IFRS 9 hedge accounting requirements does not have a significant impact on the consolidated financial statements in view of the type of derivative instruments used by the Group.

1.2 PREPARATION FOR THE APPLICATION OF IFRS 16

Accounting policy and options chosen

IFRS 16, effective 1 January 2019, eliminates the distinction between finance leases and operating leases. As a result, all lease contracts give rise to the recognition of a lease liability in the lessee's balance sheet, representing the present value of lease payments including fixed rental payments and guaranteed minimum payments for Travel Retail. This lease liability is recognised against a right-of-use asset corresponding to the leased items (shopping centres, office buildings, etc.).

The Group's main leases correspond to concession agreements in transport hubs and hospitals, and property. Vehicles and equipment account for only a small part of leased assets. The Group has decided not to restate contracts with an initial term of less than 12 months and leases with a low-value underlying asset.

For the purpose of providing meaningful year-on-year comparisons in its financial statements, the Group will adopt the full retrospective method 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.

The lease liability and right-of-use asset are equal at the start of the lease term, with the exception where appropriate of lease prepayments, incentives granted by the lessors and the initial direct costs incurred to obtain the contract. The right-of-use asset is then depreciated on a straight-line basis until the date the lease is reasonably certain to expire, except in the specific case where ownership of the lease asset is transferred at the end of the lease, or where the lessee holds a purchase option. The lease liability is measured and recognised at amortised cost using the effective interest rate method. Accordingly, in the opening statement of financial position restated for IFRS 16, the amount of the lease liability will be different from the amount of the right-of-use asset. Temporary differences resulting from the application of IFRS 16 give rise to the recognition of deferred tax.

The date on which lease contracts are reasonably certain to expire, used to calculate the duration of the lease, is determined by local management for each individual lease, and is reviewed at the end of each reporting period. For concession agreements, which account for the bulk of the Group's lease contracts, the duration is fixed by the concession grantor. The concession operator (lessee) does not generally have the ability to extend the duration of the concession. Similarly, most concessions are extended through a tender process.

The discount rates used, calculated at the start of each lease term, take account of the Group's centralised financing structure and have been adapted to reflect the specific currency/country risk. Discount rates applied to euro-denominated leases are determined based on the yield curve for EUR swaps plus the financing component. Discount rates applied to foreign currency leases are determined based on the yield curve for the currency concerned, plus the financing component in the same currency.

In the income statement, only the fixed rental expense, which includes at least the guaranteed minimum payments under concession contracts, will be cancelled and replaced by straight-line depreciation and a decreasing interest expense. Profit is negatively affected at the commencement of the lease and positively affected at the end of the lease. The total impact on the lease term is zero in the income statement, with the exception of gains and losses on any lease modifications.

In the event of a reduction in the lease term or in the surface area leased, the right-of-use asset and lease liability are reduced accordingly in line with the percentage decrease, with the offsetting entry posted to gains and losses on lease modifications in the income statement. The residual lease liability is then adjusted against the right-of-use asset, after discounting the asset at the discount rate revised as of the date of the modification. Increases in the lease term or in the surface area leased do not generate gains or losses on lease modifications, but lead to remeasurement of the lease liability using a discount rate revised as of the date of the modification. Modifications of the amount of the lease stipulated in the lease contract that do not involve modification of the leased surface area or lease term, will lead to a remeasurement of the lease liability with no revision of the discount rate, recognised against the right-of-use asset.

In the consolidated statement of cash flows, the fixed portion of lease payments, previously included in cash flows from operating activities, will be presented as a repayment of the lease liability, with the corresponding interest included in cash flows from financing activities. The variable portion of lease payments continues to be recorded in cash flows from operating activities. IFRS 16 has no impact on the change in net cash and cash equivalents.

Estimated impact on the consolidated financial statements

A calculation tool was rolled out across the Group, in which data was input regarding all of the Group's leases along with any amendments to the lease contracts up to 31 December 2018. The upstream work gave the Group an indication of the scope of IFRS 16 impacts on its 2018 restated financial statements, excluding the impact of the Hojeij Branded Foods acquisition for which the allocation of the purchase price to the identifiable assets and liabilities has not yet been completed.

In the statement of financial position:

- The right-of-use assets and the lease liability were estimated at €2,374 million and €2,543 million, respectively, at 1 January 2018, and at €2,433 million and €2,620 million, respectively, at 31 December 2018.
- Net deferred tax assets are expected to be €41 million at 1 January and €47 million at 31 December 2018, before the review of tax forecasts that may limit part of this amount.
- Other current assets are expected to decrease by €9 million at 1 January and by €11 million at 31 December 2018 owing to lease prepayments, which are now included within right-of-use assets. Trade and other payables should also decrease – since rent-free periods are no longer recognised over the term of the lease contract – by an estimated €22 million at 1 January 2018 and €26 million at 31 December 2018.
- Applying IFRS 16 to equity-accounted companies is expected to decrease the value of investments in equity-accounted companies by €2 million at 1 January 2018 and €3 million at 31 December 2018.
- IFRS 16 is expected to have a negative impact on equity including the estimated deferred tax effect, representing €115 million at 1 January 2018 and €128 million at 31 December 2018.

The estimated impact on the main lines of the restated 2018 income statement is as follows:

- A €57 million increase in profit before finance costs and tax, including a €41 million increase relating to concession agreements and a €16 million increase relating to property leases and other contracts. This increase can be broken down as follows by income statement line:
  - a decrease of €533 million in external charges as a result of the cancellation of fixed rent on lease contracts;
  - additional depreciation of €471 million charged against right-of-use assets;
  - additional loss of €4 million on lease modifications;
  - a €1 million decrease in the contribution from equity-accounted companies;
- a €19 million decrease in profit before tax relating to interest expense on the lease liability for €76 million, including €58 million relating to concession agreements and €18 million relating to property leases and other contracts;

- a €4 million decrease in tax expense relating to the foregoing impact on profit before tax;
- a €15 million decrease in profit for the year in light of the impacts described above.

The estimated impact on the consolidated statement of cash flows is as follows:

- increase of €529 million in cash flows from operating activities;
- decrease of €529 million in cash flows from financing activities;
- no impact on the change in net cash and cash equivalents.

Revised definition of alternative performance measures used by the Group

The application of IFRS 16 would automatically result in an increase in recurring operating profit of fully consolidated companies and free cash flow (see the definitions currently applicable in note 3.3).

Specifically, in the Travel Retail business, rental payments made to concession grantors are either variable, fixed, or variable with a minimum guaranteed amount. Applying IFRS 16 to these contracts distorts the understanding of the division's performance since it only applies to the fixed portion of rental payments. The financial statements cannot therefore be used for monitoring operations in this respect.

To ensure that the indicator remains relevant and reflects the economic substance of concession contracts, the Group has decided to neutralise the impact of IFRS 16 on recurring operating profit of consolidated companies as regards concession contracts only. Adjusted profit attributable to owners of the Parent has been restated in the same manner.

The Group's other leased assets are virtually all held under operating leases. Lease liabilities for these contracts and for concession contracts differ from bank or bond debt and will not therefore be included in the calculation of net debt.

Consequently, payments made to decrease the lease liability will be considered within operating and not financial items in calculating free cash flow.

The alternative performance measure used by the Group need to remain in line with the business model and dynamic to enable the Group's performance to be monitored and managed. The Group has therefore maintained its current indicators but has revised their definition in order to neutralise the pure accounting effects of IFRS 16, particularly in its Travel Retail business, as follows:

- **Recurring operating profit of fully consolidated companies**

In calculating recurring operating profit of fully consolidated companies, profit before finance costs and tax will be adjusted in order to strip out the impact of IFRS 16 on concession agreements.

  - The expected positive impact of €57 million on profit before finance costs and tax for 2018 will be cancelled out in an amount of €41 million for concession agreements, resulting in a positive increase of €16 million in recurring operating profit of fully consolidated companies.

- **Free cash flow**

The increase in cash flow from operating activities will be cancelled out by adding the repayment of the lease liabilities and corresponding interest paid to the definition of free cash flow.

  - The estimated positive impact of €529 million on cash flow from operating activities in the restated 2018 financial statements will be cancelled out in full.

NOTE 2 SCOPE AND METHODS OF CONSOLIDATION

2.1 SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of the parent company as well as those of entities controlled by the parent company (subsidiaries), jointly-controlled entities (joint ventures) and entities in which the Group exercises significant influence over their management and financial policy decisions (associates). The Group does not have any unconsolidated structured entities.

In accordance with IFRS 10, subsidiaries are all controlled entities. Control results from the following three elements, regardless of the ownership interest held in an entity: (i) the power to direct the entity's key activities (operating and financial activities), (ii) exposure, or rights, to variable returns from the involvement with the entity, and (iii) the ability to use power over the entity to affect the amount of returns from the investment in the entity. For the purpose of assessing power, only substantive rights and rights that are not protective are considered. Substantive rights, such as those conferred in shareholder agreements, are rights that are exercisable when decisions about the direction of key activities need to be made.

A joint venture is an arrangement over which the Group and another party, or parties, have contractually agreed joint control and have rights to the assets, and obligations for the liabilities, relating to the arrangement. Decisions concerning the key activities of a joint venture are submitted to a unanimous vote of Lagardère and its joint venturers.

Associates are entities over which the Group exercises significant influence, i.e., when it has the power to participate in financial and operating decisions but does not have control or joint control. Significant influence is presumed to exist when the Group holds, directly or indirectly, 20% or more of the entity's capital.

2.2 CONSOLIDATION METHODS

The consolidation methods used are as follows:

► **Full consolidation** – All subsidiaries controlled by Lagardère are fully consolidated. The full consolidation method consists of combining the financial statements line by line and recognising minority interests in the net assets of each subsidiary on a separate line in equity and on separate lines in the income statement and comprehensive statement of income. Any changes in Lagardère's ownership interest in a subsidiary that does not result in a loss of control is recognised directly in equity (see note 3.8).

► **Equity method –** Joint ventures and associates are accounted for using the equity method. Under this method, the investment is initially recognised at cost and is adjusted thereafter for the post-acquisition change in the Group's share of the entity's net assets. If the Group's share of losses of an equity-accounted entity equals or exceeds its interest in that entity, its interest is reduced to zero. After the Group's interest has been reduced to zero, additional losses are provided for only to the extent that the Group has incurred legal or constructive obligations in relation to such losses.

A list of consolidated companies is provided in note 38.

2.3 CLOSING DATES

The financial statements of all consolidated subsidiaries were closed at 31 December.

2.4 TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

The financial statements of foreign subsidiaries are translated into euros as follows:

- balance sheet items are translated using official year-end exchange rates;
- income statement items are translated using average exchange rates for the year.

The resulting exchange differences are recognised as a separate component of equity, under "Translation reserve".

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are considered as assets and liabilities of the subsidiary concerned. They are therefore measured in the subsidiary's functional currency and translated at the year-end exchange rate. When a foreign subsidiary is sold, cumulative exchange differences recognised in equity are reclassified into profit.

2.5 INTRA-GROUP BALANCES AND TRANSACTIONS

Intra-group balances and transactions are eliminated on consolidation. Impairment losses deducted from the carrying amount of investments in and receivables from consolidated companies are cancelled by adjusting equity, and movements for the year are neutralised in the income statement.

NOTE 3 ACCOUNTING PRINCIPLES AND VALUATION METHODS

3.1 REVENUE

Revenue includes sales of products and services resulting from contracts with customers and is recognised whenever control of the promised goods or services is transferred to the customer in an amount that reflects the consideration to which the entity expects to be entitled for those goods or services.

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.

When a right of return is granted to distributors for unsold items, estimates of the amount of returns are recognised as a refund liability within other current liabilities for the portion relating to the decrease in revenue, or as a refund asset within inventories other current assets, respectively for the portions relating to inventories and advances paid to authors. The refund liability recognised as a deduction from revenue is estimated on the basis of forecast sales during the year and of historical data regarding returns. 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.

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 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 MEASURES USED BY THE GROUP

Lagardère uses alternative performance measures 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 measure 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

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= Recurring operating profit

Less:

- Income from equity-accounted companies before impairment losses

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= 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 2018 and 2017 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 28.

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 year 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 at the reporting date 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.

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 carried at fair value through profit or loss, except for certain equity instruments which may be carried at fair value through other comprehensive income, where at the first-time application date for IFRS 9 the Group has made an irrevocable election to do so on initial recognition. In this case, changes in fair value carried in other comprehensive income are not reclassified to profit or loss even when the related instruments are sold (only dividend income is included in profit or loss).

Since shares in venture capital funds (FCPR) do not meet the criteria for classification at fair value through other comprehensive income that may not subsequently be reclassified, they are carried at fair value through profit or loss.

Loans and receivables

Non-current loans and receivables are measured at amortised cost, calculated using the effective interest method. Upon initial recognition, impairment is systematically recognised to the extent of any credit losses expected to result from events that could occur in the next 12 months. If there has been a significant deterioration in the counterparty's credit quality, the initial impairment loss is increased to cover the full amount of expected losses over the remaining term of the receivable.

Trade receivables and operating receivables are carried at amortised cost and are impaired based on the IFRS 9 simplified model. Impairment amounts are determined differently for each business:

- Individual impairment assessed on a case-by-case basis taking into account (i) the counterparty's risk profile; (ii) historical probabilities of default; (iii) probabilities of default supplied by rating agencies; (iv) any credit insurance; and (v) estimated losses for receivables in respect of which a credit event has been identified.
- Collective impairment assessed on a statistical basis (primarily in Lagardère Publishing) using an impairment matrix based on an aged receivables analysis and expected losses.

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 significant 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 hedged item offsets an opposite change in the fair value of the hedging instrument.

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.

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, ASSOCIATED LIABILITIES AND DISCONTINUED OPERATIONS

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, and are no longer amortised. Assets held for sale and the associated liabilities are respectively presented on specific lines in the consolidated balance sheet.

When the disposal group held for sale represents a reportable segment or is part of a coordinated plan to sell a reportable segment, it is accounted for as a discontinued operation, with the associated profit and each category of cash flows shown on separate lines of the income statement and statement of comprehensive income.

3.21 CONTRACT ASSETS AND LIABILITIES

Estimating the amount of revenue earned in a given reporting period results in a time lag between the date the services are rendered and the date the company has the right to receive payment from the customer. This difference results in the recognition of contract assets, while conversely, payments received from customers before all or part of the corresponding services have been provided give rise to contract liabilities.

NOTE 4 MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

4.1 2018

The main changes in the scope of consolidation in 2018 were as follows:

Lagardère Publishing

- Full consolidation over 12 months in 2018 of the publishing business of Jessica Kingsley Publishers, Books, which specialises in humanities and social sciences and was acquired by Hachette UK in November 2017.
- Full consolidation by Hachette UK over 12 months in 2018 of Summersdale, an illustrated book publisher acquired in November 2017.

Lagardère Travel Retail

- Acquisition on 19 November 2018 by HDS Retail North America of the Hojeij Branded Foods (HBF) group, a leading Foodservice operator on the Travel Retail market in North America. HBF was consolidated in the Group's financial statements as from December 2018.

Lagardère Active

- Full consolidation over a nine-month period in 2018 of Skyhigh TV, the leading independent production company in the Netherlands, further to the acquisition of 52% of the share capital in March 2018.
- Disposal by the Lagardère group of its equity-accounted 42% stake in the Marie Claire group in June 2018.
- Sale in July 2018 of the 73% stake in MonDocteur, fully consolidated up to June 2018.
- Sale by Lagardère Active Radio International of radio operations in the Czech Republic, Poland, Slovakia and Romania to Czech Media Invest in July 2018. These operations were fully consolidated up to June 2018.
- Sale in October 2018 of Doctissimo, fully consolidated up to September 2018.

4.2 BUSINESS COMBINATIONS

Hojeij Branded Foods (HBF)

On 19 November 2018, HDS Retail North America LLC closed the acquisition of the entire share capital of North Haven HBF Holdings LLC, the Hojeij Branded Foods (HBF) holding company for a total cash consideration of approximately USD 355 million (representing USD 330 million in enterprise value), or €311 million. Further to this acquisition, the Group holds 45 fully consolidated entities and three equity-accounted entities in which, in accordance with US legislation (Airport Concessions Disadvantaged Business Enterprises (ACDBE) Program), minority partners are integrated into the capital. Based in Atlanta in the United States, HBF is a leading Foodservice operator in the Travel Retail segment in North America.

The preliminary allocation of the purchase price led to the recognition of €151 million in provisional goodwill (equivalent euro value at 31 December 2018), chiefly reflecting the value of the expected synergies between Lagardère Travel Retail's existing businesses in North America, and HBF, and the capacity of the combination to develop in the future.

The purchase price for HBF was allocated to the identifiable assets and liabilities based on a preliminary estimate of fair value, as shown below (euro-equivalent amounts at the acquisition date):

(in millions of euros)	Hojeij Branded Foods (HBF)
Purchase price (A)	**311**
Provisional allocation of identifiable assets and liabilities	
Non-current assets(*)	202
Inventories, trade receivables and other assets	6
Cash and cash equivalents	14
Trade payables and other liabilities	(24)
Deferred taxes, net	(16)
Minority interests as a proportion of the net assets acquired(**)	(23)
Total identifiable assets and liabilities (B)	**159**
Provisional goodwill (euro equivalent at the acquisition date) (A-B)	**152**
Translation adjustments	(1)
Provisional goodwill (euro equivalent at 31 December 2018)	**151**

(*) Including €139 million in intangible assets, of which €119 million in respect of concession agreements (euro-equivalent amount at the acquisition date).

(**) There are minority shareholders with varying percentage interests in most Hojeij Branded Foods subsidiaries.

Acquisition-related costs amounting to approximately €2 million which were not included in the purchase price were taken to profit for the year under "Amortisation of acquisition-related intangible assets and other acquisition-related expenses".

The acquisition of HBF was initially recognised on a provisional basis at 31 December 2018. The final tax accounting for the assets acquired and liabilities assumed will be completed during 2019.

The net cash outflow in connection with the acquisition of HBF was approximately €297 million, breaking down as follows:

(in millions of euros)	Hojeij Branded Foods (HBF)
Purchase price	(311)
Cash and cash equivalents acquired	14
Net cash outflow related to the acquisition	**(297)**

For one month of activity, the revenue and attributable loss of HBF included in the consolidated financial statements respectively amounted to €23 million and €0.4 million (including the amortisation of intangible assets for €2 million).

Had this combination taken place on 1 January 2018, consolidated revenue would have been €190 million higher (i.e., full-year revenue of €213 million in 2018 for HBF).

4.3 ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

As part of its strategic refocusing around two priority areas (Lagardère Publishing and Lagardère Travel Retail) announced in spring 2018, Lagardère Active has restructured to transform its business into several standalone units. The new structure of Lagardère Active includes five business units (News, Press, TV, Audiovisual distribution and production, and Pure Players & B2B).

All goodwill and non-current assets with indefinite useful lives were tested for impairment in accordance with IAS 36.

Goodwill was allocated to each business unit based on the percentage of discounted cash flows they represent.

With the exception of the News unit, which includes radio operations in France (Europe 1, Virgin Radio and RFM), *Paris Match*, *Le Journal du Dimanche*, advertising sales brokerage and the management of Elle brand licences, each unit will leverage the opportunities best enabling it to continue its development. Certain assets were already sold during the year in this regard. The sale of the Radio businesses in the Czech Republic, Poland, Slovakia and Romania was finalised in July 2018, while the sale of the e-Health business was completed in October 2018.

At 31 December 2018, other assets are in the process of being sold by Lagardère Active.

Each divestment process was reviewed in order to determine whether the related assets and liabilities met the criteria for classification as held for sale, as described in note 3.20.

The following disposal groups, which are the subject of individual divestment processes, were classified as assets held for sale and associated liabilities:

- **Magazine Publishing titles in France**: corresponds to Magazine Publishing France titles including *Société de Presse Féminine*, except for *Paris Match* and *Le Journal du Dimanche*, and the *Elle* brand licensing business. The effective date of the sale of the Press business to the Czech Media Invest group was 14 February 2019.
- **Audiovisual production**: The group of assets relating to this business is available for sale in its current form and is actively marketed. The Group considers that the sale will take place in 2019.
- **TV channels with the exception of Mezzo**: The Group entered into exclusive negotiations with the M6 group for the sale of the assets relating to this business on 31 January 2019.
- **Digital (including BilletReduc, Plurimedia and boursier.com)**: The assets relating to this business were sold in January and February 2019.
- **International Radio (Jacaranda and its advertising sales brokerage firm Mediamark)**: The sale of Jacaranda was finalised on 11 February 2019, while Mediamark's sale is subject to local regulatory clearance.

Measurement

Since the carrying amount of Magazine Publishing France assets and liabilities exceeded their sale value less associated costs, a write-down of €24 million was recognised at 31 December 2018. This write-down was taken against the overall goodwill allocated to the Press group of CGUs (see note 10). Residual goodwill represents €7 million.

The carrying amounts of the Digital and International Radio Eastern Europe CGUs (sold in July 2018) was also written down by €3 million and €2 million respectively, in order to bring it into line with the sale price less associated costs. The write-downs were taken against the goodwill assigned to these CGUs.

No write-downs were taken against the TV channels disposal group in light of the purchase offers received.

The estimated sale value of Audiovisual production assets is higher than the net carrying amount of those assets.

