REFERENCE DOCUMENT
INCLUDING THE
ANNUAL FINANCIAL REPORT

2011

Lagardère SCA

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

Registered office: 4 rue de Presbourg - Paris 16th (75) - France

Telephone: + 33 (1) 40 69 16 00

Registered with the Paris Trade and Companies Registry under number 320 366 446

Corporate website: http://www.lagardere.com

Reference Document
including the
Annual Financial Report

2011

The original version of this Reference Document (*Document de référence*) in French was filed with the French financial markets authority (*Autorité des Marchés Financiers* – AMF) on 3 April 2012 in accordance with article 212-13 of the AMF's General Regulations. It may be used in connection with a financial transaction if completed by an information notice approved by the AMF. This document has been prepared by the Company under the responsibility of the persons who signed the French original *Document de référence*.

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, presented in the chapters and pages indicated in the accompanying Reference Document.

REFERENCE DOCUMENT
2011

This English language version of Lagardère's Reference Document is a translation of the original *Document de référence* filed with the *Autorité des Marchés Financiers*. It is intended for general information only and is not a binding document.

CHAPTER 1

Persons responsible for the Reference Document and Statutory Auditors

1.1 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,
  - Philippe Camus, Deputy Chairman and Chief Operating Officer,
  - Pierre Leroy, Deputy Chairman and Chief Operating Officer,
  - Dominique D'Hinnin, Chief Operating Officer,
  - Thierry Funck-Brentano, Chief Operating Officer.

1.2 DECLARATION BY THE PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT

DECLARATION BY THE MANAGING PARTNERS

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

We further declare that to the best of our knowledge, the financial statements have been prepared in compliance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all the entities included in the consolidation, and that the accompanying management report (Chapter 3, pages 14 to 23; Chapter 4, pages 24 to 31; Chapter 5, pages 32 to 101; Chapter 6-6.1, pages 104 to 105; Chapter 6-6.2, pages 106 to 112; Chapter 7, pages 218 to 275; Chapter 8, pages 276 to 293; Chapter 9, pages 294 to 297) provides a fair view of the business, results of operations and financial position of the Company and all the entities included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

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

The historical financial information presented in this document is covered by the Statutory Auditors' reports which can be found on pages 214 to 216 of this Reference Document, and the information included by reference for 2009 and 2010 is covered by the Statutory Auditors' reports contained in pages 210 to 212 of the 2009 Reference Document and pages 212 to 214 of the 2010 Reference Document."

The Statutory Auditors' report on the consolidated financial statements for the year ended 31 December 2009 does not contain any observations.

The Statutory Auditors' report on the consolidated financial statements for the year ended 31 December 2010 contains two observations:

- one concerning note 1 to the consolidated financial statements describing the new standards and interpretations applied from 1 January 2010;
- the other concerning note 19 to the consolidated financial statements, which presents the accounting treatment applied at 31 December 2010 for the investment in Canal+ France.

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

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

Paris, 2 April 2012

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

Arnaud Lagardère | Pierre Leroy

1.3 DETAILS OF THE STATUTORY AUDITORS

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

CHAPTER 2

Consolidated key figures for 2011

2.1 CONSOLIDATED KEY FIGURES

(in millions of euros)	**2011**	2010	2009
Net sales	**7,657**	7,966	7,892
Recurring operating profit before associates [1]	**402**	462	461
Non-recurring items	**(1,003)**	(184)	(121)
Income from associates [2]	**112**	65	29
Profit (loss) before finance costs and tax	**(489)**	343	369
Finance costs, net	**(95)**	(82)	(82)
Income tax expense	**(105)**	(67)	(123)
Profit (loss) for the year	**(689)**	194	164

o/w attributable to minority interests	**18**	31	27
o/w attributable to owners of the parent	**(707)**	163	137

Total equity	**3,024**	4,018	4,082
Net debt	**1,269**	1,772	1,824
Goodwill	**1,837**	2,583	2,810
Cash used in investing activities	**352**	310	303

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

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

2.2 PER SHARE DATA

(in euros)	**2011**		2010		2009	
	basic	**diluted(1)**	basic	diluted(1)	basic	diluted(1)
Profit (loss) attributable to owners of the parent, per share	**(5.56)**	**(5.56)**	1.29	1.27	1.08	1.07
Equity attributable to owners of the parent, per share	**23.18**	**22.94**	30.61	30.32	31.18	31.04
Cash flow from operations before change in working capital, per share	**4.69**	**4.64**	4.65	4.60	5.17	5.14
Share price at 31 December	**20.40**		30.83		28.41	
Dividend	**1.30 (2)**		1.30		1.30	

(1) The method used to calculate diluted earnings per share is described in note 15 to the consolidated financial statements.
(2) Dividend to be approved by the Annual General Meeting on 3 May 2012.

CHAPTER 3

Risk Factors

The following description concerns the Group's exposure to certain risks considered significant. Risk management procedures are described in Chapter 7, section 7.4.1.5 – Risk management procedures.

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

EADS NV and Canal+ France are in charge of their own risk management. The reader is invited to consult the EADS NV Registration Document and the Vivendi Annual Report for 2011 for details of these companies' risk management policies in 2011.

3.1 ECONOMIC RISKS

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

A large portion of the Group's revenues derives from business that is sensitive to the economic environment, and changes in that environment may particularly affect sales of products such as magazines and partworks, customer numbers in the Group's store locations, especially air travel areas, and revenues directly or indirectly associated with advertising. For example, a 1% downturn in advertising net sales across the whole of Lagardère Active would lead to a decrease of €3 million to €4 million in the division's operating profit over a full year, before any adjustment.

In sports events, as was already seen in 2011, the financial difficulties encountered by certain broadcasters, mainly in Europe, could lead to bankruptcies and mergers between broadcasters, thereby reducing the intensity of competition among non-premium sports rights broadcasters. Certain broadcasters may also change their programming strategy by reducing the sports content that they buy. This can have an impact on the net sales and profitability of Lagardère Unlimited.

All these factors have a direct impact on the rate of growth for future cash flows expected by the Group in each of its divisions. Assumptions ("perpetuity growth rate") must be made about these growth rates to determine impairment losses on goodwill and intangible assets described in note 10 to the consolidated financial statements.