The table below provides a breakdown by balance sheet item, along with the contribution of each of the disposal groups to revenue and recurring operating profit of fully consolidated companies:

ASSETS (in millions of euros)	Magazine Publishing France titles	Audiovisual production	TV channels	Digital	International Radio	Total at 31 December 2018
Intangible assets	53	10	21	1	-	**85**
Goodwill	32	99	79	20	3	**233**
o/w allocation of overall goodwill	*31*	*35*	*30*	-	-	***96***
o/w impairment loss resulting from the classification within assets as held for sale	*(24)*	-	-	*(3)*	-	***(27)***
Property, plant and equipment	2	5	2	-	-	**9**
Investments in equity-accounted companies	-	-	-	-	2	**2**
Other non-current assets	-	-	-	-	2	**2**
Deferred tax assets	8	4	1	1	-	**14**
Total non-current assets	**95**	**118**	**103**	**22**	**7**	**345**
Inventories	6	28	20	-	-	**54**
Trade receivables	77	95	26	5	1	**204**
Other current assets	25	22	19	2	-	**68**
Cash and cash equivalents	21	4	2	1	-	**28**
Total current assets	**129**	**149**	**67**	**8**	**1**	**354**
Assets held for sale	**224**	**267**	**170**	**30**	**8**	**699**
EQUITY AND LIABILITIES (in millions of euros)						
Provisions for pensions and other post-employment benefit obligations	18	2	1	1	-	**22**
Non-current provisions for contingencies and losses	2	1	1	-	-	**4**
Non-current debt	-	20	-	-	-	**20**
Other non-current liabilities	-	1	-	-	-	**1**
Deferred tax liabilities	8	1	5	-	-	**14**
Total non-current liabilities	**28**	**25**	**7**	**1**	**-**	**61**
Current provisions for contingencies and losses	12	5	1	-	-	**18**
Current debt	7	2	-	-	-	**9**
Trade payables	61	67	32	10	-	**170**
Other current liabilities	77	58	16	4	-	**155**
Total current liabilities	**157**	**132**	**49**	**14**	**-**	**352**
Liabilities related to assets held for sale	**185**	**157**	**56**	**15**	**-**	**413**
2018 revenue	**239**	**215**	**99**	**22**	**1**	**576**
2018 recurring operating profit	**22**	**19**	**23**	**3**	**1**	**68**

Total gains and losses recognised in equity in respect of groups of assets held for sale at 31 December 2018 represented a net loss of €4 million, including €3 million in translation losses and €1 million in actuarial losses on provisions for pensions and other post-employment benefit obligations.

4.4 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 2018 financial statements was a pre-tax capital gain of €2 million.
- 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 points of sale 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.

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, and Foodservice.
- 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

2018 income statement

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment	Other Activities	Total
Revenue	2,263	3,673	895	438	-	7,269
Inter-segment revenue	(11)	-	-	-	-	(11)
Consolidated revenue	**2,252**	**3,673**	**895**	**438**	**-**	**7,258**
Other income from ordinary activities	7	25	46	-	5	83
Total income from ordinary activities	**2,259**	**3,698**	**941**	**438**	**5**	**7,341**
Recurring operating profit (loss) of fully consolidated companies	**190**	**119**	**75**	**30**	**(13)**	**401**
Income from equity-accounted companies before impairment losses	1	2	1	-	-	4
Recurring operating profit (loss)	**191**	**121**	**76**	**30**	**(13)**	**405**
Restructuring costs	(21)	(6)	(44)	(8)	-	(79)
Gains (losses) on disposals	-	(3)	207	-	1	205
Disposals of assets	-	*(3)*	*207*	-	*1*	*205*
Fair value adjustments due to change in control	-	-	-	-	-	-
Impairment losses(*)	-	(4)	(40)	(2)	(1)	(47)
Fully consolidated companies	-	*(4)*	*(40)*	*(2)*	*(1)*	*(47)*
Equity-accounted companies	-	-	-	-	-	-
Amortisation of acquisition-related intangible assets	(5)	(59)	-	(2)	-	(66)
Acquisition-related expenses	-	(2)	(3)	-	(2)	(7)
Purchase price adjustments	-	2	1	(5)	-	(2)
Profit (loss) before finance costs and tax	**165**	**49**	**197**	**13**	**(15)**	**409**
Items included in recurring operating profit (loss)						
Depreciation and amortisation of property, plant and equipment and intangible assets	(31)	(111)	(8)	(51)	(1)	(202)
Cost of share option plans	(3)	(2)	(5)	(1)	(2)	(13)

(*) Impairment losses on goodwill, property, plant and equipment and intangible assets.

2017 income statement

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment	Other Activities	Total
Revenue(*)	2,300	3,412	929	454	-	7,095
Inter-segment revenue	(11)	-	-	-	-	(11)
Consolidated revenue(*)	**2,289**	**3,412**	**929**	**454**	**-**	**7,084**
Other income from ordinary activities(*)	5	46	39	-	4	94
Total income from ordinary activities(*)	**2,294**	**3,458**	**968**	**454**	**4**	**7,178**
Recurring operating profit (loss) of fully consolidated companies(*)	**210**	**112**	**70**	**22**	**(15)**	**399**
Income from equity-accounted companies before impairment losses	1	1	1	-	-	3
Recurring operating profit (loss)	**211**	**113**	**71**	**22**	**(15)**	**402**
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)
Purchase price adjustments	-	-	-	-	-	-
Profit before finance costs and tax(*)	**196**	**23**	**19**	**9**	**28**	**275**
Items included in recurring operating profit (loss)						
Depreciation and amortisation of property, plant and equipment and intangible assets(*)	(29)	(105)	(12)	(46)	(1)	(193)
Cost of share option plans	(4)	(2)	(3)	(1)	(3)	(13)

(*) Data restated for the retrospective application of IFRS 15 (see note 1.1).

(**) Impairment losses on goodwill, property, plant and equipment and intangible assets.

2018 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	183	283	(6)	109	(9)	560
Income taxes paid	(40)	(21)	(79)	(8)	71	(77)
Net cash from (used in) operating activities	**143**	**262**	**(85)**	**101**	**62**	**483**
Net cash from (used in) investing activities relating to intangible assets and property, plant and equipment	(42)	(127)	216	(58)	(1)	(12)
- Purchases	*(43)*	*(130)*	*(34)*	*(62)*	*(1)*	*(270)*
- Proceeds from disposals	*1*	*3*	*250*	*4*	*-*	*258*
Free cash flow	**101**	**135**	**131**	**43**	**61**	**471**
Net cash from (used in) investing activities relating to investments	(13)	(305)	129	-	(8)	(197)
- Purchases	*(13)*	*(308)*	*(12)*	*(1)*	*(6)*	*(340)*
- Proceeds from disposals	*-*	*3*	*141*	*1*	*(2)*	*143*
Interest received	1	1	1	-	2	5
(Increase) decrease in short-term investments	-	-	-	-	-	-
Net cash from (used in) operating and investing activities	**89**	**(169)**	**261**	**43**	**55**	**279**

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	79	(18)	465
Income taxes paid	(60)	(24)	(33)	(6)	34	(89)
Net cash from (used in) operating activities(*)	**104**	**184**	**(1)**	**73**	**16**	**376**
Net cash from (used in) investing activities relating to intangible assets and property, plant and equipment(*)	(46)	(137)	(8)	(57)	155	(93)
- Purchases(*)	*(46)*	*(138)*	*(8)*	*(59)*	*(2)*	*(253)*
- 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**

(*) Data restated for the retrospective application of IFRS 15 (see note 1.1).

Balance sheet at 31 December 2018

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment	Other Activities and eliminations	Total
Segment assets	2,923	2,435	379	1,012	(20)	6,729
Investments in equity-accounted companies	28	37	3	4	1	73
Segment liabilities	(1,640)	(1,003)	(443)	(740)	114	(3,712)
Capital employed	**1,311**	**1,469**	**(61)**	**276**	**95**	**3,090**
Assets held for sale and associated liabilities	**-**	**-**	**-**	**-**	**-**	**286**
Net cash and cash equivalents (net debt)	**-**	**-**	**-**	**-**	**-**	**(1,375)**
Equity	**-**	**-**	**-**	**-**	**-**	**2,001**

Balance sheet at 31 December 2017

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment	Other Activities and eliminations	Total
Segment assets(*)	2,791	2,100	1,198	843	15	6,947
Investments in equity-accounted companies	27	33	58	4	1	123
Segment liabilities(*)	(1,560)	(914)	(817)	(535)	42	(3,784)
Capital employed(*)	**1,258**	**1,219**	**439**	**312**	**58**	**3,286**
Assets held for sale and associated liabilities	**-**	**-**	**-**	**-**	**-**	**6**
Net cash and cash equivalents (net debt)	**-**	**-**	**-**	**-**	**-**	**(1,368)**
Equity(*)	**-**	**-**	**-**	**-**	**-**	**1,924**

(*) Data restated for the retrospective application of IFRS 15 (see note 1.1).

5.2 INFORMATION BY GEOGRAPHICAL SEGMENT

Revenue

	2018	2017(*)
France	2,286	2,322
European Union (excl. France)	2,455	2,373
Other European countries	161	101
United States and Canada	1,495	1,440
Middle East	22	28
Asia-Pacific	673	645
Other (Africa, Latin America)	166	175
Total	**7,258**	**7,084**

(*) Data restated for the retrospective application of IFRS 15 (see note 1.1).

Segment assets

	31 Dec. 2018	31 Dec. 2017(*)
France	1,874	2,550
European Union (excl. France)	2,181	2,171
Other European countries	48	51
United States and Canada	2,139	1,723
Middle East	8	7
Asia-Pacific	432	403
Other (Africa, Latin America)	47	42
Total	**6,729**	**6,947**

(*) Data restated for the retrospective application of IFRS 15 (see note 1.1).

Purchases of intangible assets and property, plant and equipment

	2018	2017(*)
France	83	61
European Union (excl. France)	89	97
Other European countries	3	5
United States and Canada	42	45
Middle East	2	3
Asia-Pacific	47	41
Other (Africa, Latin America)	4	1
Total	**270**	**253**

(*) Data restated for the retrospective application of IFRS 15 (see note 1.1).

NOTE 6 REVENUE

Revenue increased by 2.5% in 2018 on a consolidated basis and by 3.3% based on a comparable Group structure and exchange rates (like-for-like).

The like-for-like change in revenue is calculated by comparing:

- 2018 revenue to exclude companies consolidated for the first time during the year, and 2017 revenue to exclude companies divested in 2018;
- revenue for 2017 and revenue for 2018 adjusted based on the exchange rates applicable in 2017.

The difference between consolidated and like-for-like data is attributable to a €110 million negative foreign exchange effect resulting mainly from the depreciation of the US dollar, and to a €52 million positive scope effect, breaking down as:

- a €102 million positive impact from acquisitions carried out mainly by Lagardère Publishing (consolidation of Jessica Kingsley representing a positive €8 million impact, of Summersdale representing a positive €7 million, of Kyle Cathie representing a positive €5 million, of Worthy Publishing representing a positive €4 million and of Bookouture representing a positive €3 million; by Lagardère Travel Retail (consolidation of HBF in the United States representing a positive €23 million impact and to a lesser extent of Duty Free operations in Poland representing a positive €4 million and of Travel Essentials in the Czech Republic representing a positive €5 million), by Lagardère Active (consolidation of Skyhigh TV in the Netherlands representing a positive €12 million impact and of Aito Media Group in Finland representing a positive €6 million, and by Lagardère Sports and Entertainment (consolidation of Brave Marketing in the United Kingdom representing a positive €10 million impact);
- a €50 million negative impact of disposals, primarily carried out by Lagardère Travel Retail (divestment of Press Distribution activities in Hungary representing a negative €11 million impact) and by Lagardère Active (divestment of Radio operations in the Czech Republic, Slovakia, Poland and Romania representing a negative €30 million, of MonDocteur representing a negative €3 million and of Doctissimo representing a negative €2 million.

Revenue breaks down as follows:

	2018	2017(*)
Lagardère Publishing	**2,252**	**2,289**
Education	318	367
Illustrated Books	289	290
General Literature	998	976
Partworks	275	279
Other	372	377
Lagardère Travel Retail	**3,673**	**3,412**
Travel Essentials	1,566	1,500
Duty Free & Fashion	1,483	1,340
Foodservice	624	561
Distribution	-	11
Lagardère Active	**895**	**929**
Press	371	396
International Radio	30	57
French Radio	125	131
TV channels	110	109
Audiovisual production	215	192
Other	44	44
Lagardère Sports and Entertainment	**438**	**454**
Marketing rights	208	202
Media rights	71	100
Lagardère Live Entertainment	42	45
Other	117	107
Total	**7,258**	**7,084**

(*) Data for 2017 restated for the retrospective application of IFRS 15 (see note 1.1).

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:

	2018	2017
Lagardère Publishing	7,413	7,318
Lagardère Travel Retail	15,253	15,231
Lagardère Active	3,689	4,244
Lagardère Sports and Entertainment	1,548	1,596
Other Activities	141	154
Total	**28,044**	**28,543**

7.2 PAYROLL COSTS

	2018	2017(*)
Wages and salaries	1,420	1,374
Payroll taxes	283	280
Share-based payments	13	13
Total	**1,716**	**1,667**

(*) Data for 2017 restated for the retrospective application of IFRS 15 (see note 1.1).

7.3 SHARE-BASED PAYMENTS

In accordance with the principles described in note 3.5 "Share-based payments", free shares awarded were measured at fair value at the grant date.

Free share award plans

From 2015 to 2018, the Group set up plans to award free shares to employees, the Co-Managing Partners and members of the Enlarged Committee (the Lagardère Media Operating Committee up to May 2016).

- 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;
- 16 April 2018 plans: 812,460 shares.

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, 6 April 2017 and 16 April 2018 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 9 May 2016, 6 April 2017 and 16 April 2018 plans, the shares will only vest subject to:

- the beneficiaries remaining with the Group until at least 9 May 2019, 6 April 2020 and 17 April 2021 respectively under the 2016, 2017 and 2018 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 2018 and 2017 financial statements were as follows:

	Free shares			
	16 April 2018 Plan	6 April 2017 Plan	9 May 2016 Plan	1 April 2015 Plan
Share price at grant date	€23.13	€27.51	€22.01	€27.79
Expected dividend payout rate	5.6%	4.7%	5.9%	4.7%

Share-based payment expense recognised by fully consolidated companies amounted to €13 million in both 2018 and 2017.

NOTE 8 RESTRUCTURING COSTS

2018

In 2018, restructuring costs amounted to €79 million and chiefly related to the implementation of streamlining programmes and cost reduction plans in the operating divisions, as follows:

- €44 million at Lagardère Active, mainly stemming from the reorganisation of the division into standalone units and winding down the corporate function; and
- €21 million at Lagardère Publishing, relating mainly to the streamlining of distribution centres in the United Kingdom;
- €8 million at Lagardère Sports and Entertainment, mainly in connection with the reorganisation of activities in Europe;
- €6 million at Lagardère Travel Retail, essentially in Australia, New Zealand and Germany.

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.

NOTE 9 CAPITAL GAINS AND LOSSES

2018

In 2018, the Group recorded a net gain of €205 million relating to the following major transactions:

- a €245 million pre-tax gain on the sale in May 2018 of an office building in the eighth *arrondissement* of Paris (France) that previously hosted Lagardère Active's Radio and TV channel teams; and
- a €40 million pre-tax loss booked on the disposal in June 2018 of the Group's 42% interest in the Marie Claire group, also at Lagardère Active.
- a €3 million pre-tax gain on the disposal by Lagardère Active of MonDocteur, Doctissimo and Radio operations in the Czech Republic, Poland, Slovakia and Romania.

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.

NOTE 10 IMPAIRMENT LOSSES ON GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The impairment losses recorded in 2018 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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Lagardère Publishing	14	14	975	945	36	36	1,011	981
Lagardère Travel Retail	11	10	355	200	73	51	428	251
Lagardère Active:	27	32	118	489	24	102	142	591
- Press	*3*	*3*	*99*	*159*	*5*	*59*	*104*	*218*
- Audiovisual	*20*	*25*	*14*	*246*	*19*	*42*	*33*	*288*
- Digital	*4*	*4*	*5*	*84*	*-*	*1*	*5*	*85*
Lagardère Sports and Entertainment	2	2	176	175	12	11	188	186
Total	**54**	**58**	**1,624**	**1,809**	**145**	**200**	**1,769**	**2,009**

Goodwill and non-current assets with indefinite useful life classified as held for sale are broken down by group of CGUs in note 4.3.

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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Lagardère Publishing	**14**	**14**	**975**	**945**	**36**	**36**	**1,011**	**981**
Editis group	4	4	232	232	2	2	234	234
Hachette UK Holding group	1	1	300	291	22	22	322	313
Hachette Book Group (United States)	1	1	301	284	-	-	301	284
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	30	26	12	12	41	38
Lagardère Travel Retail	**11**	**10**	**355**	**200**	**73**	**51**	**428**	**251**
North America (Paradies and HBF)	2	1	269	112	72	50	341	162
Pacific	1	1	29	30	-	-	29	30
Czech Republic	1	1	33	34	-	-	33	34
France	3	3	12	12	-	-	12	12
Asia	1	1	8	8	-	-	8	8
Other	3	3	4	4	1	1	5	5
Lagardère Active	**27**	**32**	**118**	**489**	**24**	**102**	**142**	**591**
Press	**3**	**3**	**99**	**159**	**5**	**59**	**104**	**218**
Lagardère Active	1	1	93	124	-	-	93	124
Société de Presse Féminine	1	1	-	23	-	2	-	25
Magazine Publishing France	1	1	6	12	5	57	11	69
Audiovisual	**20**	**25**	**14**	**246**	**19**	**42**	**33**	**288**
Lagardère Active Broadcast	-	1	-	63	-	-	-	63
French Radio	1	-	12	-	-	-	10	-
International Radio	-	5	-	46	-	-	2	46
Audiovisual production	14	14	-	62	-	3	-	65
RFM	1	1	-	-	16	16	16	16
Lagardère Active TV	1	1	-	24	-	1	-	25
TV channels	3	3	2	51	3	22	5	73
Digital	**4**	**4**	**5**	**84**	**-**	**1**	**5**	**85**
E-health	1	1	5	55	-	-	5	55
Newsweb	1	1	-	11	-	-	-	11
BilletReduc.com	1	1	-	16	-	-	-	16
Plurimedia	1	1	-	2	-	1	-	3
Lagardère Sports and Entertainment	**2**	**2**	**176**	**175**	**12**	**11**	**188**	**186**
Sports	1	1	150	149	12	11	162	160
Live Entertainment	1	1	26	26	-	-	26	26
Total	**54**	**58**	**1,624**	**1,809**	**145**	**200**	**1,769**	**2,009**

Allocation of goodwill in the Lagardère Active division

At the end of 2018, in light of the restructuring of Lagardère Active businesses into standalone units, goodwill relating to the Press CGU of Lagardère Active, Lagardère Active Broadcast and Lagardère Active TV was allocated to the CGUs relating to these business units. Consequently:

- €31 million from the Lagardère Active Press CGU was allocated to Magazine Publishing France titles held for sale;
- €63 million from the Lagardère Active Broadcast CGU and €24 million from the Lagardère Active TV CGU were allocated as follows: €35 million to Audiovisual production, €30 million to TV channels, €12 million to French Radio and €10 million to International Radio.

Goodwill relating to the Lagardère Active division was tested for impairment within the scope of annual impairment testing. No impairment was recognised except against Shopcade goodwill included in the Magazine Publishing France CGU, written down in an amount of €4 million.

Groups of assets classified as held for sale at 31 December 2018 include the amount of goodwill allocated in the year (see note 4.3) and were measured in accordance with IFRS 5.

Impairment tests

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 2018, 2017 and 2016:

	Discount rate			Perpetuity growth rate		
	2018	2017	2016	**2018**	2017	2016
Lagardère Publishing(*)	**6.53%**	6.09%	6.78%	**1.50%**	1.50%	2.00%
Lagardère Travel Retail:						
Travel Retail	**5.01%**	4.91%	5.56%	**2.50%**	2.50%	2.50%
Distribution	**N/A**	N/A	5.56%	**N/A**	N/A	0.00%
Lagardère Active:						
Press	**6.42%**	6.01%	7.09%	**0.00%**	0.00%	0.00%
Audiovisual	**5.89%**	5.82%	6.32%	**1.50%**	1.50%	1.50%
Digital	**5.89%**	5.82%	6.32%	**2.00%**	2.00%	2.00%
Lagardère Sports and Entertainment:						
Europe/United States	**5.97%**	5.60%	6.16%	**2.00%**	2.00%	2.00%
Asia	**5.97%**	5.60%	6.16%	**2.00%**	2.50%	2.50%

(*) A perpetuity growth rate of 2.00% was used for certain Digital activities at Lagardère Publishing.

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 2018 compared with 2017, or in those used in 2017 compared with 2016.

Recognised impairment losses

Total impairment losses recognised by consolidated companies in 2018 amounted to €47 million, including €41 million for goodwill, €3 million for property, plant and equipment, mainly at Lagardère Travel Retail, and €3 million for intangible assets, chiefly at Lagardère Sports and Entertainment. The main impairment losses on goodwill break down as follows:

- €24 million to write down a portion of the goodwill allocated to the Lagardère Active CGU in the Press business following the classification of a portion of goodwill within assets held for sale in an amount of €31 million (see note 4.3);
- €9 million to write down a portion of the goodwill allocated to Newsweb (Lagardère Active), including €6 million recognised in June 2018 and €3 million further to the classification of the CGU within assets held for sale (see note 4.3);
- €4 million to write down the goodwill allocated to Shopcade within the Magazine Publishing France CGU, following the decision to discontinue the business.

Total impairment losses recognised 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 broke 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 had been 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.

Sensitivity of impairment tests to changes in key budget assumptions

The operating forecasts contained in the Group's budgets are based on assumptions. Changes in these assumptions directly impact the calculation of value in use and may give rise to the recognition of impairment losses or influence the amount of any impairment recognised.

The key assumptions used for the forecasts relate to expected developments in the following main areas:

- Publishing: market trends, market share and profit margins; overhead rates determined based on established action plans.
- Active: advertising market trends and market share for all media (radio, television, press and Internet); market trends for the Magazine Publishing business in France, including the impact on advertising revenue; changes brought about by the switch to digital; and the cost of paper. In light of the Group's planned divestments, the brand licensing market was adopted as a key assumption in 2019 to assess the value of continuing Press assets.

- Travel Retail: passenger volumes and average spend per customer for each platform (airports, railway stations, etc.); lease payments for retail points of sale.
- 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

- Brand licensing revenue

Brand licensing revenue, relating particularly to Elle, was included in the budget plans taking into account expected revenue trends for the next three years.

For the period beyond the years covered by the budget, a change corresponding to an annual decrease of 3% in brand licensing revenue compared with the assumptions used at end-2018 would result in an additional €7 million impairment loss, excluding the impact of any corporate cost reduction measures that may be implemented. At 31 December 2018, the residual amount of goodwill and intangible assets with indefinite useful lives for all Press CGUs amounted to €104 million.

Lagardère Sports and Entertainment

Estimated future cash flows used in the budgets and business plans incorporate assumptions concerning the renewal of certain contracts covering around 10% of the total for the division (excluding holding company costs).

For Lagardère Sports and Entertainment, a 5% increase or decrease in future cash flows would have a positive or negative impact of approximately €24 million on the recoverable amount of the assets concerned. At 31 December 2018, the carrying amount of goodwill and intangible assets with indefinite useful lives allocated to this division was €188 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 2018 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 2017 and 2016.

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%	-	-	-	-	(3)	(6)	(18)	(29)	(61)
-0.5%	-	-	-	-	(1)	(3)	(9)	(21)	(32)
0%	-	-	-	-	-	(2)	(4)	(11)	(23)
+0.5%	-	-	-	-	-	-	(2)	(5)	(14)
+1%	-	-	-	-	-	-	(1)	(3)	(5)

(*) The discount rate used for the 2018 impairment tests was 6.53%.

At 31 December 2018, 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 €12 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 €61 million, including €28 million for Anaya-Bruño group, €16 million for the Hachette UK group and €6 million for Hatier.

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 2018 impairment tests was 5.01%.

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%	-	-	-	-	-	-	-	-	-
-0.5%	-	-	-	-	-	-	-	-	-
0%	-	-	-	-	-	-	-	-	-
+0.5%	-	-	-	-	-	-	-	-	-
+1%	-	-	-	-	-	-	-	-	-

(*) The discount rates used for the 2018 impairment tests were 6.42% for the Press CGU and 5.89% for the Audiovisual and Digital CGUs.

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%	-	-	-	-	-	-	-	-	(2)
-0.5%	-	-	-	-	-	-	-	-	-
0%	-	-	-	-	-	-	-	-	-
+0.5%	-	-	-	-	-	-	-	-	-
+1%	-	-	-	-	-	-	-	-	-

(*) The discount rate used for the 2018 impairment tests was 5.97%.

At 31 December 2018, 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 €2 million for the Live Entertainment CGU.

For the Sports CGU if a discount rate of 12.47% 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

	2018	2017
Net change in asset impairment losses	(1)	(41)
Foreign exchange losses	(7)	-
Financial expenses other than interest	(1)	(1)
Net additions to provisions for contingencies and losses	-	-
Other expenses	(18)	(19)
Total	**(27)**	**(61)**

The net change in asset impairment losses includes impairment losses for Lagardère Publishing taken against advances paid to authors totalling €16 million in 2018 and €46 million in 2017.

Other asset impairment losses relate to changes in impairment losses on trade receivables and inventories for Lagardère Publishing and Lagardère Sports and Entertainment.

Other expenses mainly comprise rental expenses in respect of retail premises sub-let to partners at a Chinese airport by Lagardère Travel Retail for which the associated income is billed and recognised in other operating income (see note 12).

NOTE 12 OTHER OPERATING INCOME

	2018	2017(*)
Foreign exchange gains	-	1
Net reversals of provisions for contingencies and losses	31	8
Operating subsidies and tax credits	26	25
Other income	39	28
Total	**96**	**62**

(*) Data for 2017 restated for the retrospective application of IFRS 15 (see note 1.1).

The amount recorded under "Other" mainly comprises sub-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:

	2018	2017
Interest income on loans	2	2
Investment income and gains on sales of marketable securities	4	3
Gains on derivative financial instruments acquired as hedges of net debt	5	5
Other financial income	9	3
Financial income	**20**	**13**
Interest expense on borrowings	(55)	(70)
Loss on derivative financial instruments acquired as hedges of net debt	(20)	(3)
Other financial expenses	(4)	(13)
Financial expenses	**(79)**	**(86)**
Total	**(59)**	**(73)**

Net finance costs amounted to €59 million for 2018, a decrease of €14 million on the prior-year period, chiefly reflecting the reduction in the Group's average interest rate between the two periods, further to the debt refinancing carried out in 2017.

NOTE 14 INCOME TAX

14.1 ANALYSIS OF INCOME TAX

Income tax breaks down as follows:

	2018	2017(*)
Current taxes	(102)	(72)
Deferred taxes	(32)	74
Total	**(134)**	**2**

(*) Data restated for the retrospective application of IFRS 15 (see note 1.1).

In 2018, the Group recorded income tax expense of €134 million, a €136 million increase on the 2017 figure, chiefly reflecting:

- an €83 million tax expense in 2018 on the sale of an office building in the eighth *arrondissement* of Paris (France) that previously hosted Lagardère Active's Radio and TV channel teams;
- €40 million relating to tax loss carryforwards recognised in 2017 in connection with the French tax consolidation group following an update of the forecast earnings contained in the budgets, which notably included the sale of a property complex;
- €19 million relating to a gain arising in 2017 on 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;
- €16 million in income arising in 2017 on the repayment of the dividend tax paid in France for financial years 2015 to 2017;
- €7 million in income arising in 2018 on the recognition of deferred tax relating to restructuring costs at Lagardère Active not yet disbursed;
- €5 million relating to the 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 2018 and 2017:

	2018	2017(*)
Profit before tax	350	202
(-) Income (loss) from equity-accounted companies	(4)	21
Profit of fully consolidated companies before tax	**346**	**223**
Theoretical tax expense(**)	(119)	(77)
Effect on theoretical tax expense of:		
Different tax bases for capital gains and losses	(15)	(5)
Different tax bases for impairment losses on goodwill and other intangible assets	(13)	(7)
Different tax rates on earnings of foreign subsidiaries	11	19
Tax credits and tax incentives	10	15
Limitation on deferred taxes	(5)	5
Effect of changes in tax rates on deferred taxes(***)	(1)	23
Tax loss carryforwards used (recognised) in the year(****)	-	(13)
Impact of deferred tax asset recognised on tax loss carryforwards(*****)	-	40
Non-recurring corporate surtax paid in France in 2017	-	(5)
Dividend tax and refund in 2017	-	11
Permanent differences and other items	(2)	(4)
Effective income tax benefit (expense)	**(134)**	**2**

(*) Data restated for the retrospective application of IFRS 15 (see note 1.1).

(**) Calculated at the French standard rate (34.43% in 2018 and 2017). The non-recurring corporate surtax applicable in France in 2017 has been treated as a permanent difference.

(***) 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.

(****) Tax losses for which no deferred tax assets were recognised.

(*****) This relates to the recognition in 2017 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.

14.3 DEFERRED TAXES RECOGNISED IN THE BALANCE SHEET

Deferred taxes recognised at 31 December 2018 and 2017 concerned the following assets and liabilities:

	31 Dec. 2018	31 Dec. 2017(*)
Intangible assets	(198)	(167)
Property, plant and equipment	(15)	(11)
Non-current financial assets	(13)	(36)
Inventories	14	15
Provisions for pension benefit obligations	31	36
Other provisions	66	71
Other working capital items	126	108
Temporary differences (gross amount)	**11**	**16**
Write-down of deferred tax assets	(138)	(141)
Temporary differences (net amount)	**(127)**	**(125)**
Tax loss carryforwards	55	97
Tax credits	-	-
Net deferred tax asset (liability)	**(72)**	**(28)**
Deferred tax assets	176	206
Deferred tax liabilities	(248)	(234)

(*) Data restated for the retrospective application of IFRS 15 (see note 1.1).

Tax loss carryforwards were available to the Group at 31 December 2018. The main amounts concern the French tax group headed by Lagardère SCA, which has tax loss carry forwards (tax basis) of more than €170 million.

14.4 CHANGES IN DEFERRED TAXES

	2018	2017(*)
Net deferred tax asset (liability) at 1 January	**(28)**	**(98)**
Income tax benefit (expense) recognised in the income statement	(32)	74
Deferred tax recognised directly in equity	1	(17)
Effect of change in scope of consolidation and exchange rates	(13)	13
Net deferred tax asset (liability) at 31 December	**(72)**	**(28)**

(*) Data restated for the retrospective application of IFRS 15 (see note 1.1).

The deferred income tax expense shown in the 2018 income statement mainly reflects the reversal of deferred tax assets on tax loss carryforwards in France amounting to €40 million, in connection with the utilisation of €116 million in loss carryforwards relating to the sale by Lagardère Active of an office building in the eighth *arrondissement* of Paris.

The negative €13 million effect in 2018 of changes in scope of consolidation and exchange rates was mainly attributable to the acquisition of the Hojeij Branded Foods group (see note 4.2).

Deferred taxes recognised directly in equity can be analysed as follows:

	31 Dec. 2018	31 Dec. 2017(*)
Investments in non-consolidated companies	-	-
Cash flow hedges	(4)	(7)
Actuarial gains and losses on pensions and other post-employment	21	23
Total	**17**	**16**

(*) Data restated for the retrospective application of IFRS 15 (see note 1.1).

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 free shares, when it is probable that they will vest at the vesting date set in the plan (specific case of performance shares).

	2018	2017(*)
Profit for the year attributable to owners of the Parent (in millions of euros)	**194**	**176**
Number of shares making up the share capital at 31 December	131,133,286	131,133,286
Treasury shares	(1,260,478)	(1,575,218)
Number of shares outstanding at 31 December	129,872,808	129,558,068
Average number of shares outstanding during the year	**129,715,438**	**129,369,390**
Basic earnings per share attributable to owners of the Parent (in euros)	**1.49**	**1.36**
Dilutive share options and free shares:		
Share options	-	-
Free shares	1,650,561	2,165,010
Average number of shares including dilutive share options and free shares	**131,365,999**	**131,534,400**
Diluted earnings per share attributable to owners of the Parent (in euros)	**1.47**	**1.34**

(*) Data for 2017 restated for the retrospective application of IFRS 15 (see note 1.1).

NOTE 16 GOODWILL

	2018	2017
At 1 January	**1,809**	**1,856**
Gross amount	3,050	3,092
Accumulated impairment losses	*(1,241)*	*(1,236)*
Acquisitions(*)	175	45
Goodwill written off following disposal or deconsolidation(**)	(101)	(4)
Impairment losses(***)	(41)	(13)
Translation adjustments	15	(78)
Classification within assets held for sale(****)	(233)	-
Other movements	-	3
At 31 December	**1,624**	**1,809**
Gross amount	2,668	3,050
Accumulated impairment losses	(1,044)	(1,241)

(*) Including for 2018: Hojeij Branded Foods Group for €152 million, Jessica Kingsley Publishers for €7 million, Summersdale for €4 million, Skyhigh TV for €4 million, La Plage for €3 million.

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 2018: International Radio operations for €50 million, MonDocteur for €38 million, Doctissimo for €13 million.

Including for 2017: Westview (Perseus) for €4 million.

(***) Including for 2018: Lagardère Active Press CGU for €24 million, Newsweb for €9 million, Shopcade for €4 million, International Radio operations for €3 million.

Including for 2017: FCube for €1 million.

(****) Including for 2018: Classification of Lagardère Active goodwill within assets held for sale (see note 4.3): Magazine Publishing France for €32 million, Audiovisual production for €99 million, TV channels for €79 million, Digital for €20 million, International Radio operations for €3 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 2017	**119**	**198**	**506**	**902**	**488**	**2,213**
Acquisitions	-	-	86	1	14	101
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**	**460**	**863**	**499**	**2,129**
Acquisitions	-	-	162	-	22	184
Changes in scope of consolidation	-	20	-	121	(18)	123
Disposals/Derecognition	(29)	11	-	-	(32)	(50)
Assets held for sale	(59)	(39)	-	-	(134)	(232)
Reclassifications	10	(10)	(64)	(2)	16	(50)
Translation adjustments	-	3	7	12	-	22
At 31 December 2018	**41**	**173**	**565**	**994**	**353**	**2,126**

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 2017	**(61)**	**(48)**	**(426)**	**(201)**	**(333)**	**(1,069)**
Amortisation	-	-	(37)	(59)	(25)	(121)
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)**	**(365)**	**(244)**	**(356)**	**(1,071)**
Amortisation	-	-	(40)	(59)	(27)	(126)
Impairment losses	-	(1)	(1)	-	(1)	(3)
Changes in scope of consolidation	-	-	-	-	16	16
Disposals/Derecognition	19	-	-	-	32	51
Assets held for sale	6	16	-	-	125	147
Reclassifications	-	(2)	62	-	5	65
Translation adjustments	-	(1)	(6)	(3)	1	(9)
At 31 December 2018	**(36)**	**(33)**	**(350)**	**(306)**	**(205)**	**(930)**

Carrying amounts

At 31 December 2017	**58**	**143**	**95**	**619**	**143**	**1,058**
At 31 December 2018	**5**	**140**	**215**	**688**	**148**	**1,196**

(*) Data for 2017 restated for the retrospective application of IFRS 15 (see note 1.1).

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:

2018 – Cost

	At 1 Jan. 2018	Acquisitions	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustments	At 31 Dec. 2018
Land	47	-	-	-	-	-	47
Buildings	383	26	(3)	(7)	65	(1)	463
Machinery and equipment	722	69	(15)	(77)	(16)	8	691
Other	493	51	57	(90)	(5)	(3)	503
Assets under construction(**)	76	38	(1)	-	(63)	1	51
Total	**1,721**	**184**	**38**	**(174)**	**(19)**	**5**	**1,755**

2018 – Depreciation and impairment losses

	At 1 Jan. 2018	Depreciation	Impairment losses(*)	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustments	At 31 Dec. 2018
Land	-	-	-	-	-	-	-	-
Buildings	(204)	(26)	-	3	6	(25)	1	**(245)**
Machinery and	(456)	(74)	(1)	12	73	10	(4)	**(440)**
Other	(328)	(42)	(2)	3	89	8	2	**(270)**
Assets under construction	-	-	-	-	-	-	-	-
Total	**(988)**	**(142)**	**(3)**	**18**	**168**	**(7)**	**(1)**	**(955)**
Carrying amounts	**733**	**42**	**(3)**	**56**	**(6)**	**(26)**	**4**	**800**

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	-	-	-	-	-	-	-	-
Buildings	(228)	(25)	(8)	14	10	29	4	(204)
Machinery and	(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**

(*) See note 10 for a breakdown of property, plant and equipment impairment.
(**) Assets under construction include property, plant and equipment and intangible assets.

Finance leases

The Group did not have any finance leases representing significant amounts at either 31 December 2018 or 31 December 2017.

NOTE 19 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

Investments in **associates and joint ventures** are accounted for under the equity method in the Group's consolidated financial statements. The Group's main equity-accounted companies are as follows:

	Joint shareholder	Main business	% interest 31 Dec. 2018	% interest 31 Dec. 2017	Balance sheet 31 Dec. 2018	Balance sheet 31 Dec. 2017	Income statement 2018	Income statement 2017
S.D.A. (Société de Distribution Aéroportuaire)	Aéroport de Paris	Travel Retail	45%	45%	12	11	1	2
Relay@ADP	Aéroport de Paris	Travel Retail	50%	50%	6	5	4	3
Lagardère & Connexions	SNCF Participations	Travel Retail	50%	50%	3	2	1	-
Other					4	4	(2)	-
Total joint ventures					**25**	**22**	**4**	**5**
Marie Claire (Holding Evelyne Prouvost)(*)		Magazine Publishing		42%		53	-	(24)
Editions J'ai lu		Publishing	35%	35%	17	17	1	1
Inmedio		Travel Retail	49%	49%	13	12	1	-
Yen Press		Publishing	49%	49%	10	9	-	-
Saddlebrook International Sports		Sports	30%	30%	4	4	-	-
Other					4	6	(2)	(3)
Total associates					**48**	**101**	**-**	**(26)**
Total investments in equity-accounted companies					**73**	**123**	**4**	**(21)**

(*) An impairment loss was recognised in 2017 in an amount of €24 million.

Movements in investments in equity-accounted companies can be analysed as follows:

	2018			2017		
	Total	Joint ventures	Associates	Total	Joint ventures	Associates
Investments in equity-accounted companies at beginning of year	**123**	**22**	**101**	**145**	**20**	**125**
Dividends paid(*)	(4)	(3)	(1)	(6)	(5)	(1)
Share in profit (loss)	4	4	-	3	5	(2)
Impairment losses(**)	-	-	-	(24)	-	(24)
Changes in other comprehensive income	-	(1)	1	(1)	1	(2)
First-time consolidations/ Acquisitions(***)	2	-	2	-	-	-
Deconsolidations/ Disposals(****)	(53)	1	(54)	(1)	(1)	-
Other	1	2	(1)	7	2	5
Investments in equity-accounted companies at end of year	**73**	**25**	**48**	**123**	**22**	**101**

(*) Including Relay ADP for €3 million in 2018 and SDA for €2 million in 2017.

(**) Including Marie Claire for €24 million in 2017.

(***) Including three equity-accounted entities at HBF for €2 million in 2018.

(****) Including the sales of Marie Claire representing a negative €54 million in 2018 and Hungaro Press representing a negative €1 million in 2017.

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 €1,280 million in 2018 versus €1,227 million in 2017. Fully consolidated entities invoiced joint ventures amounts of €474 million in 2018 and €447 million in 2017.

	Figures on a 100% basis		Lagardère's share (50%)	
	2018	2017	2018	2017
Total revenue	**1,280**	**1,227**	**640**	**614**
Group revenue with joint ventures	(474)	*(447)*	(237)	*(224)*
Adjusted revenue	806	780	403	390
Recurring operating profit	**18**	**21**	**9**	**11**
Profit before finance costs and tax	15	18	8	9
Profit before tax	14	17	7	9
Profit for the year	**13**	**12**	**7**	**6**
Net debt	**(90)**	**(73)**	**(45)**	**(37)**

Associates

Marie Claire

The Group disposed of its 42% stake in the Marie Claire group in June 2018 (see note 9).

NOTE 20 OTHER NON-CURRENT ASSETS

Other non-current assets

Other non-current assets break down as follows:

Carrying amount	31 Dec. 2018	31 Dec. 2017(*)
Investments in non-consolidated companies	30	48
Loans and receivables	76	76
Signing fees	85	77
Derivative financial instruments(**)	5	18
Total	**196**	**219**

(*) Data for 2017 restated for the retrospective application of IFRS 15 (see note 1.1).

(**) See note 30.1.

Investments in non-consolidated companies

investments in non-consolidated companies include the following:

	31 Dec. 2018		31 Dec. 2017	
Carrying amount	Carrying amount	% interest	Carrying amount	% interest
FCPI Idinvest Digital Fund II	11	7%	11	7%
Other	19		37	
Total	**30**		**48**	

The above investments are classified as investments in non-consolidated companies.

Fair value adjustments to available-for-sale investments represented a negative €1 million in 2018, recognised in equity. Cumulative fair value adjustments on investments in non-consolidated companies at 31 December 2018 amounted to a negative €1 million.

Loans and receivables

Loans and receivables can be analysed as follows:

Loans and receivables	31 Dec. 2018	31 Dec. 2017
Gross amount	105	100
Accumulated impairment losses	(29)	(24)
Carrying amount	**76**	**76**

Analysis of impairment losses	2018	2017
At 1 January	**(24)**	**(32)**
Impairment losses (recognised) reversed in the year	(1)	10
Other movements and translation adjustments	(4)	(2)
At 31 December	**(29)**	**(24)**

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. 2018	31 Dec. 2017
Lagardère Publishing	413	389
Lagardère Travel Retail	347	325
Lagardère Active	3	79
Lagardère Sports and Entertainment	-	-
Other Activities	-	-
Gross amount	**763**	**793**
Accumulated impairment losses	(197)	(210)
Carrying amount	**566**	**583**

Analysis of impairment losses	2018	2017
At 1 January	**(210)**	**(219)**
Impairment losses (recognised) reversed in the year	6	3
Other movements and translation adjustments	7	6
At 31 December	**(197)**	**(210)**

NOTE 22 TRADE RECEIVABLES

Trade receivables and their realisable value can be analysed as follows:

	31 Dec. 2018	31 Dec. 2017(*)
Trade receivables (gross amount)	**1,400**	**1,561**
Accumulated impairment losses	(104)	(143)
Carrying amount	**1,296**	**1,418**
Of which:		
- not yet due	1,087	1,231
- less than six months past due	166	141
- more than six months past due	43	46
Total	**1,296**	**1,418**

(*) Data for 2017 restated for the retrospective application of IFRS 15 (see note 1.1).