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

Differences compared with the perpetuity growth rates used for the impairment tests	Lagardère Publishing	Lagardère Active	Lagardère Services	Lagardère Unlimited	Total
-1%	(1)	(8)	(8)	(29)	(46)
-0.5%	-	(4)	(3)	(15)	(23)
0%	-	-	-	-	-
0.5%	-	5	-	18	23
1%	-	11	-	39	50

3.1.2 SENSITIVE GEOGRAPHIC AREAS

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

In 2011, the Group generated 13.8% of its net sales in the following countries: Spain, Greece, Hungary, Ireland, Italy and Portugal.

3.2 COMMERCIAL RISKS

3.2.1 EVENTS AND SPORTS MEDIA RIGHTS

In the sports sector, certain sports organisations and/or broadcasters may review policies and strategies, which may substantially change the sales and marketing models for certain sports media rights and/or the level of competition between purchasers. Certain countries' recent or proposed changes to the lists of events that can be broadcast on non-premium channels can be expected to have similar consequences.

In particular, UEFA announced that it wants to centralise the marketing of broadcasting rights for qualifying matches for the World Cup and the European Football Championship throughout Europe and has thus asked its 53 national federations that are members not to enter into broadcasting rights agreements beyond 30 June 2014. The results of Sportfive will be affected, depending on whether or not it is able to be involved in the marketing of these rights beyond 30 June 2014.

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

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

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

Moreover, as was seen in 2011, the structure and timing of sports events and the nature of the agreements under which the division operates (acquisition of rights or agency fees) can lead to an irregular sales pattern for Lagardère Unlimited.

3.2.2 DEVELOPMENT OF DIGITAL AND MOBILE TECHNOLOGIES

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

Lagardère Publishing sees the development of digital books as an opportunity given that profitability in this business is at least similar to that of paper books. However, uncertainties in various markets as to whether a publisher can control the sales policy of its works could have a negative impact on the profitability of this division. Note 34.2 to the consolidated financial statements describes the investigations by certain antitrust authorities concerning digital books.

Furthermore, on 20 July 2011, Lagardère Publishing signed an agreement with Google putting into practice the principles set out in a November 2010 memorandum of understanding on the conditions for the digitisation by Google of certain works in French for which Lagardère Publishing controls the rights. Pursuant to this agreement, Lagardère Publishing will determine which works Google may digitise and which ones will be available as digital books (particularly via Google eBooks). Lagardère Publishing will also be entitled to use the files of the works digitised by Google, in particular to create printed formats upon request. With this agreement, works that were out of stock can be made available, creating new revenue flows for authors and publishers.

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

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

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

3.2.3 RISKS AND DEPENDENCY ASSOCIATED WITH MAJOR CONTRACTS

Some contracts, particularly agreements entered into in connection with sports events, may have high unit values (several hundred million euros), extend across several years and entail significant commitments for the Group in return for the expected profitability. Any problems with application, a difficult economic environment or unfavourable market conditions may have negative consequences for income derived from these contracts, and as a result it cannot be guaranteed that they will be profitable upon termination.

3.3 LEGAL RISKS

3.3.1 SPECIAL REGULATIONS APPLYING TO THE GROUP

In its **book publishing and distribution businesses**, the Group is subject to specific local regulations in the countries in which it operates, including intellectual property rights, legal copyright registration requirements, rules governing the pricing of books, and VAT rules. In France, for example, the Group is subject to regulations imposing a fixed book price set by publishers or importers, which restrict qualitative or quantitative discounts to distributors. Further regulations also apply to publications for children and young people.

In both its **book publishing and press and audiovisual operations**, the Group is subject, in particular, to the laws and regulations concerning copyright, libel, image rights and the respect of privacy.

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

The Group's **advertising activities** (including the management of marketing and audiovisual rights) are subject to the relevant legislation, in particular restrictions on tobacco and alcohol advertising, gambling laws and laws concerning misleading advertising.

The French law of 30 September 1986 on freedom of communication is applicable to the Group's French **audiovisual communication operations**. Operation of radio and television services by the Group in France requires authorisations, which are issued for specific periods by the French Broadcasting Authority (*Conseil Supérieur de l'Audiovisuel* – CSA). The applicable obligations are set forth in a convention signed with the CSA, and renewed in compliance with the said law. The legislation in most other countries in which Lagardère's Audiovisual business operates is similar to the French law of 30 September 1986, and is overseen by a broadcasting authority. These laws generally define the terms for attribution of radio and TV broadcasting frequencies, and radio and TV programme broadcasting (these terms are included in the licence agreements signed with the relevant broadcasting authority), the antitrust system and the broadcasting authority's powers to verify compliance and apply sanctions. Moreover, pursuant to the French laws of 30 September 1986 and 1 August 1986, foreigners are prohibited from holding directly or indirectly more than 20% of the capital of a company that has a radio or terrestrial TV service authorisation in France or a company that publishes works in French (this provision applies subject to France's international commitments, i.e., it does not apply in particular to nationals from the EU or the European Economic Area).

For its **sports sector activities**, in the countries where it markets sports rights and organises sports events, the Group is subject to the national and local laws governing matters such as sports events (organisation and security) and marketing of those events (purchase and broadcasting), and intellectual property in the sports sector (public rights to sports information, etc.). It is also subject to the laws governing sports-related bodies through its business links with them, particularly national federations and supranational organisations, primarily for football. The Group's sports infrastructure management and sports training activities are subject to various French regulations including those relating to private legal entities formed for sports purposes (approved sports associations and professional sports companies), or establishments receiving members of the public and occupying public land. Depending on the countries concerned, agency and career management activities for professional athletes may be subject to national regulations and sports organisations' rules on agents' activities and protection of minors. Finally, activities relating to the development of sports facilities must take into account construction and urban planning regulations.

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

3.3.2 RISKS ASSOCIATED WITH BRANDS AND OTHER INTELLECTUAL PROPERTY RIGHTS

The Group pays particular attention to the protection of its portfolio of commercial trademarks and intellectual property rights, which form an essential component of its assets and rights (see section 7.4.1.3-F, in Chapter 7).

3.3.3 RISKS THAT HAVE OCCURRED BY BREACH OF CONTRACTUAL COMMITMENTS

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

Counterparty risks are described in section 3.4.3 below.

The Group is not aware of any other risks that have occurred following failure to execute contractual commitments which could have significant effects on its financial position or profitability.

3.3.4 RISKS ASSOCIATED WITH LITIGATION IN PROCESS

In the normal course of their business, Lagardère and/or its subsidiaries are involved in a number of disputes principally related to contract execution. Adequate provisions are established, where considered necessary, to cover any risks that may arise from general or specific disputes. The total amount of provisions for litigation is shown in note 27.2 to the consolidated financial statements for 2011.

The main litigation and claims involving the Group are presented in note 35 to the consolidated financial statements for 2011 (see Chapter 6). The main disputes and legal proceedings involving the EADS NV group and Canal+ France are described in the EADS Registration Document and the Vivendi Annual Report respectively.

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

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

As regards the activities of **Lagardère Publishing**, pursuant to the Amending Finance Law passed in France in 2011, the 5.5% VAT rate for print books should be increased to 7% as from 1 April 2012, provided that this law is not challenged, whereas the rate applying to digital books decreased from 19.6% to 7% with effect from 1 January 2012. These changes are likely to have an impact on sales.

As regards the activities of **Lagardère Unlimited**, the European Court of Justice handed down a decision on 4 October 2011 for a case regarding satellite broadcasting of the English Premier League that could lead to changes in the media sports rights sector in Europe. The Court deemed illegal the licensing agreement clauses that prohibit a broadcaster from providing decoding devices that allow access to the relevant content for use outside the area covered by the agreement. Although this decision applies to satellite broadcasting and does not appear to call into question all types of exclusivity that may be granted to broadcasters (such as promotional or language exclusivity), it is possible that, following this decision, certain rights holders will change their marketing strategy, for example by focusing on pan-European marketing for their events, which could change the identity of the players operating within this market and the intensity of competition for the marketing of the rights concerned.

The World Trade Organization's Framework Convention on Tobacco Control recommends various measures to reduce the supply and demand of tobacco, in particular, banning or restricting duty-free and tax-free sale of tobacco products to international travellers and banning smoking in public transport and public places. In response to this Framework Convention as well as other measures, stricter regulations are being put in place regarding the sale and consumption of tobacco and could have an impact on **Lagardère Services'** activities; however, the geographic distribution of the network mitigates this risk.

3.4 FINANCIAL OR MARKET RISKS

3.4.1 LIQUIDITY, INTEREST RATE AND EXCHANGE RATE RISKS

Market risks (liquidity, interest rate, exchange rate and equity risks) are described in note 29.1 to the consolidated financial statements for 2011 (see Chapter 6).

3.4.2 RISKS RELATED TO PAPER PRICES

Lagardère Active and Lagardère Publishing need to use large volumes of paper for their business activities. Total paper purchases reached nearly 263,000 tonnes in 2011, as described in Chapter 5, section 5.3.2.3-A. Although it is not possible to link the cost of paper purchases to a single index, the Group is subject to the risk of fluctuations in paper prices, particularly in the European, North American and Asian markets.

A significant increase in paper prices worldwide could therefore have a significant unfavourable impact on these divisions' operating profit, to the extent of €15 million to €20 million for a long-term 10% rise in paper prices over a full year, before adjustment.

3.4.3 CREDIT AND COUNTERPARTY RISKS

Credit and counterparty risks are described in note 29.2 to the consolidated financial statements for 2011 (see Chapter 6).

As indicated in note 29, "The Group was unable to recover certain receivables in 2011, notably relating to (i) the Lagardère Publishing division, due to the bankruptcies of Borders in the United States and Red Group in Australia, and (ii) the marketing of sports rights".

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

3.5 OPERATIONAL RISKS

3.5.1 INDUSTRIAL AND ENVIRONMENTAL RISKS

The industrial and environmental risk prevention and management policies are described in Chapter 7, section 7.4.1.5 – Risk management procedures.

3.5.1.1 IDENTIFIED RISKS

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

Following the sale of the Group's last remaining printing operations at the end of 2007 (sale of the regional daily press operations), only activities primarily related to the warehouses of the Press, Publishing, Distribution and Services divisions and the Automobile spare parts business are potentially exposed, and the specific risks involved are limited and identified. Some of the sites concerned are operated subject to the authorisation or declaration by the administrative authorities, but none of the Group's sites is classified SEVESO 1 or SEVESO 2.

3.5.1.2 ASSESSMENT OF RISK IMPACT

The Group has no knowledge of any items or situations relating to industrial or environmental risks likely to have a significant impact on its assets or results, 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 2011 incorporate no provision or guarantee for environmental risk, and no expense resulting from a court ruling in an environmental case or action taken to repair environmental damage.

3.5.2 RISKS ASSOCIATED WITH THE CONCENTRATION OF SUPPLIERS

Default by one or more suppliers could cause losses in results and net sales for the Group, without prejudging any adjustments and alternative solutions sought. The proportion of purchases from the largest, the five largest and the ten largest suppliers is respectively 8%, 23% and 32%.

3.5.3 OTHER OPERATIONAL RISKS

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

3.5.4 INSURANCE POLICIES – RISK COVERAGE

The Group's insurance policy is described Chapter 7, section 7.4.1.5 – Risk management procedures.

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

3.5.4.1 INSURANCE POLICIES

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

In 2011 and for the year 2012, Lagardère and its divisions were able to renew insurance coverage for their activities throughout the world.

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

3.5.4.2 RISK COVERAGE

Many insurance policies are taken out at the level of the divisions and their sites. Given the wide diversity of situations, it is not possible to give full details of all the coverage limits.

3.5.4.2.1) INSURANCE FOR PROPERTY DAMAGE AND BUSINESS INTERRUPTION

A RISKS INSURED

Insurance policies cover notably the risks of fire/explosion, lightning, water damage or storms, natural disasters, and terrorism. When specific national legislation applies to these risks, the coverage is implemented in compliance with the laws in force in each country concerned.

B LIMITS TO COVERAGE

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

The highest insurance coverage taken out in the Group is €400 million for certain Hachette Livre facilities. The other amounts insured are no higher than €205 million. Sub-limits specific to certain risks may also apply within these overall limits (for storms, earthquakes or flooding, for example).

3.5.4.2.2) LEGAL LIABILITY

A RISKS INSURED

Legal liability insurance is subscribed at the level of the division or certain activities; this insurance provides coverage for operating, product and professional liability in case of material damage or consequential loss or bodily injury caused to third parties, depending on the nature of their business and locations.

B LIMITS TO COVERAGE

The maximum severity of exposure to liability claims is difficult to assess, and the level of insurance at the divisions and their sites depends on the availability of coverage at an acceptable economic cost. Excluding the United States and Canada, the amounts of coverage subscribed within the Group are generally between €2 million and €15 million, with an additional €30 million after an excess of €10 million for media activities worldwide excluding the United States, Canada and countries under an international embargo.

In the United States, the highest total limit is €54 million (excluding self-insurance).