Analysis of impairment losses	2018	2017
At 1 January	**(143)**	**(132)**
Impairment losses (recognised) reversed in the year	16	1
Other movements and translation adjustments	23	(12)
At 31 December	**(104)**	**(143)**

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 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.

The planned sale of the disposal group relating to Lagardère Active's Press CGU resulted in Lagardère Publicité's exit from the securitisation program in December 2018 and by the entry of two new transferors (Lagardère Publicité News and Lagardère Thématiques), which securitise the receivables relating the retained Press titles, Radio operations in France and TV channels.

Accordingly, receivables sold and deconsolidated at end-2018 totalled €53 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 €0.9 million at 31 December 2018, or around 2% of the total value of the sold receivables.

Receivables sold and deconsolidated at end-2017 totalled €75 million.

NOTE 23 OTHER CURRENT ASSETS

Other current assets break down as follows:

	31 Dec. 2018	31 Dec. 2017(*)
Receivable from writers	306	291
Recoverable taxes and payroll taxes	222	303
Prepaid expenses	140	160
Receivable from suppliers	79	82
Advances paid	35	38
Signing fees	15	16
Derivative financial instruments(**)	7	6
Loans	9	8
Contract assets(***)	5	10
Other	89	81
Total	**907**	**995**
Accumulated impairment losses	(24)	(52)
Carrying amount	**883**	**943**

(*) Data for 2017 restated for the retrospective application of IFRS 15 (see note 1.1).

(**) Including €3 million in derivative financial instruments hedging debt (see note 30.1).

(***) See note 24.

Analysis of impairment losses	2018	2017
At 1 January	**(52)**	**(60)**
Impairment losses (recognised) reversed in the year	(17)	(45)
Other movements and translation adjustments	45	53
At 31 December	**(24)**	**(52)**

NOTE 24 CONTRACT ASSETS AND LIABILITIES:

The table below shows movements in contract assets and liabilities;

	31 Dec. 2017(*)	Recognised in revenue	Payments received from customers	Changes in estimates	Impairment losses	Other	31 Dec. 2018
Non-current contract assets	-	-	-	-	-	-	-
Current contract assets	10	1	(6)	-	-	-	5
Total contract assets	**10**	**1**	**(6)**	**-**	**-**	**-**	**5**
Non-current contract liabilities	11	-	-	-	-	-	11
Current contract liabilities	65	(11)	36	-	-	-	90
Total contract liabilities	**76**	**(11)**	**36**	**-**	**-**	**-**	**101**

(*) Data for 2017 restated for the retrospective application of IFRS 15 (see note 1.1).

Estimating the amount of revenue earned in a given reporting period results in a time lag between the date the services are rendered and the date the company has the right to receive payment from the customer. This difference results in the recognition of contract assets, while conversely, payments received from customers before all or part of the corresponding services have been provided give rise to contract liabilities.

Contract assets and liabilities relate to Lagardère Sports and Entertainment businesses.

Contract assets decreased by €5 million in 2018, due mainly to payments received from customers in an amount of €6 million.

Contract liabilities increased €25 million in 2018 to €101 million, reflecting:

- €36 million in payments received from customers for which the related performance obligations have not yet been satisfied, mainly in Germany and France;
- €11 million in services provided to customers in 2018 for which revenue was recognised against a reduction in contract liabilities.

NOTE 25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents reported in the statement of cash flows are calculated as follows:

	31 Dec. 2018	31 Dec. 2017
Cash and cash equivalents	710	546
Short-term bank loans and overdrafts	(50)	(69)
Cash and cash equivalents, net	**660**	**477**

Cash and cash equivalents break down as follows:

	31 Dec. 2018	31 Dec. 2017
Bank accounts	431	329
Money market funds	213	138
Term deposits and current accounts maturing in less than three months	66	79
Cash and cash equivalents	**710**	**546**

Changes in working capital as reported in the statement of cash flows can be analysed as follows:

	2018	2017
Change in inventories	(23)	(5)
Change in trade receivables	(62)	(13)
Change in trade payables	(7)	55
Change in other receivables and payables	147	(108)
Changes in working capital(*)	**55**	**(71)**

(*) Increase/(decrease) in cash and cash equivalents

Changes in working capital represented a positive €55 million impact over the year, after a negative €71 million change in 2017. This significant change is partly attributable to an improvement at Lagardère Publishing compared to 2017, which had been affected by a much slower release schedule than in 2016.

NOTE 26 EQUITY

26.1 SHARE CAPITAL

At 31 December 2018 and 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.

26.2 EMPLOYEE SHARE OPTIONS

In prior years, the Managing Partners used an authorisation given at the 11 May 2004 Annual General Meeting to award options to certain Group executives and employees to purchase existing Lagardère SCA shares. There were no longer any share options outstanding at 31 December 2018.

In addition, plans to award free shares in Lagardère SCA have been set up for employees, the members of the Enlarged Committee, and the Co-Managing Partners (see note 7).

26.3 TREASURY SHARES

Changes in the number of shares held in treasury over the last two years were as follows:

	2018	2017
Number of treasury shares held at 1 January	**1,575,218**	**1,952,575**
Purchases of treasury shares	883,813	677,231
Sales of treasury shares	(716,313)	(631,231)
Capital reduction by cancellation of treasury shares	(482,240)	(423,357)
Number of treasury shares held at 31 December	**1,260,478**	**1,575,218**

At 31 December 2018, shares held in treasury represented 0.96% of Lagardère SCA's share capital and were allocated for the following purposes:

- 1,027,978 shares for future allocation to employees;
- 232,500 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 2018 Lagardère SCA purchased 883,813 treasury shares for a total cost of €21 million and sold 716,313 treasury shares for a total of €17 million, giving rise to a €4 million net disposal loss which was recorded directly in equity.

In 2018, the Group carried out a number of capital reductions by cancelling 482,240 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 2018 to the Group's Co-Managing Partners and salaried employees who are beneficiaries under the 22 December 2014 and 1 April 2015 plans.

In 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, generating a €1 million net disposal gain which was recorded directly in equity.

The Group carried out a number of capital reductions in 2018 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.

26.4 RESERVES

Translation reserve

The translation reserve corresponds to cumulative exchange differences arising on translation of the financial statements of foreign subsidiaries whose functional currency is not the euro.

Valuation reserve

The valuation reserve comprises cumulative gains and losses arising on changes in value of:

- derivative financial instruments used as cash flow hedges; and
- available-for-sale investments.

26.5 MINORITY INTERESTS

Minority interests do not represent a material amount in the Group's consolidated financial statements. Minority interests in the net assets and profits of consolidated companies break down as follows:

	Minority interests in subsidiaries		Balance sheet		Income statement		Dividends paid to minority shareholders of subsidiaries	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017	2018	2017	2018	2017
Lagardère Publishing			**26**	27	**4**	3	**4**	4
o/w Librairie Générale Française	**40%**	40%	**20**	20	**3**	4	**3**	3
o/w Pika Editions	**33.33%**	33.33%	**6**	6	**-**	-	**-**	-
Lagardère Travel Retail			**124**	101	**18**	17	**22**	12
o/w Paradies sub-group(*)	**N/A**	N/A	**62**	68	**12**	9	**22**	12
o/w Hojeij Branded Foods sub-group(*)	**N/A**		**23**		**-**		**-**	
o/w the Lagardère Duty Free SAS (Aelia) sub-group	**9.96%**	9.96%	**23**	22	**2**	2	**-**	-
o/w the Airest sub-group(**)	**50%**	50%	**15**	12	**4**	6	**-**	-
Lagardère Active			**4**	5	**-**	1	**1**	1
o/w Mezzo	**40%**	40%	**3**	3	**1**	1	**1**	-
Lagardère Sports and Entertainment			**2**	6	**-**	7	**-**	-
o/w the Lagardère Sports Asia sub-group	**19.26%**	29.26%	**3**	8	**-**	7	**-**	-
Total			**156**	**139**	**22**	**28**	**27**	**17**

(*) Paradies and Hojeij Branded Foods groups include the minority interests resulting from the acquisition of Paradies on 22 October 2015 and of Hojeij Branded Foods on 19 November 2018. In accordance with US legislation (Airport Concessions Disadvantaged Business Enterprises (ACDBE) Program), the Travel Retail activities in North America are operated in numerous airports by legal entities that include minority partners. The percentages of minority interests are different in each of the sub-group's subsidiaries.

(**) Exercise of call options on minority interests in the Airest sub-group in 2015. However, the percentage of minority interests remains unchanged in the Airest SPA subsidiaries (Venice, Treviso, Verona, Bari and Palermo airports).

26.6 CAPITAL MANAGEMENT

Lagardère closely monitors its ownership and shareholding structure. As all Lagardère SCA shares are in registered form, the Group has a good knowledge of its ownership structure and the changes in shareholdings that occur over time. The free float represents a significant portion of the Company's outstanding shares, at around 92%, which guarantees good liquidity. Lagardère Capital & Management, which is controlled by Arnaud Lagardère, the Group's General and Managing Partner, has a 7.33% shareholding. The large free float guarantees good liquidity for the Group's share.

Lagardère has not raised capital on the market for several years and applies a policy of regularly paying out dividends. To reward shareholder stability, the Company has granted double voting rights for shares registered in the name of the same shareholder for at least four years.

As part of its long-term development strategy, the Group optimises its debt/equity ratio. Given the current level of cash, external growth can be financed by borrowings.

The shares due to be remitted to executives and employees under the free share plans are generally new shares created through a capital increase by capitalising reserves. An equivalent number of treasury shares is cancelled in order to neutralise the resulting dilutive impact on shareholders. In order to maintain a constant level of treasury shares further to such transactions, the Group may purchase shares on the market.

In 2008, the Group put in place a liquidity agreement for the purpose of ensuring a liquid market for its shares and stabilising the share price.

26.7 OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR

The components of **other comprehensive income (expense)** can be analysed as follows:

	2018			2017		
	Attributable to owners(*)	Minority interests	Total equity	Attributable to owners(*)	Minority interests	Total equity
Translation reserve	**38**	**3**	**41**	**(134)**	**(8)**	**(142)**
- Currency translation adjustments	38	3	41	(135)	(8)	(143)
- Share of other comprehensive income (expense) of equity-accounted companies, net of tax	-	-	-	1	-	1
Valuation reserve	**(10)**	**-**	**(10)**	**18**	**-**	**18**
Change in fair value of derivative financial instruments	**(9)**	**-**	**(9)**	**17**	**-**	**17**
- Unrealised gains (losses) recognised directly in equity	(13)	-	(13)	25	-	25
- Amounts reclassified from equity to profit or loss	1	-	1	1	-	1
- Tax effect	3	-	3	(9)	-	(9)
Change in fair value of investments in non-consolidated companies	**(1)**	**-**	**(1)**	**1**	**-**	**1**
- Unrealised gains (losses) recognised directly in equity	(1)	-	(1)	1	-	1
- Amounts reclassified from equity to profit or loss	-	-	-	-	-	-
- Tax effect	-	-	-	-	-	-
Other reserves	**6**	**-**	**6**	**(2)**	**-**	**(2)**
- Actuarial gains and losses on pensions and other post-employment benefit obligations	8	-	8	1	-	1
- Tax effect	(2)	-	(2)	(3)	-	(3)
Other comprehensive income (expense) for the year, net of tax	**34**	**3**	**37**	**(118)**	**(8)**	**(126)**

(*) Equity attributable to owners of the Parent.

Currency translation adjustments recognised within other comprehensive income (expense) relate mainly to the following currencies:

	2018	2017
US dollar:	€47m	€(134)m
Pound sterling:	€(5)m	€(18)m
Other:	€(1)m	€10m
Total	**€41m**	**€(142)m**

NOTE 27 PROVISIONS

27.1 PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

In application of the principles set out in note 3.18, provisions are recognised to cover the Group's obligations under defined benefit plans.

The provision recognised at 31 December represents the value of beneficiaries' accumulated rights less the related plan assets. The Group's main obligations concerning pensions and other post-employment benefits relate to plans in the United Kingdom and France.

United Kingdom

The Group's pension plans in the United Kingdom are closed to new entrants and current members may no longer accrue any future benefits. The pension benefits payable under these plans are based on beneficiaries' career average salaries. The plans are funded by plan assets and in accordance with the applicable law are subject to minimum funding requirements. A Board of Trustees – made up of an equal number of representatives of the employer and employees/retirees – is responsible for ensuring that the plans are properly managed from both an administrative and financial perspective. At 31 December 2018, the plans in effect in the United Kingdom represented an aggregate obligation of €204 million (57% of the Group's total obligation) and plan assets amounted to €211 million (92% 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. These plans represented a benefit obligation of €84 million, of which €22 million was reclassified within liabilities related to assets held for sale, leaving a net benefit obligation of €62 million (17% of the Group's total benefit 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

	2018	2017
Present value of benefit obligation at beginning of year	**400**	395
Current service cost	9	9
Plan amendments/Curtailments	8	(1)
Settlements	(1)	(1)
Interest expense	8	9
Employee contributions	-	-
Benefits paid	(19)	(10)
Actuarial (gains) and losses from changes in demographic assumptions	(3)	1
Actuarial (gains) and losses from changes in financial assumptions	(17)	3
Actuarial (gains) and losses from experience adjustments	(1)	4
Changes in scope of consolidation and assets as held for sale(*)	(22)	-
Translation adjustments and other	(4)	(9)
Present value of benefit obligation at end of year	**358**	400
Present value of benefit obligation at end of year for funded plans	262	284
Present value of benefit obligation at end of year for unfunded plans	96	116

(*) Classified within liabilities related to assets held for sale in an amount of €22 million at 31 December 2018 (see note 4.3).

Change in fair value of plan assets

	2018	2017
Fair value of plan assets at beginning of year	**239**	229
Interest income	7	6
Effect of remeasurements	(13)	9
Employee contributions	-	-
Employer contributions	7	7
Benefits paid	(9)	(5)
Settlements	-	-
Changes in scope of consolidation	-	-
Translation adjustments and other	(2)	(7)
Fair value of plan assets at end of year	**229**	239

Asset allocation at 31 December

	2018	2017
Shares	18%	26%
Bonds	73%	67%
Real estate	3%	2%
Money market instruments	2%	0%
Other	5%	5%

Calculation of net amount recognised as a provision at 31 December

	2018	2017	2016	2015	2014
Present value of benefit obligation	358	400	395	368	426
Fair value of plan assets	(229)	(239)	(229)	(230)	(271)
Unrecognised past service cost	-	-	-	-	-
Net amount recognised as a provision	**129**	161	166	138	155

Movements in the provision recognised in the balance sheet

	2018	2017
Provision at beginning of year	**161**	166
Net expense for the year	17	9
Actuarial (gains) and losses recognised in equity	(8)	(1)
Employer contributions	(7)	(7)
Benefits paid by the employer	(10)	(6)
Changes in scope of consolidation and assets as held for sale(*)	(22)	-
Translation adjustments and other	(2)	-
Provision at end of year(**)	**129**	161

(*) Classified within liabilities related to assets held for sale in an amount of €22 million at 31 December 2018 (see note 4.3).

(**) Including €135 million in provisions for post-employment benefit obligations and a negative amount of €7 million recognised under other non-current assets for two overfunded plans.

Calculation of net expense for the year

	2018	2017
Current service cost	9	9
Plan amendments/Curtailments	8	(1)
Settlements	(1)	(1)
Interest expense	1	2
Actuarial gains and losses on other employee benefits	-	-
Net expense recognised in the income statement	**17**	9
Actuarial (gains) and losses from changes in demographic assumptions	(3)	1
Actuarial (gains) and losses from changes in financial assumptions	(17)	3
Actuarial (gains) and losses from experience adjustments	(1)	4
Excess of actual return on plan assets	13	(9)
Effect of asset ceiling	-	-
Remeasurement of the net liability recognised in equity	**(8)**	(1)
Net expense for the year	**9**	8

Actuarial assumptions used to calculate benefit obligations

	2018	2017
Discount rate: weighted average for all countries including:	2.40%	2.17%
- *Eurozone(*)*	*1.65%*	*1.50%*
- *United Kingdom(*)*	*2.85%*	*2.60%*
Average expected rate of benefit increase	3.09%	3.11%
Average expected rate of salary increase	1.86%	1.89%
Expected rate of healthcare cost inflation:		
- *initial*	*3.75%*	*3.75%*
- *ultimate*	*2.25%*	*2.25%*
- *year in which ultimate rate is expected to be reached*	*2030*	*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

	2018	2017
Difference between actual and expected return on plan assets		
Gains (losses)	(13)	9
Percentage of plan assets at year-end	-5.49%	3.68%
Experience adjustments		
Losses (gains)	(1)	4
Percentage of present value of plan liabilities at year-end	-0.20%	1.00%

Sensitivity to trend rate assumptions (+/-1%) for post-employment medical plans

	2018	2017
Present value of benefit obligation at 31 December	13	13
Effect of a 1% increase:		
- on present value of benefit obligation	56	56
- on expense for the year	4	4
Effect of a 1% decrease:		
- on present value of benefit obligation	(38)	(37)
- on expense for the year	(2)	(2)

Sensitivity of the obligation at 31 December 2018 to changes in discount rates

	0.5% increase	0.5% decrease
Impact on present value of benefit obligation	(27)	30
Weighted average duration of obligations	15 years	

Expected employer contributions

	2018	2017
Expected employer contributions	5	8

Actuarial gains and losses recognised directly in equity

	2018	2017
Actuarial gains (losses) at 1 January	**(22)**	(47)
Change during the year:		
- in value of benefit obligation	20	(8)
- in fair value of plan assets	(13)	9
Actuarial gains (losses) at 31 December	**(15)**	(46)
Deferred tax impact	(2)	24
Actuarial gains (losses), net of tax at 31 December	**(17)**	(22)

27.2 OTHER PROVISIONS

Current and non-current provisions for contingencies and losses primarily cover the following:

	31 Dec. 2018	31 Dec. 2017
Losses on long-term contracts and other contracts	5	6
Restructuring and withdrawal costs	33	29
Claims and litigation	63	69
Other contingencies	235	263
Total	**336**	**367**
Of which:		
- non-current provisions	*190*	*220*
- current provisions	*146*	*147*

2018	At 1 Jan. 2018	Translation adjustments	Changes in scope of consolidation	Charges	Utilisations	Releases of surplus provisions	Reclass-ifications	Liabilities related to assets held for sale	At 31 Dec. 2018
Losses on long-term contracts and other contracts	6	-	-	1	(2)	-	-	-	**5**
Restructuring and withdrawal costs	29	-	2	23	(17)	(4)	5	(5)	**33**
Claims and litigation	69	-	1	9	(7)	(2)	-	(7)	**63**
Other contingencies	263	-	4	40	(33)	(38)	9	(10)	**235**
Total	**367**	**-**	**7**	**73**	**(59)**	**(44)**	**14**	**(22)**	**336**

2017	At 1 Jan. 2017	Translation adjustments	Changes in scope of consolidation	Charges	Utilisations	Releases of surplus provisions	Reclass-ifications	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)	(9)	263
Total	**410**	**(3)**	**(4)**	**95**	**(77)**	**(43)**	**(11)**	**367**

Provisions for claims and litigation cover risks identified at the year-end and are based on the estimated amount of potential losses for the Group.

Amounts shown under "Other contingencies" comprise items not directly attributable to the specific categories listed and relating to generally small individual transactions carried on in the ordinary course of business and concerning all consolidated entities.

NOTE 28 DEBT

28.1 BREAKDOWN OF DEBT

The **Group's total debt** breaks down as follows:

	31 Dec. 2018	31 Dec. 2017
Bonds	794	1,292
Bank loans	200	200
Finance lease liabilities	4	5
Debt related to put options granted to minority shareholders	10	34
Medium term notes (NEU MTN)(**)	-	19
Other debt	15	10
Non-current debt excluding financial instruments designated as hedges of debt	**1,023**	**1,560**
Financial instruments designated as hedges of debt	1	-
Non-current debt	**1,024**	**1,560**
Bonds	499	-
Bank loans	-	-
Finance lease liabilities	4	5
Debt related to put options granted to minority shareholders	-	5
Medium term notes (NEU MTN)(**)	19	-
Commercial paper (NEU CP)(*)	477	276
Other debt	70	89
Current debt excluding financial instruments designated as hedges of debt	**1,069**	**375**
Financial instruments designated as hedges of debt	-	-
Current debt	**1,069**	**375**
Total debt	**2,093**	**1,935**

(*) Negotiable European Commercial Paper.

(**) Negotiable European Medium Term Notes.