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

3.5.4.3 PREMIUMS

In 2011, the overall budget for the main permanent insurance policies subscribed by the Group was an estimated €9.8 million (excluding collective insurance) distributed as follows:

- Property damage and business interruption: €4.1 million;
- Legal liability: €2.8 million;
- Other (mainly automobile, transport, exhibitions, filming and personal insurance): €2.9 million.

CHAPTER 4

General information about Lagardère SCA

4.1 GENERAL INFORMATION ABOUT THE ISSUER

4.1.1 COMPANY NAME AND COMMERCIAL NAME

Company name: Lagardère SCA

Commercial name: Lagardère

4.1.2 HEAD OFFICE, ADDRESS, TELEPHONE NUMBER

Head office:

4 rue de Presbourg, 75116 Paris, France

Postal address:

4 rue de Presbourg, 75116 Paris, France

Telephone:

+33 (0)1 40 69 16 00

4.1.3 LEGAL FORM AND GOVERNING LAW

Lagardère is a French partnership limited by shares (*Société en Commandite par Actions* – SCA).

4.1.4 PLACE OF REGISTRATION AND REGISTRATION NUMBER

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

4.1.5 DATE OF INCORPORATION AND TERM OF THE COMPANY

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

4.2 HISTORY

The original purpose of Lagardère SCA, named MMB up to the end of 1992, and subsequently Lagardère Group until June 1996, was to unite all media sector assets held by the Matra group in 1982 prior to the French State's acquisition of an interest in Matra's capital, so that the State would not be in a position of control.

Under the initiative and management of Jean-Luc Lagardère, the Company then took control of Hachette, followed by Matra which returned to the private sector in early 1988. At the end of 1992, the activities of these two companies were combined when their two holding companies were merged to form Matra Hachette. At the same time, the Company changed its legal form and became a French partnership limited by shares.

The restructuring process was completed in June 1996, when Lagardère Group absorbed Matra Hachette, and adopted its current name of Lagardère SCA.

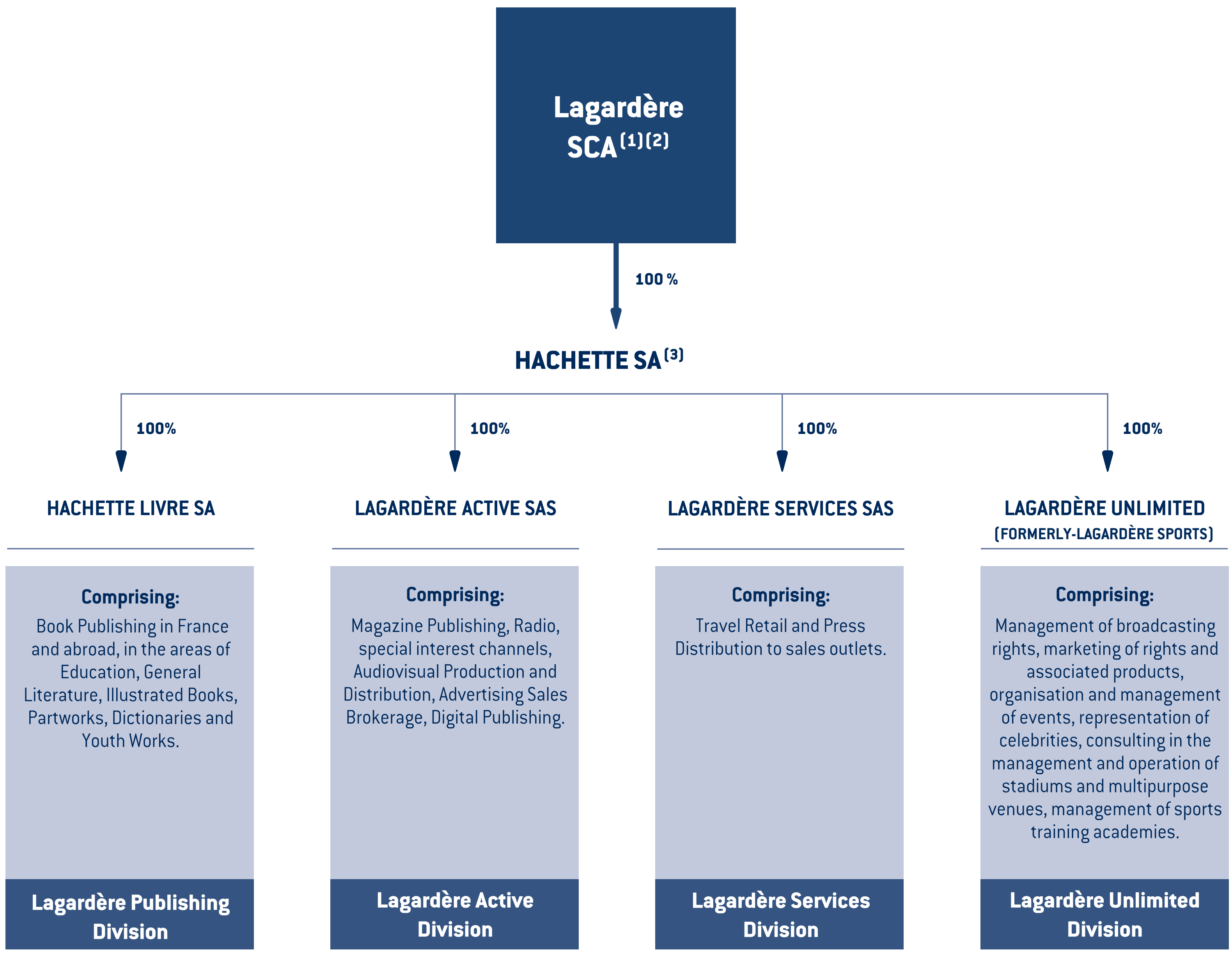
Since then, the following changes have taken place in the Group's structure:

- **Major alliances in the Defence and Space industries**: this European alliance strategy was initiated in the early 1990s, and underwent an important development in 1999 when Aerospatiale Matra was formed through the contribution of Matra Hautes Technologies – which held all of Matra Hachette's aerospace operations – to Aerospatiale. The process was completed on 10 July 2000 when all of Aerospatiale Matra's businesses were merged with those of DaimlerChrysler Aerospace AGH and the Spanish company CASA to form the European company EADS N.V., in which Lagardère SCA indirectly held an interest of approximately 15%. This interest was reduced to 7.5% in 2009 following the sale of three 2.5% tranches of EADS' capital in June 2007, June 2008 and on 24 March 2009, respectively;
- **Repositioning in the media and communication industries, by means of**:
  - a total takeover of businesses in these two sectors, with the bid for Europe 1 Communication (Audiovisual business) in 1999, and the share exchange offer for Hachette Filipacchi Médias (Magazine Publishing business) in 2000, followed by an offer to purchase all of the remaining minority interests;
  - several agreements signed since 2000, essentially in the audiovisual sector (acquisition of a 34% interest in CanalSatellite, replaced in early 2007 by a 20% interest in the pay television operator Canal+ France) and Book Publishing business (acquisition in 2002/2004 of Vivendi Universal Publishing's European assets in France and Spain, purchase of Hodder Headline in the UK, and agreement in 2006 for the takeover of Time Warner Book Group);
  - the importance of the Magazine Publishing and Distribution Services businesses also increased, but through internal growth rather than external acquisitions;
  - the combination of the Magazine Publishing, Audiovisual and Digital businesses within a new entity, Lagardère Active, was announced in 2006. This division was formed as a result of the Group's ambition to become a leading international content publisher for all media, a worldwide "brand factory" and to accelerate its migration towards digital media.

    In line with this goal, Lagardère Active has since acquired Newsweb and Doctissimo, France's top Internet content publishers;
  - sale by Lagardère Active of its International Magazine business to Hearst in 2011 (102 publications in 15 countries);
  - sale by Lagardère of its Radio business in Russia on 23 December 2011.
- **Creation of a "Sports" division, now named Lagardère Unlimited:**
  - through the acquisitions of:
    - Sportfive (early 2007), which acts as a partner to sporting bodies and clubs, helping them to extract maximum value from their broadcasting and marketing rights;
    - IEC in Sports (2007), a Swedish company specialised in the marketing of sports rights;
    - World Sport Group, which manages audiovisual broadcasting rights in Asia, Upsolut which organises endurance sports events, and PR Event, the organiser of the Swedish Open Tennis tournament (all in 2008);
  - and the combination of all of the Sports division entities with Best (Blue Entertainment Sports and Television) within a new division called Lagardère Unlimited in 2010. This gives Lagardère strategic positioning along the entire sports rights value chain, comprising:
    - management of broadcasting rights;
    - marketing of rights and associated products;
    - organisation and management of events;
    - talent representation;
    - consulting in the management and operation of stadiums and multipurpose venues;
    - management of sports training academies.

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

Lagardère SCA's role in respect of its subsidiaries is described in Chapter 7, section 7.4, and in the Lagardère SCA parent company financial statements (including the notes) as contained in Chapter 6, sections 6.4 and 6.5. Note 5 to Lagardère's consolidated financial statements also includes segment financial information, by division and by geographical area.



(1) Organisation at 1 March 2012.
(2) At 31 December 2011, Lagardère also held a 20% interest in Canal+ France and a 7.5% interest in EADS, both accounted for by the equity method.
(3) Hachette SA is the ultimate holding company for all Lagardère media operations (Lagardère Media).

As indicated in Chapter 7, section 7.4.1 on the Group's organisational structure, Lagardère SCA is a holding company and the Group's operational activities are exercised through subsidiaries.

The principal subsidiaries are held via Hachette SA, which is itself 100%-controlled by Lagardère SCA. They are:

- Hachette Livre, a 100%-controlled French company and holding company for the Lagardère Publishing division;
- Lagardère Active, another 100%-controlled French company and holding company for the Lagardère Active division. Lagardère Active holds the Group's investments in the Magazine Publishing, Audiovisual (Radio, Television, Audiovisual Production), Digital and Advertising Sales Brokerage businesses via several sub-holding companies;
- Lagardère Services, also a 100%-controlled French company and holding company for the Lagardère Services division (Relay outlets, airport shops);
- Lagardère Unlimited, another 100%-controlled French company, which unites all subsidiaries in the division, including Sportfive and World Sport Group.

A detailed list of the Group's subsidiaries (over 412 consolidated companies) and their locations is provided in the notes to the consolidated financial statements (Chapter 6, note 38). Details of the positions held in these subsidiaries by Lagardère SCA management are presented in Chapter 7, sections 7.2.2 and 7.2.3.

The Group's economic organisation (i.e., the breakdown of business activities by sector) is described in Chapter 5, section 5.1. There is no significant functional dependency between the Group's various entities.

Section 5.2 presents the businesses carried out by the principal Group subsidiaries and affiliates, and the key consolidated financial information concerning these companies is reported in the notes to the consolidated financial statements (Chapter 6, note 5 – Segment information). The Group has not identified any case where access to its consolidated subsidiaries' results is restricted.

Finally, the amount and nature of financial transactions between Lagardère SCA and Group subsidiaries are described in Chapter 7, section 7.4.1.

4.4 MAJOR INVESTMENTS

4.4.1 INVESTMENT AND INNOVATION POLICY

4.4.1.1 PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(in millions of euros)	**2011**	2010	2009
Lagardère Media	**237**	214	233
Other divisions	**16**	14	7
Total	**253**	228	240

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

4.4.1.2 FINANCIAL INVESTMENTS

(in millions of euros)	**2011**	2010	2009
Lagardère Media	**98**	56	62
Other divisions	**1**	2	1
Total	**99**	58	63

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

4.4.2 MAJOR INVESTMENTS IN 2009

Financial investments undertaken in 2009 were very low (€63 million compared to €484 million in 2008) and mainly concerned acquisitions of duty free concessions in Eastern Europe for €30 million.

4.4.3 MAJOR INVESTMENTS IN 2010

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

The principal financial investments were the acquisition of Best by the Lagardère Unlimited division, and the acquisition of minority interests in the Lagardère Active division.

4.4.4 MAJOR INVESTMENTS IN 2011

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

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

CHAPTER 5

Information on the business activities of the Company and the Group

5.1 BUSINESS ACTIVITIES AND STRATEGY

Lagardère is a 100% media group and one of the world leaders in this business sector. With operations in around 30 countries, it is divided into four distinct and complementary divisions:

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

With a holding of 7.5%, Lagardère jointly controls EADS.

Lagardère has accelerated the pace of its transformation to become a high-performance group producing innovative content for the digital world, and occupying a strong position in sports rights. It also has a powerful international network for retail sales dedicated to travellers and press distribution to sales outlets.

With its sights firmly set on the future, its attention focused on the demands of a globalised market and its ambitions in international diversification, particularly in emerging markets, Lagardère adapts its strategy to the fast-paced changes – primarily in the technological field – affecting its four divisions.