The main movements in debt during 2018 were as follows:

- continuation of the commercial paper (NEU CP) programme with a ceiling of €850 million. Debt issues under the programme represented €477 million at 31 December 2018 compared with €276 million at 31 December 2017;
- continuation of the Negotiable European Medium Term Notes programme with a ceiling of €200 million. The Group did not issue any new debt in 2018. Debt issues represented €19 million at both 31 December 2018 and 31 December 2017.

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. 2017	Cash flows	Changes in scope of consolidation	Effect of changes in exchange rates	Changes in fair value	Other movements	31 Dec. 2018
Bonds	1,292	-	-	-	-	(498)	794
Bank loans	200	-	-	-	-	-	200
Finance lease liabilities	5	(2)	-	-	-	1	4
Medium term notes (NEU MTN)(**)	19	-	-	-	-	(19)	-
Other debt	10	5	-	-	-	-	15
Financial instruments designated as hedges of debt	-	-	-	-	1	-	1
Non-current liabilities arising from financing activities	**1,526**	**3**	**-**	**-**	**1**	**(516)**	**1,014**
Bonds	-	-	-	-	-	499	499
Bank loans	-	-	-	-	-	-	-
Finance lease liabilities	5	(1)	-	-	-	-	4
Commercial paper and debt securities (NEU CP and NEU MTN)(*)	276	201	-	-	-	19	496
Other debt	2	3	-	(4)	-	-	1
Financial instruments designated as hedges of debt	-	-	-	-	-	-	-
Current liabilities arising from financing activities	**283**	**203**	**-**	**(4)**	**-**	**518**	**1,000**
Total liabilities arising from financing activities	**1,809**	**206**	**-**	**(4)**	**1**	**2**	**2,014**
Debt related to put options granted to minority shareholders	39	-	-	-	-	(29)	10
Short-term bank loans and overdrafts	69	12	(28)	-	-	(3)	50
Accrued interest	18	(2)	-	-	6	(3)	19
Total debt	**1,935**	**216**	**(28)**	**(4)**	**7**	**(33)**	**2,093**

(*) Negotiable European Commercial Paper.

(**) Negotiable European Medium Term Notes.

Net debt breaks down as follows:

(in millions of euros)	31 Dec. 2018	31 Dec. 2017
Short-term investments and cash and cash equivalents	710	546
Financial instruments designated as hedges of debt with a positive fair value(*)	8	21
Non-current debt(**)	(1,024)	(1,560)
Current debt	(1,069)	(375)
Net debt	**(1,375)**	**(1,368)**

(*) At 31 December 2018, financial instruments designated as hedges of debt with a positive fair value were included in "Other non-current assets" in an amount of €5 million and in "Other current assets" in an amount of €3 million. At 31 December 2017, financial instruments designated as hedges of debt with a positive fair value were included in "Other non-current assets" in an amount of €18 million and in "Other current assets" in an amount of €3 million.

(**) At 31 December 2018, non-current debt included financial instruments designated as hedges of debt with a negative fair value, representing €1 million.

28.2 ANALYSIS OF DEBT BY MATURITY

Debt breaks down as follows by maturity at **31 December 2018**:

	2019(*)	2020	2021	2022	2023	Beyond 5 years	**Total**
Bonds	499	-	-	-	497	297	**1,293**
Bank loans	-	2	151	47	-	-	**200**
Financial instruments designated as hedges of debt	-	-	-	-	-	1	**1**
Finance lease liabilities	4	2	1	-	-	1	**8**
Debt related to put options granted to minority shareholders	-	9	-	1	-	-	**10**
Commercial paper(**)	496	-	-	-	-	-	**496**
Other debt	70	13	-	-	-	2	**85**
At 31 December 2018	**1,069**	**26**	**152**	**48**	**497**	**301**	**2,093**

(*) Debt due within one year is classified as "Current debt" in the consolidated balance sheet.

(**) Commercial paper and medium-term notes.

Debt breaks down as follows 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.

28.3 CHARACTERISTICS OF BONDS AND MAIN BANK LOANS

The following tables provide an analysis of bonds and bank loans:

31 Dec. 2018	Carrying amount	Value of hedging instruments(*)	Total	Effective interest rate(**)
19 September 2014 5-year bond issue, for €500 million	499	(3)	**496**	2.37%(***)
13 April 2016 7-year bond issue, for €500 million	497	(5)	**492**	2.90%
21 June 2017 7-year bond issue, for €300 million	297	1	**298**	1.81%
Bonds	**1,293**	**(7)**	**1,286**	
Other debt	200	-	**200**	
Bank loans	**200**	**-**	**200**	
Total	**1,493**	**(7)**	**1,486**	

(*) 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. 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%(***)
19 September 2014 5-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.

28.4 ANALYSIS OF DEBT BY CURRENCY

The following table provides a breakdown of current- and non-current debt by currency before and after hedging:

31 Dec. 2018	Before hedging		After hedging	
		%		%
Eurozone	2,051	98.0%	1,250	59.7%
US dollar	2	0.1%	652	31.2%
Pound sterling	14	0.7%	64	3.1%
Australian dollar	0	0.0%	27	1.3%
Canadian dollar	0	0.0%	34	1.6%
Other	26	1.2%	66	3.1%
Total	**2,093**	**100%**	**2,093**	**100%**

NOTE 29 EXPOSURE TO MARKET RISKS (LIQUIDITY, INTEREST RATE, EXCHANGE RATE AND EQUITY RISKS) AND CREDIT RISKS

29.1 MARKET RISKS

29.1.1 EXPOSURE

Liquidity risks

The Group's liquidity risk is controlled as it has a cash to debt ratio of 179% (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 €1,095 million, while total liquidity reserves represent €1,961 million (€710 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 28.3).

The proportion of bond debt redeemable at maturity decreased from 67% to 62% of total borrowings between 31 December 2017 and 31 December 2018, 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 2018, none of the applicable covenants had been breached.

Interest rate risks

Fixed-interest bonds account for 62% 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 €497 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 €710 million at 31 December 2018. Variable-rate debt stood at €747 million at 31 December 2018 (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 2018 a sudden rise in interest rates would have a limited impact on the Group's net finance costs.

At 31 December 2018 the Group did not hold any interest rate derivatives altering the breakdown of fixed- and floating-rate debt.

The Group's pensions and other post-employment benefit obligations are sensitive to changes in interest rates, as are the corresponding plan assets invested in bonds and money market instruments, although inversely so. The outstanding amounts of these obligations and assets are set out in note 27.1.

Exchange rate risks

The Group's exposure to foreign exchange rate risks on commercial transactions chiefly concerns Lagardère Sports and Entertainment. At 31 December 2018, the foreign currency hedges set up for all four of the Group's divisions – in the form of direct forward agreements – amounted to €98 million (sales) and €213 million (purchases).

The Group does not hedge the income statement translation risk. Its main exposures in this respect are given below.

The percentage of 2018 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	53%
US dollar	18%
Pound sterling	9%
Other	20%
Total	100%

Based on accounting data for 2018, 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 2018 recurring operating profit of fully consolidated companies
US dollar(*)	€(10) 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 €314 million at 31 December 2018.

For long-term investments including acquisitions, the Group may set up medium-term borrowings in the investment currency. At 31 December 2018, the amount of instruments classified as net investment hedges was €488 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. 2018	Market capitalisation at 31 Dec. 2018
Lagardère SCA	1,260,478	0.96%	22.02	€27,755,726
Pension plan assets invested in equities				€40,625,595

Treasury shares are initially recognised at cost and are deducted from consolidated equity. Subsequent changes in value have no impact on the consolidated financial statements.

The fair value of pension plan assets totalled €229 million at 31 December 2018, of which 18% are or €41 million was invested in equities (see note 27.1).

29.1.2 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.

The derivatives portfolio can be analysed as follows:

Category of hedging instrument	Type of hedge	Nominal amount		Fair value		Other comprehensive income	
		31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017	2018	2017
Cross-currency swaps designated as hedges of debt(*)	Net investment	375	221	7	18	(11)	33
Currency swaps designated as hedges of debt(*)	Fair value	426	489	-	3	-	-
Operating currency hedges (forward purchases and sales)	Cash flows and fair value	115	89	1	(1)	(2)	(8)
Total		916	799	8	20	(13)	25

(*) The change in the fair value of financial instruments designated as hedged of debt represented a negative €14 million at 31 December 2018, including a negative €11 million in respect of cross-currency swaps recognised in other comprehensive income, and a negative €3 million in respect of currency swaps, recognised in profit or loss.

Details of the cross-currency swaps hedging debt at 31 December 2018 are as follows:

Nominal amounts represent USD 430 million, with maturities at September 2019, April 2023 and June 2024. At 31 December 2017, these contracts represented USD 265 million with maturities in 2019 and 2023.

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.

The maturity of other derivatives is within one year.

Interest rate risks

The Group does not use daily active interest rate management techniques in relation to any of its financial assets or liabilities.

Cash investments are made in fixed-income instruments selected for their high-quality issuer entities and with maturities appropriate to the planned duration of the investments. Speculative or high-risk investments are not permitted.

There are no derivatives related to these investments.

29.2 CREDIT AND COUNTERPARTY RISKS

Credit and counterparty risk represents the risk of financial loss for the Group in the event of default by a customer or debtor on its contractual obligations. This risk mainly relates to trade receivables.

29.2.1 EXPOSURE

The Group's exposure to credit and counterparty risk arises principally from:

- customer receivables 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 €2,809 million at 31 December 2018. 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:

	2018	2017
Largest customer	4.8%	4.8%
Five largest customers	8.8%	9.0%
Ten largest customers	11.8%	12.3%

The data shown above do not include customers of Lagardère Travel Retail's Press Distribution business which was sold during 2017.

The Group's short-term investments and cash and cash equivalents came to €710 million at 31 December 2018. 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 €229 million (including €211 million in the United Kingdom). A total of 73% of these assets are invested in bonds.

Hedging contracts are primarily entered into to hedge foreign exchange risks. Their notional amount was €1,289 million at 31 December 2018. The economic risk associated with these contracts depends on currency and interest rate fluctuations, and only represents a fraction of this notional amount. The counterparties in these contracts are leading banks.

The Group's counterparties are exposed to risks associated with the general economic environment, and as a result the possibility of default cannot be ruled out.

29.2.2 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.

NOTE 30 FINANCIAL INSTRUMENTS

30.1 CARRYING AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value consist of the following derivative instruments:

	31 Dec. 2018	31 Dec. 2017
Derivative financial instruments with a positive fair value – Assets	**12**	**24**
- Financial instruments designated as hedges of debt(*)	8	21
- Currency swaps (effective portion)	4	3
Derivative financial instruments with a negative fair value – Liabilities	**(4)**	**(4)**
- Financial instruments designated as hedges of debt	(1)	-
- Currency swaps (effective portion)	(3)	(4)
Total (net)	**8**	**20**

(*) Including €5 million recognised under non-current assets and €3 million under current assets at 31 December 2018. Including €18 million recognised under non-current assets and €3 million under current assets at 31 December 2017.

30.2 FINANCIAL INSTRUMENTS RECOGNISED IN THE BALANCE SHEET

	31 Dec. 2018		Breakdown by category of instrument[1]				
	Carrying amount	Fair value	Amortised cost	Fair value through other comprehensive income subsequently reclassified to profit or loss	Fair value through other comprehensive income not subsequently reclassified to profit or loss	Fair value through profit or loss	Derivative financial instruments
Investments in non-consolidated companies	30	30			30		
Other non-current financial assets	160	160	160				
Trade receivables	1,296	1,296	1,296				
Derivative financial instruments	12	12					12
Other current financial assets	872	872	872				
Short-term investments	-	-			-		
Cash equivalents	213	213				213	
Cash	497	497	497				
Assets	**3,080**	**3,080**	**2,825**		**30**	**213**	**12**
Bonds and bank loans	1,493	1,517		1,493			
Other debt	600	600		600			
Other non-current financial liabilities	224	224	224				
Trade payables	1,215	1,215	1,215				
Derivative financial instruments	4	4					4
Other current financial liabilities	1,450	1,450	1,450				
Liabilities	**4,986**	**5,010**	**2,889**	**2,093**			**4**

(1) There were no reclassifications between categories of financial instruments in 2018.

	31 Dec. 2017		Breakdown by category of instrument[1]				
	Carrying amount	Fair value	Amortised cost	Fair value through other comprehensive income subsequently reclassified to profit or loss	Fair value through other comprehensive income not subsequently reclassified to profit or loss	Fair value through profit or loss	Derivative financial instruments
Investments in non-consolidated companies	48	48			48		
Other non-current financial assets	153	153	153				
Trade receivables	1,418	1,418	1,418				
Derivative financial instruments	24	24					24
Other current financial assets	926	926	926				
Short-term investments	-	-	-		-		
Cash equivalents	138	138				138	
Cash	408	408	408				
Assets	**3,115**	**3,115**	**2,905**		**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	1,386	1,386	1,386				
Derivative financial instruments	4	4					4
Other current financial liabilities	1,446	1,446	1,446				
Liabilities	**4,881**	**4,944**	**2,942**	**1,935**			**4**

(1) There were no reclassifications between categories of financial instruments in 2017.

30.3 FINANCIAL INSTRUMENTS – FAIR VALUE HIERARCHY

The revised version of IFRS 7 – Financial Instruments – Disclosures, sets out the methods used for determining fair value using a fair value hierarchy which has the following levels:

Level 1: Instrument listed in an active market.

Level 2: Instrument valued using techniques based on observable market data.

Level 3: Instrument valued using techniques based on unobservable data.

In addition, certain investments are carried at acquisition cost if the Group does not have sufficiently reliable information for valuation, particularly when there is no active market for an instrument (see note 3.13 above).

Lagardère's financial instruments are classified as follows under this hierarchy:

	Category of instrument[1]			Fair value hierarchy[2]			
31 Dec. 2018	Fair value through other comprehensive income not subsequently reclassified to profit or loss	Fair value through profit or loss	Derivative financial instruments	Level 1	Level 2	Level 3	Acquisition cost
Investments in non-consolidated companies	30						30
- FCPI Idinvest Digital	*11*						*11*
- Other	*19*						*19*
Derivative financial instruments with a positive fair value			12		12		
Short-term investments	-			-			
- Shares	-			-			
- Bonds	-			-			
Cash equivalents		213		213			
- Marketable securities		*213*		*213*			
Total financial instruments with a positive fair value	**30**	**213**	**12**	**213**	**12**		**30**
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 2018.

(2) There were no reclassifications between fair value hierarchy levels in 2018.

31 Dec. 2017	Category of instrument[1]			Fair value hierarchy[2]			Acquisition cost
	Fair value through other comprehensive income not subsequently reclassified to profit or loss	Fair value through profit or loss	Derivative financial instruments	Level 1	Level 2	Level 3	
Investments in non-consolidated companies	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.

NOTE 31 OTHER LIABILITIES

Other liabilities break down as follows:

	31 Dec. 2018	31 Dec. 2017(*)
Due to suppliers of non-current assets	180	71
Repayable advances	-	-
Other advances and prepayments	-	-
Contract liabilities(**)	11	11
Other liabilities	45	38
Other non-current liabilities	**236**	**120**
Accrued taxes and employee benefit expense	370	450
Refund liabilities	299	279
Due to authors	260	229
Contract liabilities(**)	90	65
Due to customers	77	90
Deferred income	32	61
Advances and prepayments	21	41
Derivative financial instruments(***)	2	4
Sundry payables	390	296
Other current liabilities	**1,541**	**1,515**
Total other liabilities	**1,777**	**1,635**

(*) Data for 2017 restated for the retrospective application of IFRS 15 (see note 1.1).

(**) See note 24.

(***) See note 30.1.

Refund liabilities - 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 represents a refund liability. 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 2018, the estimated amount of returns recognised within refund liabilities was €299 million, versus €279 million at 31 December 2017.

NOTE 32 CONTRACTUAL OBLIGATIONS

The tables below **summarise Lagardère's contractual obligations**. Future payments other than payments related to financial liabilities are reported at non-discounted nominal value.

	Payments expected			Total	
	Within 1 year	1 to 5 years	Beyond 5 years	31 Dec. 2018	31 Dec. 2017
Bonds and bank loans (net of derivatives)	496	692	298	**1,486**	1,474
Other debt	570	27	3	**600**	443
Other non-current financial liabilities		152	73	**225**	110
Trade payables	1,215			**1,215**	1,445
Currency swaps	2			**2**	4
Other current financial liabilities	1,450			**1,450**	1,228
Total financial liabilities	**3,733**	**871**	**374**	**4,978**	**4,704**
including finance lease obligations	***4***	***3***	***1***	***8***	***10***
Expected bank interest on debt(*)	18	85	5	**108**	141
Operating leases(**)	87	276	258	**621**	589
Commitments for future capital expenditure		2		**2**	2
Total contractual obligations	**3,838**	**1,234**	**637**	**5,709**	**5,436**

(*) Variable-rate interest payable has been calculated based on the rates in force at 31 December 2018. 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 €649 million in 2018 (2017: €607 million)

Guaranteed minimum payments

As well as the above contractual obligations, at 31 December 2018 the Group was committed to guaranteed minimum future payments contracted by:

- Lagardère Sports and Entertainment: €981 million under long-term contracts for the sale of TV and marketing rights;
- Lagardère Travel Retail: €2,450 million under concession agreements.

These payments break down as follows by maturity:

Maturity	2019	2020	2021	2022	2023	Beyond 5 years	Total 31 Dec. 2018	Total 31 Dec. 2017
Guaranteed minimum payments under sports rights marketing contracts	213	143	99	65	97	364	**981**	1,064
Guaranteed minimum payments under concession agreements (fixed portion)(*)	478	423	396	343	261	549	**2,450**	1,876

(*) 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 2018, the amounts due under these contracts totalled €1,513 million, breaking down as follows by maturity:

Maturity	2019	2020	2021	2022	2023	Beyond 5 years	Total 31 Dec. 2018	Total 31 Dec. 2017
Sports rights marketing contracts signed with broadcasters and partners	488	357	167	133	102	266	**1,513**	1,550

NOTE 33 OFF-BALANCE SHEET COMMITMENTS

The information below relates to subsidiaries controlled and fully consolidated by Lagardère.

	31 Dec. 2018	31 Dec. 2017
Commitments given in the normal course of business		
- guarantees and performance bonds	345	361
- guarantees given to third parties and non-consolidated companies	88	110
- other commitments given	5	6
Commitments on assets	1	-
Commitments to purchase shares (estimated amount, excluding put options granted to minority shareholders of fully consolidated subsidiaries)	-	-
Commitments received		
- counter-guarantees of commitments given	-	1
- other commitments received	2	2
Confirmed, unused lines of credit	**1,251**	**1,251**
Of which unused lines on the syndicated credit facility	***1,250***	***1,250***

Conditional commitments to purchase shares

One shareholder agreement exists between Lagardère Sports and Entertainment and the minority shareholders in Lagardère Sports Asia (formerly World Sport Group). Under the terms of this agreement, Lagardère Sports and Entertainment would be required to purchase the shares held by these minority shareholders at market value in certain circumstances.

NOTE 34 LITIGATION

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 27.

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. Editions Odile Jacob subsequently withdrew from these proceedings, as noted by the Court in an Order dated 17 September 2018. This dispute is now closed.

Litigation with photographers

Disputes are in process with freelance and salaried photographers who contributed to magazines published by the Group. 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 ongoing but the related financial claims still 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 most of these rights in early 2008, with the remainder 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 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 €10.86 million at 31 December 2018. 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.

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 and the appeal is pending.

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. All appeal decisions were handed down in favour of the Company in 2017 and 2018, enabling the Company to request the fund of the €7.6 million paid. The tax authorities have indicated that they would file an appeal with the Supreme Court against these decisions.

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 parties have exchanged statements and a ruling is expected in 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. The case was subsequently referred to the Cairo Economic Court which, on 26 November 2018 at the end of the proceedings, found against two former managers of the CAF but not the CAF itself. The decision has been appealed.

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.

A draft decision from the investigating officers urges the CNMC to condemn Anaya and the other publishers. Anaya disputes every point in this proposal. A decision is expected to be handed down in April 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 35 RELATED PARTIES

35.1 MANAGEMENT REMUNERATION

The total gross remuneration awarded to the members of Lagardère SCA's Executive Committee for 2018 amounted to €10.9 million, and €16.9 million including related charges. The figure with charges includes a provision recorded for the supplementary pension plan. The corresponding figures for 2017 were €8.7 million and €15.1 million, respectively.

In 2018, none of these beneficiaries received attendance fees from any Group company. They were awarded 108,000 rights to free shares. In 2017, none of the beneficiaries received any attendance fees and they were awarded 108,000 rights to free shares.

35.2 RELATED-PARTY TRANSACTIONS

Transactions with Lagardère Capital & Management (LC&M)

Lagardère Capital & Management – which is controlled and chaired by Arnaud Lagardère, who is also a General and Managing Partner of Lagardère SCA – is the material embodiment of the Group. LC&M provides an array of management resources and skills to both the Group and each of its component parts.

To accomplish its mission, LC&M employs the principal senior 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 2018 LC&M invoiced €21.0 million to the Group, compared with €23.8 million in 2017. 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 2018 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 2018 directly or via an intermediary, between (i) any of the Managing Partners, any members of the Supervisory Board or any shareholders of Lagardère SCA owning more than 10% of the voting rights and (ii) any subsidiaries more than 50%-owned by Lagardère SCA directly or indirectly.