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Lagardère Publishing includes the Group's **Book Publishing** [1] **and e-Publishing businesses**, which cover the areas of Education, General Literature, Illustrated Books, Partworks, Dictionaries and Youth Works and Distribution. Publishing is predominantly in the three main language groups: English, French and Spanish, which represent 60% of the world market. The second-largest publisher worldwide and leading trade publisher in Europe, Hachette Livre is thus one of the top players in a market where its main competitors are English, American and German.

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

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

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

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

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

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

Lagardère Services encompasses the **Travel Retail and Distribution businesses**. In 2011, the division rolled out a new strategy aimed at consolidating its worldwide leadership. It also reorganised itself around four activities:

- LS distribution;
- LS travel retail EMEA (Europe, Middle East & Africa);
- LS travel retail ASPAC (Asia-Pacific);
- LS travel retail North America.

In 2012, the division's strategy will be focused on:

Travel Retail:

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

(1) The names "Hachette Livre" and "Lagardère Publishing" in this Reference Document refer interchangeably to the Group's Book Publishing activity.

Distribution:

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

Lagardère Unlimited specialises in the **Sport Industry and Entertainment businesses** and has carved out a strong position on the sports rights market, in particular for its flagship product, football.

Lagardère Unlimited has eight main subsidiaries:

- Sportfive, which has a sound business base across the globe for media and marketing rights, especially in football;
- World Sport Group, an agency for major sports events in Asia such as the Asian Football Cup and the One Asia Super Series golf tournament;
- IEC in Sports, which specialises in management of sports rights, essentially relating to Olympic sports;
- PR Event, which has developed expertise in organising international tennis tournaments;
- Upsolut, a German marketing agency which organises mass sports events (triathlons and cycling events);
- Best, an American company specialising in the representation and management of sports and arts/entertainment celebrities;
- Lagardère Unlimited Stadium Solutions, which provides advice in respect of projects to develop stadiums and arenas and also offers solutions helping to manage and operate such venues;
- Lagardère Unlimited Live Entertainment, which produces and co-produces concerts and holds interests in prime entertainment venues.

These subsidiaries apply their expertise in the following main fields:

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

Thanks to its organic growth, integration of its subsidiaries, geographic expansion and diversification of its rights portfolio, Lagardère Unlimited is now positioned as a major player in the Sport Industry and Entertainment sectors.

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5.2 THE GROUP'S PRINCIPAL ACTIVITIES AND MAIN MARKETS – OPERATIONS DURING 2011

5.2.1 LAGARDÈRE MEDIA

	2011	2010	2009	2008 [1]	2007
Contribution to consolidated net sales (in millions of euros)	**7,657**	7,966	7,892	8,214	8,582
Contribution to consolidated recurring operating profit before associates (in millions of euros) [2]	**414**	468	463	648	636
Number of employees [3]	**26,493**	28,212	29,028	29,393	32,810

(1) After the pro forma restatement of brand royalties invoiced by "Other Activities".
(2) Recurring operating profit before associates (as defined in note 3.3 to the consolidated financial statements).
(3) Average number of employees (full-time equivalent) including staff on permanent, fixed-term, temporary and other types of contract.

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

5.2.1.1 LAGARDÈRE PUBLISHING

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

Lagardère Publishing's activities are carried out under the name of Hachette Livre, which is the second-largest [1] publisher worldwide and the largest trade publisher in Europe[1], on a level with its major competitors in each of its markets.

Hachette Livre is the leading publisher in France and the United Kingdom, number two in Spain and number five in the United States. Since its foundation in 1826, the company has always sought to publish, sell and distribute high-quality innovative books which satisfy its readers' thirst for knowledge, culture and entertainment.

This aim is continued today by the company's employees, who contribute to the growth and longevity of this division of the Group.

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

The division's business model is present throughout the entire book publishing/distribution value chain. Thanks to its reputed publishing houses and brand names, it is able to draw the fullest benefit from its close relationships with authors, the expertise of its sales force, the rigorous logistics organisation of its distribution network and the commitment of its highly-trained employees.

The autonomy of the publishing houses, which are independent and fully responsible for their own creative processes and editorial decisions, encourages both creativity and internal competition. The large degree of autonomy that Hachette Livre allows each of its operating divisions is one of the key factors of its success, since each division forms a federation of small and medium-sized independent publishing houses with their own corporate culture and specific – not to say unique – editorial tone.

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

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

(1) World publishing group rankings assessed internally by Hachette Livre based on:
- annual financial reports of these groups (in most cases);
- in addition to classification data published each year in *Livres Hebdo* (data compiled by Rüdiger Wischenbart Content and Consulting, and generally subsequently used on a partnership basis by *The Bookseller*, *Publishers Weekly*, *Buchreport*) and sometimes based on direct contacts with publishing groups (where annual financial reports are not available).

All of these assets combined make Hachette Livre France's leading publishing group, ahead of such prominent competitors as Editis, Gallimard, Flammarion, Albin Michel, La Martinière-Le Seuil and Média Participations. Hachette Livre ranks second in the fragmented general adult literature market, and first in literature for youth and illustrated books as well as in the traditionally more concentrated textbook and dictionaries segments.

Outside France, Hachette Livre conducts its business alongside competitors such as Pearson, McGraw-Hill Education, Random House, Scholastic, Simon & Schuster, HarperCollins and Holtzbrinck. In just a few years it has succeeded in moving up from thirteenth to second position worldwide.

Most of its new publications are also available in digital format – in France and the United Kingdom as well as in the United States – and sold as e-books on all platforms.

A.1 IN FRANCE [1]

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

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

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

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

The **Academic** and **Professional** activity includes Dunod and Armand Colin. Leaders on the French market, these publishing houses continued to digitise their content in 2011.

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, 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]

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

In the United Kingdom, Hachette UK is the leading publisher in all domains with 13.7% of the market for printed books (see section 5.2.1.1 - A). It has six activities: Octopus for illustrated books; Orion, Hodder, Headline, and Little, Brown for general literature, and Hachette Children's Books in the youth works sector.

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

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

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

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

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

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

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

B) OPERATIONS DURING 2011

Contribution to consolidated net sales for 2011: €2,038 million

• Breakdown of net sales by activity - France

	2011	2010
Education	**26.1%**	24.8%
Illustrated Books	**23.8%**	24.9%
General Literature	**17.0%**	17.2%
Reference	**8.2%**	7.8%
Academic and Professional	**4.1%**	4.3%
Other	**20.8**	21.0%
Total net sales	**100%**	100%

• Breakdown of net sales by geographic area

	2011	2010
France	**33.2%**	32.2%
United Kingdom	**15.2%**	15.7%
United States	**20.5%**	20.5%
Spain	**8.8%**	8.6%
Other	**22.3%**	23.0%
Total net sales	**100%**	100%

In 2011, the global book market declined, hit by the economic crisis. However, the overall decline masks contrasting performances in each of Hachette Livre's main markets. France saw a rise of 0.6% in terms of volumes and 0.1% in terms of value [(1)], while the United States reported a 9.2% fall in volumes of printed books [(2)] (in line with 2009 figures if digital sales are included). In the United Kingdom, sales fell 3.5% (taking into account digital sales). While traditional book stores saw a significant downturn in net sales amid high-impact events such as the collapse of Borders in the United States and of RedGroup in Australia, Internet sales of printed books continued to grow sharply, and the sale of e-books (downloaded digital books) continued to enjoy spectacular growth in the United States and United Kingdom.

In this fast-changing market, which held up better than others in the crisis, growth in Hachette Livre's market share slowed due to the expected decline in the "Stephenie Meyer" phenomenon, which had continued to boost its net sales and profit in the first half of the year. Nonetheless, Hachette Livre reported net sales broadly similar to 2008, the year which had benefited from the emerging *Twilight* phenomenon and the division delivered one of the highest operating profits in its sector.

Hachette Livre's eight-pronged strategy is based on:

1. the constant search for growth opportunities through value-creating acquisitions needed to keep Hachette Livre among the top-ranking publishing groups worldwide – an essential advantage conferring extra influence in negotiations with major customers;
2. spreading risks across a significant number of markets and market segments in order to smooth out the cyclical effects specific to each one;
3. concentrating acquisitions and new subsidiaries in countries belonging to language areas that offer a critical size for potential markets;
4. broad editorial independence for publishing subsidiaries, with the emphasis on creativity, rapid responses and team motivation;

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

5. actively seeking out international best-sellers able to attract an extensive readership in all the markets where the division operates;
6. managing distribution both as a cost centre and a strategic link in the book value chain, in all the markets where the division operates;
7. sustained investment in digital technologies to meet the emerging demand for online reading and e-books;
8. selective investments in high-growth markets such as BRICs (Brazil, Russia, India and China).

Given the growing popularity of e-books in the United States over the last three years and in the United Kingdom subsequently, and seen that conditions are now ripe for this market to take off in France, digital innovation is a critical focus for the future viability of the entire book industry, including Hachette Livre. The division has dedicated significant human and financial resources to digital operations and intends to leverage its rank as the world's second-largest publishing group to carve out a leading position in this market. Hachette Livre's digital strategy has been designed to meet specific imperatives and has six main focuses:

a. continue to digitise all new content and selective past works by formatting titles so that they are compatible with all digital platforms in the market;
b. encourage the creation of as many new digital platforms selling e-books as possible;
c. strengthen ties between Hachette Livre publishers and their creators and authors by offering a comprehensive range of digital services and unrivalled expertise in marketing and advertising on the Internet and on social networks to avoid "disintermediation" towards operators with no added value;
d. encourage Hachette Livre publishers to develop works not easily transferable into digital format (high-quality illustrated books, box sets, partworks, comic strips, etc.);
e. fight against piracy aggressively and methodically;
f. offer dynamic, selective logistics services to attract other partners weakened by the digital revolution to the division and maintain the division's workload and distribution infrastructure profitability without taking any commercial risk or financial interest in their activities.

In March, the European Commission began a series of investigations into an alleged price fixing arrangement between e-book publishers. These procedures mirror those conducted by certain anti-trust authorities in the United States (Department of Justice; Texas Attorney General and Connecticut Attorney General) and the United Kingdom (Office of Fair Trading).

In December, the European Commission informed five international publishing groups, including Hachette Livre, that it was to launch a formal investigation into alleged unfair trading practices. The OFT in the United Kingdom declined jurisdiction in favour of the Commission.

B.1 IN FRANCE

For the second year running, Hachette Livre in France spearheaded the division's worldwide performance. Its General Literature publishing houses scooped up a number of literary prizes: the Académie Française's Grand Prix du Roman for Sorj Chalandon's *Retour à Killybegs* (Fayard); the Interallié prize for *Tout, tout de suite* by Morgan Sportès (Fayard); the Renaudot quality non-fiction prize for *Fontenoy ne reviendra plus* by Gérard Guégan (Stock), the Fémina prize for *Jayne Mansfield 1967* by Simon Liberati (Grasset); the Renaudot des Lycéens prize, Roman France Télévisions prize and Roman Fnac prize for *Rien ne s'oppose à la nuit* by Delphine de Vigan (Lattès); the Lire dans le Noir prize for *La couleur des sentiments (The Help)* by Kathryn Stockett (Audiolib); the Premier Roman first novel prize and Flore prize for *Du temps qu'on existait* by Marien Defalvard (Grasset); and the European crime fiction prize for *Le chuchoteur (The Whisperer)* by Donato Carrisi (Calmann-Lévy, 2010).

A large number of titles were also a resounding commercial success. *Rien ne s'oppose à la nuit* by Delphine de Vigan (Lattès) looks like it will become a publishing phenomenon. The year's best-sellers also include *L'Hermine était pourpre* by Pierre Borromée (Fayard), which received the Quai des Orfèvres prize; *Veuf* by Jean-Louis Fournier (Stock); *Le Cimetière de Prague (The Prague Cemetery)* by Umberto Eco (Grasset); *Le Chemin de l'espérance* by Stéphane Hessel and Edgar Morin (Fayard); *Steve Jobs* by Walter Isaacson (Lattès); *L'échéance* by François de Closets and Irène Inchauspé; *Françoise* by Laure Adler (Grasset); and *Le Havre des morts (Port Mortuary)* by Patricia Cornwell (Les Deux Terres).

The Livre de Poche titles consolidated their leading position in France for paperback books with three titles by Katherine Pancol: *Les écureuils de Central Park sont tristes le lundi, Les yeux jaunes des crocodiles* and *Encore une danse*. Together, more than one million copies of these titles were printed in 2011. Ken Follett's *Le scandale Modigliani (The Modigliani Scandal)* and Dan Brown's *Le Symbole perdu (The Lost Symbol)* each sold more than 250,000 copies.

Le Petit Larousse illustré equalled its 2010 performance. Hatier's Bescherelle sold very well, while two textbooks published by Didier *Enjoy 5e* and *Enjoy 6e* were among the division's ten best-selling books of 2011.