NOTE 36 EVENTS AFTER THE REPORTING PERIOD

Sale of the Boursier.com business to the Les Échos-Le Parisien group

On 31 January 2019, Lagardère sold the Boursier.com website and its financial markets information and publishing activities, previously held by Lagardère Active subsidiary Newsweb, to Les Échos-Le Parisien group.

Start of exclusive negotiations with the M6 group for the sale of the Television division (excluding Mezzo).

On 31 January 2019, the Lagardère group announced that it had entered into exclusive negotiations with the M6 group to finalise an agreement to sell the channels making up its Television business (excluding Mezzo) – Gulli and its international extensions, Canal J, TiJi, Elle Girl TV, MCM, MCM Top, RFM TV – and the related advertising sales brokerages.

The project will be submitted to the relevant employee representative bodies and will be subject to clearance by France's media regulator (CSA) and the competition authorities.

Sale of Radio Jacaranda and signing of an agreement for the sale of the Mediamark advertising sales brokerage to South African group Kagiso Media.

Lagardère announced the completion of the following transactions for the disposal by Lagardère Active Radio International (LARI) of its businesses in South Africa to long-standing fellow shareholder, the Kagiso Media group:

- the disposal on 7 February 2019 of the 20% interest held by LARI in Jacaranda FM Proprietary Limited, owner of Jacaranda FM, South Africa's number 1 private radio station, to the Kagiso Media group. Jacaranda contributed around €1.8 million to Group recurring operating profit of consolidated companies in 2018;
- the signing of an agreement on 29 January 2019 for the sale of the 49.99% interest held by LARI in the Mediamark Proprietary Limited advertising sales brokerage to the Kagiso Media group. The closing of this transaction is subject to clearance from the South African regulatory authorities.

The sale price for Jacaranda was ZAR 233 million, just over €15 million based on the 11 February 2019 exchange rate.

The sale price for Mediamark is estimated at ZAR 30 million, almost €2 million based on the 11 February 2019 exchange rate.

Sale of its Magazine Publishing titles in France to the Czech Media Invest group

On 14 February 2019 the Lagardère group finalised the sale of most of its Magazine Publishing titles in France, including *Elle* and its various extensions, *Version Femina*, *Art & Décoration*, *Télé 7 Jours* and its various extensions, *France Dimanche*, *Ici Paris* and *Public*, to Czech Media Invest (CMI).

Sale of BilletReduc.com to the Fnac Darty group

On 28 February 2019 the Lagardère group sold Billetreduc.com to the Fnac Darty group through its France Billet subsidiary. Lagardère and Fnac Darty had announced exclusive negotiations for the sale of Billetreduc.com on 17 January 2019.

Sale of Plurimedia to Media Press Group

On 28 February 2019 the Lagardère group sold Plurimedia to Media Press Group.

NOTE 37 FEES PAID TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

(in thousands of euros)	2018			
	Mazars	%	Ernst & Young et Autres	%
Statutory audit, certification, review of individual and consolidated financial statements	4,335	82.4	3,559	81.2
- Lagardère SCA	*173*	*3.3*	*223*	*5.1*
- Fully consolidated subsidiaries	*4,162*	*79.1*	*3,336*	*76.1*
Sub-total	**4,335**	**82.4**	**3,559**	**81.2**
Non-audit services	928	17.6	822	18.8
- Lagardère SCA	-	-	*151*	*3.5*
- Fully consolidated subsidiaries	*928*	*17.6*	*671*	*15.3*
Sub-total	**928**	**17.6**	**822**	**18.8**
Total	**5,263**	**100.0**	**4,381**	**100.0**

(in thousands of euros)	2017			
	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**

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 38 LIST OF CONSOLIDATED COMPANIES

Companies controlled and fully consolidated at 31 December 2018:

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)		95.34	95.34
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(*)

(*) The limited partnership confers control to Lagardère Publishing.

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 ESPANA	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	100.00	100.00
LA DIFF	58 rue Jean Bleuzen – 92170 VANVES	429 980 857	100.00	100.00
LA PLAGE	22 rue de l'Odéon - 75006 PARIS	445 282 163	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
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
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 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
JESSICA KINGSLEY (PUBLISHERS) LTD	LONDON (UNITED KINGDOM)		100.00	100.00
JESSICA KINGSLEY PUBLISHERS INC	PHILADELPHIA (UNITED STATES)		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)		60.80	60.80
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 DIGITAL INC	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				
EDICIONES LAROUSSE SA de CV	MEXICO CITY (MEXICO)		100.00	100.00
DIFUSORA LAROUSSE MEXICO 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
KYLE CATHIE LTD	LONDON (UNITED KINGDOM)		100.00	100.00
KYLE BOOKS 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
SUMMERSDALE PUBLISHERS 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
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
HACHETTE DISTRIBUTION INC	NEW YORK (UNITED STATES)		100.00	100.00
HDS CANADA	MONTREAL (CANADA)		100.00	100.00
HDS DEUTSCHLAND GMBH	WIESBADEN (GERMANY)		100.00	100.00
HDS RETAIL NORTH AMERICA LP	NEW YORK (UNITED STATES)		100.00	100.00
HOJEIJ BRANDED FOODS LLC(*)	ATLANTA (UNITED STATES)		100.00	100.00

(*) Comprising 45 fully consolidated entities (including minority interests in each entity with different percentage interests).

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
LAGARDERE TRAVEL RETAIL CP CONVENIENCE PARTNER GMBH	SALZBURG (AUSTRIA)		50.00	100.00
LAGARDERE TRAVEL RETAIL DEUTSCHLAND SPECIALTY GMBH	WIESBADEN (GERMANY)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL EHF	REYKJAVIK (ICELAND)		60.00	60.00
LAGARDÈRE TRAVEL RETAIL FASHION GMBH	VIENNA (AUSTRIA)		100.00	100.00
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
LAGARDERE TRAVEL RETAIL REAL ESTATE BV	AMSTERDAM (NETHERLANDS)		90.04	100.00
LAGARDERE TRAVEL RETAIL STATIONS BV	AMSTERDAM (NETHERLANDS)		90.04	100.00
LAGARDÈRE TRAVEL RETAIL LUXEMBOURG	LUXEMBOURG (LUXEMBOURG)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL MIDDLE EAST	ABU DHABI (UNITED ARAB EMIRATES)		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 SPECIALTY SP ZOO	KRAKOW (POLAND)		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 MALAYSIA SDN BHD	KUALA LUMPUR (MALAYSIA)		70.00	70.00
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
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	BUCHAREST (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

(*) Comprising 157 fully consolidated entities (including minority interests in each entity with different percentage interests).

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 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

(*) The shareholder agreement confers control of the group to Lagardère Travel Retail.

LAGARDÈRE ACTIVE				
LAGARDÈRE ACTIVE	3 avenue André Malraux – 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
AMAYA-TECHNISONOR	7-15 rue du Dôme – 92100 BOULOGNE-BILLANCOURT	542 088 604	99.92	100.00
LABEL BOX	3 avenue André Malraux – 92300 LEVALLOIS-PERRET	750 336 117	82.07	82.09
ANIMALBOX PETFOOD	3 avenue André Malraux – 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
COFFEE DIGITAL LLC	NEW YORK (UNITED STATES)		68.42	68.42
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	3 avenue André Malraux – 92300 LEVALLOIS-PERRET	794 411 561	98.01	98.04
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
ELLE INTERNATIONAL	3 avenue André Malraux – 92300 LEVALLOIS-	834 273 906	99.97	100.00

	PERRET			
EUROPE 1 IMMOBILIER	2 rue des Cévennes – 75015 PARIS	622 009 959	99.85	100.00
EUROPE 1 TÉLÉCOMPAGNIE	2 rue des Cévennes – 75015 PARIS	542 168 463	99.83	100.00
EUROPE 2 ENTREPRISES	2 rue des Cévennes – 75015 PARIS	352 819 577	99.92	100.00
EUROPE NEWS	2 rue des Cévennes – 75015 PARIS	343 508 750	99.83	100.00
FCUBE	3 avenue André Malraux – 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	3 avenue André Malraux – 92300 LEVALLOIS-PERRET	324 286 319	99.97	100.00
HACHETTE FILIPACCHI PRESSE	3 avenue André Malraux – 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
LA CORPORATE	3 avenue André Malraux – 92300 LEVALLOIS-PERRET	824 652 069	100.00	100.00
LAGARDÈRE ACTIVE AGENCE	3 avenue André Malraux – 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
LAGARDÈRE ACTIVE FINANCES	3 avenue André Malraux – 92300 LEVALLOIS-PERRET	410 208 136	100.00	100.00
LAGARDÈRE ACTIVE SHOPPING	3 avenue André Malraux – 92300 LEVALLOIS-PERRET	827 899 279	55.02	100.00
LAGARDÈRE ACTIVE TV	2 rue des Cévennes – 75015 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	3 avenue André Malraux – 92300 LEVALLOIS-PERRET	433 934 312	99.97	100.00
LAGARDÈRE GLOBAL ADVERTISING	3 avenue André Malraux – 92300 LEVALLOIS-PERRET	350 277 059	99.72	100.00
LAGARDÈRE LABS INC	NEW YORK (UNITED STATES)		100.00	100.00
LAGARDÈRE MEDIA NEWS	2 rue des Cévennes – 75015 PARIS	834 289 373	99.97	100.00
LAGARDÈRE NEWS	2 rue des Cévennes – 75015 PARIS	415 096 502	99.83	100.00
LAGARDÈRE PUBLICITÉ	3 avenue André Malraux – 92300 LEVALLOIS-PERRET	345 404 040	99.97	100.00
LAGARDÈRE PUBLICITÉ NEWS	2 rue des Cévennes – 75015 PARIS	538 865 064	99.92	100.00
LAGARDÈRE RÉGIE TV	2 rue des Cévennes – 75015 PARIS	824 272 850	99.92	100.00
LAGARDÈRE SERVICES NUMÉRIQUES	3 avenue André Malraux – 92300 LEVALLOIS-PERRET	834 273 922	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	2 rue des Cévennes – 75015 PARIS	350 787 594	99.92	100.00

LAGARDÈRE TV SERVICES	2 rue des Cévennes – 75015 PARIS	824 241 756	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	3 avenue André Malraux – 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	2 rue des Cévennes – 75015 PARIS	418 141 685	59.95	60.00
MONEYTAG	3 avenue André Malraux – 92300 LEVALLOIS-PERRET	823 738 919	99.97	100.00
NEWSWEB	3 avenue André Malraux – 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	3 avenue André Malraux – 92300 LEVALLOIS-PERRET	391 817 467	99.97	100.00
PROMOTION ET SPECTACLES D'EUROPE 1	2 rue des Cévennes – 75015 PARIS	632 042 495	99.83	100.00
RFM ENTREPRISES	2 rue des Cévennes – 75015 PARIS	405 188 871	99.92	100.00
RFM RÉGIONS	2 rue des Cévennes – 75015 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
SKYHIGH TV	HILVERSUM (NETHERLANDS)		51.96	52.00
SOCIÉTÉ DE PRESSE FÉMININE	3 avenue André Malraux – 92300 LEVALLOIS-PERRET	441 174 554	100.00	100.00
THE BOX DISTRIBUTION	7-15 rue du Dôme – 92100 BOULOGNE-BILLANCOURT	492 603 287	99.92	100.00
VIRGIN RADIO RÉGIONS	2 rue des Cévennes – 75015 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 (CHILE)		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
MULTIPARK FICCION SL	MADRID (SPAIN)		93.92	100.00
LARI GROUP				
LAGARDÈRE ACTIVE RADIO INTERNATIONAL	3 avenue André Malraux – 92300 LEVALLOIS-PERRET	388 404 717	99.92	100.00
ADI CÔTE D'IVOIRE	ABIDJAN (CÔTE D'IVOIRE)		99.92	100.00
ADI SÉNÉGAL	DAKAR (SENEGAL)		99.92	100.00
RADIO SALU - EURO RADIO SAAR	SARREBRUCK (GERMANY)		50.99	51.14
SHOPPING GUIDE GMBH	MUNICH (GERMANY)		100.00	100.00

RÉSERVOIR GROUP				
RÉSERVOIR HOLDING	7-15 rue du Dôme – 92100 BOULOGNE-BILLANCOURT	799 890 108	84.93	85.00
RÉSERVOIR GROUP	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

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 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

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
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 PLUS LLC	WILMINGTON (UNITED STATES)		100.00	100.00
LAGARDÈRE UNLIMITED SSI LLC	ST SIMONS ISLAND (UNITED STATES)		100.00	100.00
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
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	100.00	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)		80.74	100.00
LAGARDÈRE SPORTS ASIA LTD	HONG KONG (CHINA)		80.74	100.00
LAGARDÈRE SPORTS ASIA PTE LTD	SINGAPORE (REPUBLIC OF SINGAPORE)		80.74	100.00
LAGARDÈRE SPORTS BEIJING LTD	BEIJING (CHINA)		80.74	100.00
LAGARDÈRE SPORTS EAST ASIA LTD	HONG KONG (CHINA)		80.74	100.00
LAGARDÈRE SPORTS MIDDLE EAST FZ LLC	DUBAI (UNITED ARAB EMIRATES)		80.74	100.00
LAGARDERE SPORTS (SHANGHAI) LTD	SHANGHAI (CHINA)		80.74	100.00
WORLD SPORT GROUP INDIA LTD	MUMBAI (INDIA)		80.74	100.00
WORLD SPORT GROUP MAURITIUS LTD	PORT LOUIS (MAURITIUS)		80.74	100.00
WORLD SPORT GROUP PTY LTD	BROOKVALE (AUSTRALIA)		80.74	100.00
LAGARDÈRE SPORTS AUSTRALIA GROUP				
LAGARDÈRE SPORTS AUSTRALIA HOLDING PTY LTD	SYDNEY (AUSTRALIA)		100.00	100.00
JAVELIN AUSTRALIA PTY LTD	ST LEONARDS (AUSTRALIA)		100.00	100.00

LAGARDÈRE SPORTS AUSTRALIA PTY LTD	ST LEONARDS (AUSTRALIA)		100.00	100.00
SPORTS MARKETING & MANAGEMENT UK LTD	SURREY (UNITED KINGDOM)		100.00	100.00

OTHER ACTIVITIES				
LAGARDÈRE SCA	4 rue de Presbourg – 75116 PARIS	320 366 446	100.00	100.00
COMPAGNIE IMMOBILIÈRE EUROPA	149 rue Anatole France – 92300 LEVALLOIS-PERRET	407 662 329	100.00	100.00
DARIADE	42 rue Washington – 75008 PARIS	400 231 072	100.00	100.00
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 2018:

JOINT VENTURES	REGISTERED OFFICE	Registration number	% interest	% control
LAGARDÈRE PUBLISHING				
FRANCE LIGHTNING SOURCE	1 avenue Gutenberg – 78310 MAUREPAS	515 014 785	50.00	50.00
LAGARDÈRE TRAVEL RETAIL				
AEROPORTS DE LYON (LYON DUTY FREE)	Aéroport Lyon Saint Exupéry – 69124 COLOMBIER-SAUGNIEU	493 425 136	45.02	50.00
C-STORE	55 rue Deguingand – 92300 LEVALLOIS-PERRET	505 387 795	50.00	50.00
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
LAGARDÈRE ACTIVE				
NOVA VERANDA 2010	BARCELONA (SPAIN)		46.96	50.00
LAGARDÈRE SPORTS AND ENTERTAINMENT				
LAGARDÈRE SPORTS GROUP				
STADION FRANKFURT MANAGEMENT GMBH	FRANKFURT (GERMANY)		50.00	50.00
OTHER ACTIVITIES				
GLOBAL CAR SERVICES	98 boulevard Victor Hugo – 92110 CLICHY	304233406	50.00	50.00

Companies in which the Group exercises significant influence, accounted for under the equity method at 31 December 2018:

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				
AREAS HOJEIJ ORLANDO JV	ORLANDO (USA)		40.00	40.00
CDF LAGARDÈRE COMPANY LTD	HONG KONG (CHINA)		20.00	20.00
DUTYFLY SOLUTIONS	ZAC du Moulin. rue du Meunier – 95700 ROISSY EN FRANCE	443 014 527	45.02	49.90
DUTYFLY SOLUTIONS ESPAÑA	MADRID (SPAIN)		45.02	49.90
DUTYFLY SOLUTIONS ITALIA	MILAN (ITALY)		45.02	49.90
DUTYFLY SOLUTIONS ROMANIA	BUCHAREST (ROMANIA)		45.02	49.90
DUTYFLY SOLUTIONS LUXEMBOURG	LUXEMBOURG (LUXEMBOURG)		45.02	49.90
HJAIA CONCESSIONS LLC	ATLANTA (UNITED STATES)		49.00	49.00
INMEDIO SP ZOO	WARSAW (POLAND)		49.00	49.00
LAGARDÈRE KSA	RIYAD (SAUDI ARABIA)		26.00	26.00
MITCHELL BOS LLC	ATLANTA (UNITED STATES)		49.00	49.00
LAGARDÈRE ACTIVE				
DISNEY HACHETTE PRESSE	3 avenue André Malraux – 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
MEDIA SQUARE	43 boulevard Barbès – 75018 PARIS	753 186 337	13.40	13.40
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
MEDIAMARK	RIVONIA (SOUTH AFRICA)		49.95	49.99
LAGARDÈRE SPORTS AND ENTERTAINMENT				
LAGARDÈRE SPORTS GROUP				
CGF PARTNERSHIPS LTD	LONDON (UNITED KINGDOM)		40.00	40.00
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 2018 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
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				
HDS DIGITAL	55 rue Deguingand – 92100 LEVALLOIS-PERRET	488 312 596	100.00	100.00
LAGARDÈRE TRAVEL RETAIL SRO	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
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
MODINC LTDA	SAO PAULO (BRAZIL)		99.97	100.00
RFM EST	23 boulevard de l'Europe – 54500 VANDOEUVRE LES NANCY	402 062 269	74.74	74.80
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

NON-CONSOLIDATED CONTROLLED COMPANIES	REGISTERED OFFICE	Registration number	% interest	% control
OTHER ACTIVITIES				
LAGARDERE EXPRESSION	42 rue Washington – 75008 PARIS	353 463 235	100.00	100.00
LP7	42 rue Washington – 75008 PARIS	843 931 783	100.00	100.00
LP8	42 rue Washington – 75008 PARIS	843 931 742	100.00	100.00
LP9	42 rue Washington – 75008 PARIS	843 931 858	100.00	100.00
LP10	42 rue Washington – 75008 PARIS	844 799 593	100.00	100.00
LP11	42 rue Washington – 75008 PARIS	844 799 635	100.00	100.00

NOTE 39 CONSOLIDATED FINANCIAL STATEMENTS FOR 2017 AND 2016

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 parent company financial statements and the related audit reports on pages 161 to 284 of the French Reference Document for 2017, filed with the AMF on 3 April 2018 under registration number D.18-0235;
- the consolidated financial statements and parent company 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 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

Comments on the Lagardère SCA parent company financial statements at 31 December 2018

5.4.1 INCOME STATEMENT

The condensed income statements are as follows:

(in millions of euros)	2018	2017
Operating revenues	60	60
Operating loss	(10)	(13)
Net financial income	198	90
Earnings before tax and exceptional items	188	77
Net exceptional expense	(5)	(3)
Income tax benefit	95	88
Profit for the year	**278**	**162**

In 2018, the Company reported an operating loss of €10 million, a €3 million improvement on the operating loss of €13 million recorded in 2017. 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 €4 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)	2018	2017
Interest income from marketable securities and other	2	1
Net interest income on loans to subsidiaries	24	23
Interest and expenses on borrowings	(42)	(57)
Finance costs, net	**(16)**	**(33)**
Dividends received or receivable	212	126
Net (additions to) reversals of provisions	2	(3)
Other	-	-
Net financial income	**198**	**90**

In 2018, the Company reported net financial income of €198 million, representing a €108 million increase compared to 2017.

The increase in net financial income is attributable to the following factors:

- a €1 million increase in interest received on Group receivables, especially the loan granted to Lagardère North America for USD 330 million in connection with the acquisition of HBF group in November 2018;
- a €15 million decrease in financial expenses on borrowings, mainly attributable to the redemption of the €500 million October 2012 bond issue carrying a coupon of 4.125% at the 31 October 2017 maturity;
- an €86 million increase in dividends received: in 2018, Lagardère SCA received €200 million in dividends from Lagardère Média (2017: €100 million), and Lagardère Finance distributed €11 million in dividends (versus €26 million in 2017);
- net reversals of provisions representing €2 million at 31 December 2018, versus net additions to provisions totalling €3 million at 31 December 2017. In 2018, movements in provisions mainly reflect:
  - a reversal in provisions for unrealised foreign exchange risks for €10 million arising on the unhedged portion of the USD 530 million loan (financing for the Paradies acquisition) and the USD 330 million loan (financing for the HBF acquisition) with Lagardère North America;
  - a €7 million addition attributable to the adjustment made to the carrying amount of treasury shares, breaking down as a mark-to-market adjustment recorded against free shares at the delivery date for €2 million and an adjustment based on the reference share price at 31 December 2018 (€22.64) for €5 million.

In 2017, the €3 million change in provisions mainly reflected:

- additions to provisions for unrealised foreign exchange risks for €10 million, arising on the unhedged portion of the USD 530 million loan with 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.

Exceptional items represented a net expense of €5 million in 2018 and related mainly to additions to provisions for risks. This caption represented a net expense of €3 million in 2017.

The Company reported an income tax benefit of €95 million in 2018. This includes an expense of €27 million and income of €122 million arising on tax consolidation (taxes paid by subsidiaries in the tax group in excess of the tax due by the whole consolidated tax group). The corresponding figures for 2017 were €11 million (refund of the 3% tax levied on dividends) and €77 million, respectively.

5.4.2 BALANCE SHEET AND CASH FLOWS

Assets

(in millions of euros)	31 Dec. 2018	31 Dec. 2017
Fixed assets	5,362	5,066
Trade receivables and other	133	137
Cash and cash equivalents	62	8
Total assets	**5,557**	**5,211**

Liabilities and shareholders' equity

(in millions of euros)	31 Dec. 2018	31 Dec. 2017
Shareholders' equity	2,995	2,898
Provisions for risks and liabilities	31	36
Borrowings	2,472	2,179
Short-term bank loans	-	-
Other liabilities	59	98
Total liabilities and shareholders' equity	**5,557**	**5,211**

Cash flows

(in millions of euros)	2018	2017
Cash from operating activities	224	167
Cash used in investing activities	(293)	(1)
Cash from (used in) operating and investing activities	**(69)**	**166**
Cash from (used in) financing activities	**123**	**(163)**
Change in cash and cash equivalents	54	3
Cash and cash equivalents at beginning of year	**8**	**5**
Cash and cash equivalents at end of year	**62**	**8**

In 2018, cash from operating activities amounted to €224 million and chiefly included the dividend received from Lagardère Média for €200 million.

Net cash used in investing activities represented an outflow of €293 million, and included:

- a loan granted to LNA in connection with the financing of the HBF acquisition for USD 330 million (equivalent to €288 million at 31 December 2018);
- the purchase and sale of treasury shares under the liquidity agreement, for €21 million and €18 million, respectively.

Financing activities generated a net cash inflow of €123 million and reflected:

- a €171 million cash outflow due to payment of the dividend;
- the continuation of the commercial paper programme with a €850 million ceiling, under which €202 million was issued in 2018;
- an increase in amounts borrowed from Lagardère Finance (€92 million).

Net debt – which corresponds to cash and cash equivalents less borrowings – was as follows at 31 December 2018 and 2017:

(in millions of euros)	31 Dec. 2018	31 Dec. 2017
Net debt	**(2,410)**	**(2,171)**

Net debt increased by €239 million in the course of 2018.

Payment terms

In application of the French Commercial Code (*Code de commerce*), all of Lagardère SCA's trade payables at 31 December 2018 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:

Payment terms	**Invoices received but not settled at 31 Dec. 2018 of which due**						**Invoices issued but not settled at 31 Dec. 2018 of which due**					
	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	1					8	13					-
Total amount of invoices concerned (excl. VAT) (in thousands of euros)	194	592	0	0	0	592	7,899	0	0	0	0	0
As a % of total purchases for the year (excl. VAT)	0%	0%	0%	0%	0%	0%						
As a % of revenue for the year							13%	0%	0%	0%	0%	0%
(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 2018

Parent company balance sheet

Assets (in millions of euros)	31 Dec. 2018 Gross	31 Dec. 2018 Depreciation, amortisation and impairment	31 Dec. 2018 Net	31 Dec. 2017 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	*757*		*757*	*447*
- Other investment securities	*45*	*5*	*40*	*55*
- Loans	-	-	-	-
- Other long-term investments	*4*	-	*4*	*3*
Fixed assets	**5,582**	**220**	**5,362**	**5,066**
Trade receivables	9	-	9	7
Other receivables	114	-	114	98
Marketable securities	4	-	4	7
Cash and cash equivalents	58	-	58	1
Prepaid expenses	1	-	1	2
Current assets	**186**	**-**	**186**	**115**
Deferred charges	3	-	3	3
Translation adjustment	6	-	6	27
Total assets	**5,777**	**220**	**5,557**	**5,211**

Liabilities and shareholders' equity	**31 Dec. 2018**	**31 Dec. 2017**
(in millions of euros)	**Amount**	**Amount**
Share capital	800	800
Share and other premiums	198	209
Reserves:		
- Legal reserve	*87*	*87*
- Reserves	*-*	*-*
- Other reserves	*1,532*	*1,532*
Retained earnings	100	108
Profit for the year	278	162
Interim dividend to be allocated	-	-
Shareholders' equity	**2,995**	**2,898**
Provisions for risks and liabilities	31	36
Borrowings subject to specific conditions	-	-
Borrowings:		
- Bonds	*1,315*	*1,315*
- Bank loans	*700*	*498*
- Loans from subsidiaries and affiliates	*457*	*366*
Trade payables	7	12
Other payables	45	69
Deferred income	-	-
Translation adjustment	7	17
Total liabilities and shareholders' equity	**5,557**	**5,211**

Parent company income statement

(in millions of euros)	2018	2017
Operating revenues(*)	60	60
Operating expenses	(70)	(73)
Operating loss	**(10)**	**(13)**
Financial income	244	156
Financial expenses	(48)	(63)
Net (additions to) reversals from provisions	2	(3)
Net financial income	**198**	**90**
Earnings before tax and exceptional items	**188**	**77**
Net exceptional expense	**(5)**	**(3)**
Income tax benefit	95	88
Profit for the year	**278**	**162**

(*) Including services provided to French subsidiaries: €51 million.

Parent company statement of cash flows

(in millions of euros)	2018	2017
Profit for the year	278	162
Depreciation, amortisation and provision expense (reversal)	3	8
Net loss on sale of fixed assets	-	-
Changes in working capital	(57)	(3)
Cash from operating activities	**224**	**167**
Acquisitions of long-term investments	(311)	(19)
Proceeds from disposals of long-term investments	18	17
Decrease in loans and receivables	-	1
Cash used in investing activities	**(293)**	**(1)**
Cash from (used in) operating and investing activities	**(69)**	**166**
Dividends paid	(171)	(170)
Decrease in borrowings and financial liabilities	-	(500)
Proceeds from new borrowings	202	579
Change in Group current accounts	92	(72)
Cash from (used in) financing activities	**123**	**(163)**
Change in cash and cash equivalents	54	3
Cash and cash equivalents at beginning of year	**8**	**5**
Cash and cash equivalents at end of year	**62**	**8**

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NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(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 principles and valuation methods

1. General information

Lagardère SCA's annual financial statements have been prepared in accordance with the accounting methods and principles established by the laws and regulations applicable in France. In particular, they have been prepared in accordance with Regulation 2015-05 issued by the French accounting standard-setter (*Autorité des normes comptables* – ANC) on forward financial instruments and hedging transactions, effective for accounting periods beginning on or after 1 January 2017.

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 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 profitability of the related entity. In principle the receivables are depreciated only after the full depreciation of related investments in subsidiaries.

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

The Company may use currency and interest rate derivatives to hedge borrowings and/or loans granted to Group companies.

- The foreign currency component of derivatives hedging receivables, payables, loans and borrowings in foreign currency are 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.

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. 2018	Increase	Decrease	31 Dec. 2018
Tangible assets	-	-	-	-
Long-term investments:				
Investments in subsidiaries and affiliates and other investment securities(*)	4,832	21	32	4,821
Loans and advances to subsidiaries and affiliates	447	310	-	757
Other long-term investments	3	1	-	4
Total	**5,282**	**332**	**32**	**5,582**

(*) This item includes the Company's investment in the FPCI Idinvest fund amounting to €11 million. €8 million had been subscribed at 31 December 2018.

Investments in subsidiaries and affiliates amounted to €4,821 million at 31 December 2018. The €21 million shown under "Increase" in 2018 is attributable to the acquisition of treasury shares, and the €32 million shown under "Decrease" chiefly reflects the following factors:

- sales of treasury shares under the liquidity agreement for €18 million;
- cancellation of the gross amount of treasury shares by means of a capital reduction for €11 million.

Loans and advances to subsidiaries and affiliates chiefly relate to USD loans granted to Lagardère North America in connection with the financing of the acquisition of Paradies group in 2015 for USD 530 million and of Hojeij Branded Foods (HBF) at end-2018 for USD 330 million.

Changes in depreciation, amortisation and impairment can be analysed as follows:

	1 Jan. 2018	Increase	Decrease	31 Dec. 2018
Long-term investments:				
Investments in subsidiaries and affiliates and other investment securities	(216)	(8)	4	(220)
Loans and advances to subsidiaries and affiliates	-	-	-	-
Total	**(216)**	**(8)**	**4**	**(220)**

The increase in this item during the year corresponds to additions relating to treasury shares for €7 million and to the cancellation of provisions for treasury shares for €4 million, offset against the share capital reduction.

2. RECEIVABLES

At 31 December 2018, the maturity of receivables was as follows:

	Gross	Due within one year	Due beyond one year
Long-term receivables	757	181	576
Short-term receivables	123	123	0
Total	**880**	**304**	**576**

Long-term receivables correspond to the loans granted to Lagardère North America.

Short-term receivables include:

- €9 million in Group trade receivables;
- €18 million in tax receivables (including €17 million in tax receivables and €1 million in refundable VAT);
- €89 million in intercompany receivables arising on tax consolidation;
- €7 million corresponding to the remeasurement of the currency component of the cross-currency swaps hedging the loans granted to Lagardère North America.

3. MARKETABLE SECURITIES

	31 Dec. 2018	31 Dec. 2017
At cost	4	7
Impairment	-	-
Carrying amount	**4**	**7**
Market value	4	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 2017	**800**	**1,828**	**108**	**162**	**-**	**2,898**
Capital reduction	(3)	(11)	-	-	-	(14)
Capital increase	3	-	-	-	-	3
Allocation of 2017 profit	-	-	162	(162)	-	-
Dividends paid(*)	-	-	(170)	-	-	(170)
Profit for the year	-	-	-	278	-	278
Shareholders' equity at 31 December 2018	**800**	**1,817**	**100**	**278**	**-**	**2,995**

(*) Including the portion of profit paid to the General Partners.

At 31 December 2018, 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 2018, the Group carried out two capital reductions by cancelling 482,240 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 2018, to beneficiaries of the 1 April 2015 plan residing in France for tax purposes (384,440 shares);
- on 27 December 2018, to beneficiaries of the 22 December 2014 plan residing in France and overseas for tax purposes (97,800 shares).

5. TREASURY SHARES

Changes in the number of treasury shares held by Lagardère SCA break down as follows for 2018:

	2018
Number of treasury shares held at 1 January	**1,575,218**
Purchases of treasury shares under the liquidity agreement(*)	883,813
Sales of treasury shares under the liquidity agreement(*)	(716,313)
Purchases (for treasury shares awarded to employees)	-
Awards	-
Capital reduction by cancellation of treasury shares	(482,240)
Number of treasury shares held at 31 December	**1,260,478**

(*) 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 2018 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 2018 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 2018 amounted to €5 million.

7. MATURITIES OF LIABILITIES

	31 Dec. 2018	Due within one year	Due between one and five years	Due beyond five years
Bonds	1,315	515	500	300
Negotiable securities	497	497	-	-
Other borrowings	660	2	200	458
Trade and other payables	52	52	-	-
Total	**2,524**	**1,066**	**700**	**758**

Other borrowings mainly include:

- the Lagardère Finance current account for €458 million;
- bank loans put in place in 2017 for €200 million;
- accrued interest not yet due on the EUR/USD cross-currency swap for €2 million.

8. PROVISIONS AND IMPAIRMENT

Type of provision and impairment	1 Jan. 2018	Additions	Reversals	31 Dec. 2018
Provisions for risks and liabilities(*)	36	7	12	31
Impairment				
- long-term investments(**)	*216*	*8*	*4*	*220*
- other	-	-	-	-
Impairment sub-total	216	8	4	220
Total	252	15	16	251
Including additions and reversals:				
- relating to operating items		-	-	
- relating to financial items		*8*	*14*	
- relating to exceptional items		*7*	*2*	

(*) Including additions to provisions for risks and liabilities for €7 million, and reversals of provisions for foreign exchange risk for €10 million. (**) Details are provided in note 1, Fixed assets Additions include €7 million in impairment against treasury shares.

9. TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES (NET VALUES) – BALANCE SHEET

Assets		Liabilities	
Long-term investments	5,318	Borrowings	458
Short-term receivables	98	Trade and other payables	40
Other	-	Other	-

Long-term investments mainly include shares in Lagardère Media, Lagardère Finance, and MNC, along with the loans 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(*)	59	Operating(**)	60
Financial	-	Financial(***)	236
Exceptional	-	Exceptional	-

(*) General services provided by Lagardère Ressources.

(**) Including services provided for €51 million and brand royalties for €9 million.

(***) Including dividends for €212 million and loan interest for €24 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	4	Borrowings	3
Short-term receivables	2	Trade and other payables	3
Cash and cash equivalents	-		-
Total	**6**	**Total**	**6**

12. PREPAID EXPENSES AND DEFERRED INCOME

	Amount		Amount
Prepaid expenses(*)	1	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

	2018	2017
Financial income	**254**	**164**
Financial income from investments in subsidiaries and affiliates	236	149
Income from other investment securities and long-term receivables	1	1
Other interest and similar income	7	6
Net income from marketable securities	-	-
Reversals of provisions and expense transfers	10	8
Foreign exchange gains	-	-
Financial expenses	**(56)**	**(74)**
Interest and similar expenses	(47)	(61)
Additions to provisions	(8)	(11)
Foreign exchange losses	(1)	(2)
Net financial income	**198**	**90**

14. EXCEPTIONAL ITEMS

	2018	2017
Net gains on disposals of assets	-	-
Net (additions to) reversals of provisions	(5)	(4)
Other exceptional income and expenses	-	1
Net exceptional expense	**(5)**	**(3)**

15. INCOME TAX BENEFIT

The Company reported an income tax benefit of €95 million in 2018. The balance corresponds to tax consolidation relief for €122 million (taxes paid by subsidiaries in the tax group in excess of the tax due by the tax consolidation group as a whole), and to a tax expense of €27 million. At 31 December 2018, the tax group comprising Lagardère SCA and its subsidiaries had unused tax loss carryforwards of some €170 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 have not been any share options outstanding since 31 December 2016. The 14 December 2006 share plan expired on 14 December 2016. The 1,895,336 options remaining under the plan were cancelled. No Lagardère SCA share purchase options were exercised in 2016.

Free share award plans

From 2015 to 2018, the Group set up plans to award free shares to employees, the Co-Managing Partners and members of the Enlarged Committee (the Lagardère Media Operating Committee up to May 2016).

	Number of free shares awarded at inception	Number of outstanding rights at 31 Dec. 2018
1 April 2015 plans	444,440	54,000
9 May 2016 plans	829,660	816,960
6 April 2017 plans	817,660	805,010
16 April 2018 plans	812,460	797,360

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, 6 April 2017 and 16 April 2018 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 9 May 2016, 6 April 2017 and 16 April 2018 plans, the shares will only vest subject to:

- the beneficiaries remaining with the Group until at least 9 May 2019, 6 April 2020 and 17 April 2021 respectively under the 2016, 2017 and 2018 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 2018, Lagardère SCA held cross-currency swaps hedging USD 430 million of the USD 860 million in loans 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. 2018 (in millions of euros)(*)	Fair value at 31 Dec. 2017 (in millions of euros)
Cross-currency swaps maturing 19 September 2019	100	90	3	8
Cross-currency swaps maturing 13 April 2023	165	148	5	10
Cross-currency swaps maturing 21 June 2024	165	145	(1)	
Hedging derivatives	**430**	**383**	**7**	**18**

(*) Including €7 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 2018, the remeasurement of the loans granted to Lagardère North America at the year-end rate gave rise to a €6 million unrealised foreign exchange loss, offset by a €7 million unrealised foreign exchange gain on derivatives.

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 2018

(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	2,878	100.00	
Lagardère Finance (Immeuble Monceau - 42, rue Washington - 75008 Paris)	1,540,000	169,304	100.00	
Lagardère Media (4, rue de Presbourg - 75116 Paris)	879,611	308,110	100.00	
Lagardère Participations (4, rue de Presbourg - 75116 Paris)	15,250	2,365	100.00	
Lagardère Ressources (immeuble Monceau - 42, rue Washington - 75008 Paris)	2,000	464	100.00	
Matra Manufacturing & Services (4, rue de Presbourg - 75116 Paris)	13,528	(23,648)	100.00	
M N C (Immeuble Monceau - 42, rue Washington - 75008 Paris)	89,865	14,481	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	3,391			0	(23)	0
	1,695,000	1,695,000			0	8,880	11,480
	2,730,374	2,730,374			0	41,576	200,112
	25,445	25,445			0	(46)	0
	101,332	2,470			62,526	6	0
	94,035	0			288	85	0
	112,732	104,298			0	(49)	0
	452	452					

Investment portfolio at 31 December 2018

(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		
Number of shares held:		
107,284	Holpa	3,391
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	2,470
845,474	Matra Manufacturing & Services	0
7,848,480	MNC	104,298
Book value below €15,000		0
Total investments in French companies		**4,560,978**
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		**4,561,430**
II. Other long-term investments (in thousands of euros)		
C. Investment funds		
	FCPR Idinvest	7,532
Total investment funds		**7,532**
D. Treasury shares		28,536
Total treasury shares		**28,536**
Total other long-term investments		**36,068**
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:	17	3,977
Total short-term investments (book value)		**3,977**

Lagardère SCA – Five-year financial summary

(Articles R. 225-83 and R. 225-102 of the French Commercial Code)

	Type of indications	2014	2015	2016	2017	2018
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	52,028	56,327	59,453	59,546	60,202
b)	Earnings before tax, depreciation, amortisation and provisions	(75,353)	(13,960)	(40,470)	82,873	188,116
c)	Income tax(*)	43,467	74,308	63,132	87,805	94,576
d)	Earnings after tax, depreciation, amortisation and provisions	(57,052)	41,082	31,440	162,282	277,979
e)	Dividends paid	166,783	168,088	170,025	170,604	(**)
III	**Earnings per share (in euros)**					
a)	Earnings per share after tax, but before depreciation, amortisation and provisions	(0.91)	(0.67)	0.17	1.30	2.16
b)	Earnings per share after tax, depreciation, amortisation and provisions	(0.44)	0.31	0.24	1.24	2.12
c)	Dividend per share	1.30	1.30	1.30	1.30	(**)
IV	**Personnel (in euros, excluding headcount)**					
a)	Average headcount	9	9	9	8	8
b)	Total wages and salaries	3,178,984	2,509,884	2,944,590	2,607,183	1,739,429
c)	Total employee benefit expense	1,837,379	1,038,059	1,025,805	1,275,889	896,224

(*) Mainly the tax benefit resulting from tax consolidation.

(**) The Annual General Meeting on 10 May 2019 will be asked to approve a dividend of €1.30 per share.

5.6 STATUTORY AUDITORS' REPORT ON THE COMPANY'S FINANCIAL STATEMENTS

To the Annual General Meeting of Lagardère SCA,

Opinion

In compliance with the engagement entrusted to us by your General Meetings, we have audited the accompanying financial statements of Lagardère SCA for the year ended 31 December 2018.

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 2018 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 of the audit 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 audit opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2018 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Justification of our 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 the risks of material misstatement that, in our professional judgement, were of most significance in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the parent company financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the parent company financial statements.

Measurement of investments in and loans and advances to subsidiaries

Description of risk

At 31 December 2018, the carrying amount of investments in subsidiaries and affiliates recognised in the balance sheet amounted to €4,561 million, representing 82% of total assets. Loans and advances to subsidiaries and affiliates amounted to €757 million, or 14% of total assets.

As indicated in note 2 to the financial statements on accounting policies, investments in subsidiaries are measured at historical cost or subscription value less impairment for any excess of those amounts over value in use. 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.

Estimating the value in use of investments requires management to exercise judgement in choosing the criteria to be taken into account in assessing them (corresponding to historical or projected data, depending on the circumstances).

In this context and given the inherent uncertainty associated with certain criteria, notably achievement of forecasts, we deemed the correct valuation of investments in subsidiaries and affiliates as well as associated receivables to be a key audit matter.

How our audit addressed this risk

Our audit work consisted in:

- obtaining an understanding of the methods used by management to implement impairment tests;
- assessing whether 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.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

Information given in the management report and in the other documents provided to the shareholders with respect to the Company's financial position and 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 Managing Partners' management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements.

We attest to the fair presentation and the consistency with the annual financial statements of the information given with respect to the payment terms referred to in article D. 441-4 of the French Commercial Code.

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.

Concerning the information given in accordance with the requirements of article L. 225-37-3 of the French Commercial Code relating to remuneration and benefits received by 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 companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

Concerning the information given in accordance with the requirements of article L. 225-37-5 of the French Commercial Code relating to those items your Company has deemed liable to have an impact in the event of a takeover bid or exchange offer, we have verified its consistency with the underlying documents that were disclosed to us. Based on this work, we have no matters to report with regard to this information

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Lagardère SCA by the General Meetings held on 29 June 1987 for ERNST & YOUNG et Autres and on 20 June 1996 for Mazars.

At 31 December 2018, ERNST & YOUNG et Autres and Mazars were in the thirty-second year and the twenty-third year of total uninterrupted engagement, respectively.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing financial statements presenting a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements free of 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 expects 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 risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

These financial statements have been approved by the Managing Partners.

Responsibilities of the Statutory Auditors relating to the audit of the financial statements

Objective and audit approach

Our role is to issue a report on the parent company financial statements. Our objective is to obtain reasonable assurance about whether the Company's financial statements as a whole are free of 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 taken by users on the basis of these parent company financial statements.

As specified in article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability of the Company or the quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

► identify and assess the risks of material misstatement in the parent company financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their 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;

- obtain an understanding of the internal control procedures 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the parent company financial statements;
- assess 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 the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the parent company financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the parent company financial statements and assess 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 programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the financial statements and which constitute 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) No. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

French language original signed at Paris-La Défense and Courbevoie, on 19 March 2019

The Statutory Auditors

Ernst & Young et Autres

Bruno Bizet

Mazars

Thierry Blanchetier

5.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Annual General Meeting of Lagardère SCA,

Opinion

In compliance with the engagement entrusted to us by your General Meetings, we have audited the accompanying consolidated financial statements of Lagardère SCA for the year ended 31 December 2018.

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 at 31 December 2018 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 of the audit 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 audit opinion.

Our responsibilities under these standards are described in the section of this report entitled "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements".

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2018 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

Without qualifying our opinion, we draw your attention to the matters set out in notes 1.1 and 1.2 to the consolidated financial statements, which describe:

- the impacts of the first-time application in 2018 of IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments;
- the estimate of the expected impacts of applying IFRS 16 – Leases, effective 1 January 2019.

Justification of our 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 the risks of material misstatement that, in our professional judgement, were of most significance in our audit of the consolidated financial statements, as well as how we addressed those risks.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed as expressed above. We do not express an opinion on specific items of the consolidated financial statements.

Impacts of the Group's strategic repositioning

Description of risk

Note 4.3 "Assets held for sale and associated liabilities" to the consolidated financial statements refers to the announcements made by the Group in the spring of 2018 concerning its strategic repositioning around two priority areas, Lagardère Publishing and Lagardère Travel Retail. In this context, management has taken a series of decisions to sell or withdraw from some of its business activities.

The accounting impact of these decisions is based on assumptions made by management concerning the classification of certain assets and associated liabilities as held for sale, the measurement at fair value of these assets and associated liabilities, and the measurement of restructuring costs in connection with the strategic repositioning.

We deemed the impacts of the Group's strategic refocusing to be a key audit matter as it requires significant judgement from management.

How our audit addressed this risk

We engaged in several discussions with Group management and with the management of the divisions concerned in order to gain an understanding of the progress made in the various sale processes initiated and their impacts on the presentation of the consolidated financial statements.

We analysed the criteria used by management to present certain assets as held for sale, and assessed their conformity with the applicable accounting standards.

We performed a critical review of the valuation tests carried out on these assets, based on the preliminary offers received by the Group, where applicable.

We conducted a critical review of the methods used to measure the restructuring provisions set aside in respect of the strategic repositioning.

We verified the appropriate accounting for assets divested during the year, in particular with regard to any underlying legal agreements.

We also examined the appropriateness of the disclosures provided in notes 4.3 and 8 to the consolidated financial statements.

Measurement of goodwill and intangible assets with indefinite useful lives

Description of risk

Goodwill and other intangible assets with indefinite useful lives, which have carrying amounts of €1,624 million and €145 million, respectively, at 31 December 2018, are recognised in accordance with the methods set out in notes 3.8 and 3.9 to the consolidated financial statements.

At each accounts closing, management verifies that the recoverable amount of goodwill and intangible assets with indefinite useful lives is higher than the carrying amount, and that there are no indications of impairment. 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 procedures used to test assets for impairment at the level of the cash-generating units (CGUs) to which the assets were allocated are described in note 3.10 and the assumptions used are set out in note 10 to the consolidated financial statements.

Regarding goodwill and intangible assets with indefinite useful lives for the Lagardère Sports and Entertainment division, which have a carrying amount of €188 million at 31 December 2018, the achievement of the assumptions used by management to determine future cash flow forecasts depends on the conditions under which contracts in force are executed, the ability to renew them or to win new ones, as well as the related margins.

In view of the significance of management judgement required and of the uncertainties inherent in the assumptions used, we deemed the measurement of goodwill and intangible assets with indefinite useful lives to be a key audit matter.

How our audit addressed this risk

We analysed whether the method used by the Company complies with the accounting standards in force.

We held discussions with management to assess the assumptions used and performed a critical review of the procedures implemented to measure these assets, and analysed in particular:

- the completeness of the data included in the carrying amounts of the CGUs tested, as well as the consistency of the measurements with the cash flow forecasts used for the recoverable amounts;
- the reasonableness of the cash flow forecasts compared to the economic and financial environments of the most sensitive CGUs, and the reliability of the estimation process;
- the consistency of the cash flow forecasts with the latest estimates prepared by the management under the supervision of the Managing Partners as part of the budget process;
- the consistency of the growth and discount rates used to project future cash flows, with the support of our valuation experts;
- the calculation of the discount applied to estimated future cash flows;
- the sensitivity of calculations performed by management to changes in the main assumptions used.

Lastly, we also examined the appropriateness of the disclosures provided in note 10 to the consolidated financial statements.

Recognition of sports rights marketing contracts

Description of risk

In the context of its sports rights marketing activity, Lagardère Sports and Entertainment enters into multi-annual agreements with rights holders, in some cases guaranteeing them a minimum income. At 31 December 2018, obligations in respect of such guarantees amounted to €981 million, as described in note 32 to the consolidated financial statements.

In this context, the division is required to make estimates, in particular concerning:

- the annual allocation of revenue generated by each event in respect of these contracts;
- its ability to generate total revenue in excess of the obligations granted to rights holders, and to determine a global margin to be generated by the contract.

In the event that the expected revenue is lower than the minimum guaranteed payment or does not cover direct costs associated with the execution of the contract, the division recognises a provision for expected contract losses.

The accounting methods relating to those contracts are described in notes 3.1 and 3.19 to the consolidated financial statements.

In light of the judgement required by management in determining expected revenue and allocating it to events, we deemed the accounting of sports rights marketing contracts by Lagardère Sports and Entertainment to be a key audit matter.

How our audit addressed this risk

Our audit work consisted in:

- gaining an understanding of the process implemented within the division to identify all commitments given and recorded on- or off-balance sheet in respect of these contracts, and determining the revenue recognition methods (including its allocation to events);
- analysing, for a selection of contracts, the assumptions used for revenue and expected margins compared with contracted sales, and direct cost projections related to those contracts;
- analysing the provisions for expected losses recorded for certain contracts;
- assessing the reasonableness of the disclosures in notes to the consolidated financial statements, regarding commitments given recorded on- or off-balance sheet related to these contracts, and regarding commitments received related to contracted sales.

Revenue recognition by Lagardère Publishing – Estimating returns

Description of risk

Revenue recognition for Lagardère Publishing is subject to management estimates mainly in respect of the amount of returns.

The revenue recognition principles are described in notes 3.1 and note 31 to the consolidated financial statements. Estimated returns recognised as a deduction from revenue amounted to €299 million at 31 December 2018.

This amount represents distributors' right to return unsold copies to Lagardère Publishing in its capacity as publisher. This right recognised as a deduction from revenue is estimated on the basis of forecast sales during the year and of historical returns data. 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.

Given the significance of estimated returns, and of the assumptions and areas of judgement involved in their calculation, we deemed revenue recognition for Lagardère Publishing to be a key audit matter.

How our audit addressed this risk

Our work consisted primarily in:

- describing and testing the sales process, including the treatment of returns;
- obtaining an understanding of the method used to calculate returns and of the main assumptions used for estimating 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 margins;
- comparing estimated return rates with historical rates;
- reviewing the effective existence of the sales and returns used for calculation purposes;
- verifying the arithmetical accuracy of the statistical method applied;

- identifying any specific factors resulting in manual adjustments.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified 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.

We attest that the Group management report includes the consolidated non-financial information statement required under article L. 225-102-1 of the French Commercial Code. However, in accordance with article L. 823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

Disclosures resulting from other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Lagardère SCA by the Annual General Meetings held on 20 June 1996 for Mazars and on 29 June 1987 for ERNST & YOUNG et Autres.

At 31 December 2018, Mazars and ERNST & YOUNG et Autres were in the twenty-third year and thirty-second year of total uninterrupted engagement, respectively.

Responsibilities of management and those charged with governance relating to the consolidated financial statements

Management is responsible for preparing consolidated financial statements presenting a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements free of 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 expects 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 risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Managing Partners.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective 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 taken as a whole are free of material misstatement. Reasonable assurance corresponds to a high level of assurance, but does not guarantee that an audit carried out 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 taken by users on the basis of these consolidated financial statements.

As specified in article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability of the Company or the quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their 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;

- obtain an understanding of the internal control procedures 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;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;

- assess 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 the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

- evaluate the overall presentation of the consolidated financial statements and assess whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain 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 Auditors are responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

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 programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the consolidated financial statements and which constitute 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) No. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French

Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

French language original signed at Courbevoie and Paris-La Défense, on 19 March 2019

The Statutory Auditors

Mazars	**ERNST & YOUNG et Autres**
Thierry Blanchetier	Bruno Bizet

5.8 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

To the Annual General Meeting of Lagardère SCA,

In our capacity as Statutory Auditors of Lagardère SCA, we hereby report to you on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of, as well as the reasons provided for, the agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of article R. 226-2 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R. 226-2 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements and commitments submitted for the approval of the General Meeting

Agreements and commitments authorised and entered into during the year

We were not informed of any agreement or commitment authorised and entered into during the year to be submitted for approval at the General Meeting pursuant to the provisions of article L. 226-10 of the French Commercial Code.

Agreements and commitments already approved by the General Meeting

In application of article R. 226-2 of the French Commercial Code, we were informed that the following agreements and commitments, approved by the General Meeting in previous years, remained in force during the year ended 31 December 2018.

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 financing, human potential and corporate image. All senior executives working at Lagardère Capital & Management are members of the executive bodies of the Group and of its principal subsidiaries.

Following the various reorganisations that have taken place since 1988, this agreement is now between Lagardère Capital & Management and Lagardère Ressources.

The remuneration of Lagardère Capital & Management was modified with effect from 1 July 1999 by an amendment approved in principle by the Supervisory Board on 22 September 1999 and in its final version on 22 March 2000. It was again modified by an amendment approved by the Supervisory Board on 12 March 2004, with retroactive 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 subject to an absolute upper limit of €1 million. For 2018, this margin amounted to €1 million.

Supplementary pension plan for certain Lagardère Capital & Management employees who are members of the Lagardère group's Executive Committee

At its meeting of 14 September 2005, your Supervisory Board approved the introduction of a supplementary 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 a supplementary pension upon retirement at the age of 65 equal to 35% of a benchmark remuneration, which may not exceed 50 times the annual limit defined by the French social security system.

The beneficiaries under of this plan are Lagardère Capital & Management employees who are members of the Executive Committee.

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. The pension earned under this plan is payable on condition the beneficiary is still with the Company at retirement or on early retirement. It also remains payable in the event of termination after the age of 55 or invalidity.

For 2018, the amount billed by Lagardère Capital & Management in accordance with these agreements amounted to €21 million, versus €23.8 million in 2017.

French language original signed at Paris-La Défense and Courbevoie, on 19 March 2019

The Statutory Auditors

Ernst & Young et Autres

Bruno Bizet

Mazars

Thierry Blanchetier

6 RECENT DEVELOPMENTS AND OUTLOOK

6.1 RECENT DEVELOPMENTS (SINCE 1 JANUARY 2019)

6.1.1 SIGNIFICANT EVENTS

SALE OF THE BOURSIER.COM BUSINESS TO THE LES ÉCHOS-LE PARISIEN GROUP

On 31 January 2019, Lagardère sold the Boursier.com website and its financial markets information and publishing activities, previously held by Lagardère Active subsidiary Newsweb, to the Les Échos-Le Parisien group.

START OF EXCLUSIVE NEGOTIATIONS WITH THE M6 GROUP FOR THE SALE OF THE TELEVISION DIVISION (EXCLUDING MEZZO)

On 31 January 2019, the Lagardère group announced that it had entered into exclusive negotiations with the M6 group to finalise an agreement to sell the channels making up its Television business (excluding Mezzo) – Gulli and its international extensions, Canal J, TiJi, Elle Girl TV, MCM, MCM Top, RFM TV – and the related advertising sales brokerages.

In 2017, the pro forma consolidated revenue and recurring EBIT of the Television business (excluding Mezzo) amounted to €98 million and €20.6 million, respectively.

The project will be submitted to the relevant employee representative bodies and will be subject to clearance by France's media regulator (CSA) and the competition authorities.

SALE OF THE JACARANDA RADIO STATION AND SIGNING OF AN AGREEMENT FOR THE SALE OF THE MEDIAMARK ADVERTISING SALES BROKERAGE TO SOUTH AFRICAN GROUP KAGISO MEDIA

Lagardère announced the completion of the following transactions for the disposal by Lagardère Active Radio International (LARI) of its businesses in South Africa to long-standing fellow shareholder, the Kagiso Media group:

- the disposal on 7 February 2019 of the 20% interest held by LARI in Jacaranda FM Proprietary Limited, owner of Jacaranda FM, South Africa's number 1 private radio station, to the Kagiso Media group. Jacaranda contributed around €1.8 million to Group recurring operating profit of consolidated companies in 2018;
- the signing of an agreement on 29 January 2019 for the sale of the 49.99% interest held by LARI in the Mediamark Proprietary Limited advertising sales brokerage to the Kagiso Media group. The closing of this transaction is subject to clearance from the South African regulatory authorities.

The sale price for Jacaranda was ZAR 233 million, just over €15 million based on the 11 February 2019 exchange rate.

The sale price for Mediamark is estimated at ZAR 30 million, almost €2 million based on the 11 February 2019 exchange rate.

SALE OF THE MAGAZINE PUBLISHING TITLES IN FRANCE TO THE CZECH MEDIA INVEST GROUP

On 14 February 2019 the Lagardère group sold most of its Magazine Publishing titles in France, including *Elle* and its various extensions, *Version Femina*, *Art & Décoration*, *Télé 7 Jours* and its various extensions, *France Dimanche*, *Ici Paris* and *Public*, to Czech Media Invest (CMI); for further details see section 1.7.1.

SALE OF BILLETREDUC.COM TO THE FNAC DARTY GROUP

On 28 February 2019 the Lagardère group sold Billetreduc.com to the Fnac Darty group through its France Billet subsidiary. Lagardère and Fnac Darty had announced exclusive negotiations for the sale of Billetreduc.com on 17 January 2019.

SALE OF PLURIMEDIA TO MEDIA PRESS GROUP

On 28 February 2019 the Lagardère group sold Plurimedia to Media Press Group.

6.1.2 MAJOR CHANGES IN THE GROUP'S FINANCIAL AND COMMERCIAL POSITION

None.

6.1.3 TREND INFORMATION

LAGARDÈRE PUBLISHING

The business has performed in line with expectations since the start of this year. It should be noted that business levels in the United Kingdom remain on a par with 2018 despite an unfavourable comparison effect linked to the success of *Fire and Fury* in that year.

As expected, 2019 will benefit from curriculum reform at high schools in France and from the publication of a new Asterix title.

In view of the seasonality of the business, these trends are not very material at this stage.

LAGARDÈRE TRAVEL RETAIL

Amid a continuing rise in passenger traffic, ongoing sales momentum and further network expansion, the start of 2019 has seen upbeat trends across all regions. A favourable comparison effect versus 2018 linked to the HBF acquisition has also boosted performance since the start of the year.

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 SPORTS AND ENTERTAINMENT

The business has benefited from a favourable calendar effect since the start of the year and is performing in line with expectations, buoyed by the success of the 2019 AFC Asian Cup and the Handball World Championship.

2019 is the high point in the four-year sporting calendar, shaped by the Africa Cup of Nations and the AFC Asian Cup.

LAGARDÈRE ACTIVE

On the retained business scope, business declined in the Press segment at the start of this year on the back of negative trends in circulation and for the Europe 1 radio station, partly countered by firm advertising revenue from music radio.

It should be noted that 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.

As part of the Group's strategic refocusing, the disposal of media assets (excluding the News unit[1]) is under way, with the effective sale of Magazine Publishing titles in France in February 2019.

[1] Europe 1, Virgin Radio, RFM, *Paris Match*, *Le Journal du Dimanche*, the advertising sales brokerage and the Elle brand licence.

6.2 OUTLOOK

2019 GROUP RECURRING EBIT GROWTH TARGET BASED ON TARGET SCOPE

The Lagardère group expects 2019 recurring EBIT[1] growth based on the target scope[2] to be between 4% and 6% at constant exchange rates and excluding the acquisition of HBF.

NON-RETAINED BUSINESS SCOPE[3]

Based on constant exchange rates, the contribution to recurring EBIT in 2019 for businesses not disposed to date (which represented €78 million in 2018) is expected to be between €80 million and €90 million on a full-year basis.

6.3 EARNINGS FORECAST

None.

[1] Recurring operating profit of fully consolidated companies

[2] Lagardère Publishing and Lagardère Travel Retail (core businesses), as well as Other Activities including Lagardère News (*Paris Match*, *Le Journal du Dimanche*, Europe 1, Virgin Radio, RFM and the Elle brand licence), the Entertainment businesses, the Group Corporate function and the Lagardère Active Corporate function, whose costs will be wound down by 2020.

[3] Recurring EBIT for discontinued operations is minimal, since the Press business was deconsolidated with effect from 1 January 2019 and the amounts corresponding to the other assets are not significant.

7 ADDITIONAL INFORMATION

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

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 10 to 47; section 1.7, pages 52 to 53, section 2.1, pages 56 to 114; chapter 3, pages 146 to 174; chapter 4, pages 175 to 221; chapter 5, pages 223 to 396; Chapter 6, pages 397 to 400) 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, 1 April 2019

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

7.4 DOCUMENTS ON DISPLAY

The persons responsible for this Reference Document attest 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.

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 et financier*) and Article 222-3 of the General Regulations of the French financial markets authority (*Autorité des marchés financiers* — AMF) comprises the information, documents and reports listed below, which are presented in the chapters, sections and pages indicated of the accompanying Reference Document.

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** & **5.3 (note 29)**
4.2	Legal risks (specific regulations, concessions, patents, licences, significant litigation, exceptional events, etc.)	**3.1.2**, **3.2.8** & **5.3 (note 34)**
4.3	Industrial and environmental risks	**3.1.4.8** & **3.2.8**

[1] Refers to chapter and section numbers of the Reference Document.

Information		Section no.[1]
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)** & **1.7.1**
5.2.3	Major investments planned	–
6	**BUSINESS OVERVIEW**	
6.1	Principal activities	
6.1.1	Description of the Company's operations and principal activities	**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** & **5.3 (notes 5.1, 5.2 & 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**

[1] Refers to chapter and section numbers of the Reference Document.

Information		Section no.[1]
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	**3.1.4.8**
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 26.6)**
10.2	Cash flows	**5.3 (note 25)**
10.3	Information on the borrowing requirements and funding structure	**5.3 (note 28)**
10.4	Restrictions on the use of capital resources	**5.3 (note 26)**
10.5	Anticipated sources of funds	–
11	**RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES (IF MATERIAL)**	–
12	**TREND INFORMATION**	
12.1	Significant business trends since the end of 2018	**6.1**
12.2	Trends and events reasonably likely to affect prospects for 2019	**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**
15.2	Provisions for pension, retirement and other benefits	**2.1.5** & **2.2**
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	**4.1**, **4.4.1**
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	**2.2.3** & **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	–

[1] Refers to chapter and section numbers of the Reference Document.

	Information	Section no.[1]
19	**TRANSACTIONS WITH RELATED PARTIES**	**2.1.7.1** & **5.3 (note 35)**
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 39)** & **5.5.**
20.2	Pro forma financial information	–
20.3	Financial statements	**5.2/5.3/5.4/5.5**
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	–
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)	**3.1.2.2**
20.9	Significant change in the Company's financial or trading position (since last year-end)	**6.1.2**

[1] Refers to chapter and section numbers of the Reference Document.

Information		Section no.[1]
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** & **5.3 (note 38)**

[1] Refers to chapter and section numbers of the Reference Document.

8.3 CROSS-REFERENCE TABLE WITH THE NON-FINANCIAL STATEMENT

Content of non-financial statement (article L. 225-102-1 of the French commercial code)	Section of the Reference Document
Business model	1.4
Analysis of main risks	4.3
Social Information	4.3.1
Environmental Information	4.3.2
Respect for human rights	4.3.3
Anti-corruption and tax-evasion initiatives	4.3.4 & 4.2.1
Impact on greenhouse gas emissions due to company activity and to the use of the goods and services it produces	4.3.2.2 & 4.4.3.A.1
Measures in support of sustainable development	4.4.2
Measures in support of the circular economy	4.3.2.1
Measures to fight food wastage	4.3.1.4
Collective agreements signed by the company and their impact on its economic performance, as well as employee health, safety and working conditions	4.4.1.A.2 & 4.4.1.A.4
Action taken to fight against discrimination and to promote diversity, and measures in support of people with disabilities	4.3.1.2
Other compulsory information (agricultural and food legislation)	**Section of the Reference Document**
Fight against food poverty, respect for animal welfare, and responsible, equitable and sustainable food	4.3.1.4

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