In July, Google and Hachette Livre signed an agreement to scan French works now out-of-print. This agreement follows the memorandum of understanding signed in November 2010 and gives publishers control over the digitisation of their titles, as well as paving the way for commercial opportunities that could benefit both authors and publishers.

In October 2011, Hachette Livre acquired a blocking minority interest in Russian company Azbooka-Atticus, the fourth-largest publishing house in Russia.

In December 2011, Hachette Livre signed an agreement with US-based web monitoring company Attributor to inhibit piracy of books published by the various French publishing companies it owns using state-of-the-art software.

Also in December, Hachette Livre sold its subsidiary BSSL to CoBe Capital. BSSL produced educational material and games for children, activities no longer considered part of the division's core business.

In France, e-books are only just in the process of developing, and represent less than 1% of net sales.

At the end of 2011, Hachette Livre unveiled a major real estate project for 2014-2015. The building owned by Hachette Livre in Vanves will be destroyed and a new ultra-modern office block certified HQE (high environmental quality) built in its place. This 20,000 sq.m. building designed by architect Jacques Ferrier will house the teams currently based at Quai de Grenelle in Paris. On completion of this development, Hachette Livre will be the proud owner of new, energy-efficient headquarters in phase with its business and image.

B.2 OUTSIDE FRANCE

United States

All organisations tracking trends in the US book market (Nielsen BookScan, Bookstats, Simba, VSS) concluded that the market had contracted slightly in 2011 but that overall statistics concealed starkly different trends. For example, while sales of printed books fell 9.2%, e-book sales leapt 100% and now represent 20% of the US market in value terms. Around 14% of the US population read e-books, compared to 7% in 2010 [1]. The strong upsurge in e-book sales, which appeared to be slowing in the second half of the year, is driven partly by price, since e-books are 30% cheaper on average than their printed counterparts.

Hachette Book Group advanced in line with the market, with sales of e-books reaching 20% of its trade sales in 2011.

The collapse of Borders led to the closure of 625 book stores. Only around forty of these were taken over by competitors. Borders represented 7% of Hachette Book Group's net sales.

In 2011, 244 Hachette Book Group titles (182 printed books and 62 e-books) featured in the New York Times best-seller list. This list now combines both printed books and e-books. In all, 31 of its titles occupied the top spot, including *Bossypants* by Tina Fey (758,000 printed copies, 400,000 e-books), *The Best of Me* by Nicholas Sparks (908,000 printed copies, 229,000 e-books) and four James Patterson novels representing a total of 3,539,000 copies, including one-third in the form of e-books.

The Art of Fielding by Chad Harbach (Little, Brown) was selected as one of the 10 Best Books of 2011 by *The New York Times* and *Publisher's Lunch*. Tina Fey's *Bossypants* made it to the same list in *Publisher's Weekly* and was a best-selling audio book on Amazon.

Hachette Book Group continued to upgrade its infrastructure, adapting its IT systems, online marketing and media advertising activities in phase with the demands of the digital age. It also strengthened ties with the other entities of the Group's division in order to capitalise on publishing and marketing synergies regarding shared authors and to mount joint acquisitions.

United Kingdom and the Commonwealth

Hachette UK continued to dominate the UK market, with a 13.9% market share for printed books and around 20% of the market for e-books. In all, 140 of its titles appeared in the Sunday Times best-seller list in 2011, with 25 occupying the number one spot. *One Day* by David Nicholls (Hodder) continued its impressive progress in 2011, including as an e-book. The best-selling novels of 2011 included *Steve Jobs* by Walter Isaacson (Little, Brown); *The Family* by Martina Cole (Headline); *When God was a Rabbit* by Sarah Winman (Headline); along with titles from Maeve Binchy, Patricia Cornwell and Martina Cole; Pierre Dukan's book; and John Grisham's *The Litigators*, his first thriller set in the legal world since joining Hodder. Hachette UK titles also collected various prizes, including the Orange Prize for Téa Obreht's *The Tiger's Wife* (Orion); Costa Novel of the Year for Andrew Miller's *Pure* (John Murray); and Galaxy Book Awards' "Best new author in 2011" for Sarah Winman's *When God was a Rabbit* (Headline).

Australia had a tough year, hit by the collapse of RedGroup, the country's leading book distribution chain, which represented 16% of Hachette Australia's net sales.

In the United Kingdom, the expansion of the e-book market stepped up a gear in 2011, and repesented 4% of the overall print and digital market for the year. Hachette UK has a stronger presence on the fiction segment in which e-book sales are stronger, respesenting 6% of net sales in 2011, and up to 10% on the trade adult segment taken in isolation.

The division continued to adapt its IT tools to new digital imperatives, and expects to revamp its websites in the first half of 2012.

Spain and Latin America

Hachette Livre's performance in Spain held firm despite the tough austerity measures adopted by the government and the consumer spending slump. Net sales came in slightly higher than in 2010. The crisis hit the division harder in Mexico and Argentina, where it reported a slight drop in net sales.

Anaya launched its *Livres numériques du professeur*, encompassing all of its printed manuals. All digital publications are offered as both online and offline works.

(1) Boston Consulting Group, WSJ and Crédit Suisse/IPR.

Partworks

Partworks, sold per issue in news-stands or through subscriptions, represent an atypical business for Hachette Livre in that exactly the same product is very often sold in markets with different linguistic, cultural and economic profiles. Series such as *Build the Bismarck*, originally designed in Italy, also sold very well in Germany, Belgium, France, Spain and Japan, thanks to television advertising campaigns.

As they are extremely sensitive to changes in purchasing power, Partworks have seen their sales decline on mature markets since the end of 2008. However, Hachette Livre enjoyed growth in Russia in 2009 with the launch of *Build the Bismarck*, and in 2010 with *The Human Body*. Contrary to expectations, 2011 was also an excellent year for Partworks in Japan, which reported a rise of almost 50% in net sales despite the crisis resulting from the earthquake and tsunami.

B.3 OBJECTIVES AND ACHIEVEMENTS IN 2011

With the *Twilight* publishing phenomenon on the wane in 2010, it was essential for Hachette Livre to deliver net sales and operating profit in line with its pre-*Twilight* performance, despite a tough basis for comparison in the first half of the year. This objective was met in spite of the collapse of book chains in English-speaking markets (Borders in the United States and RedGroup in Australia).

One of the main challenges in 2011 was to safeguard margins on digital activities to prevent Hachette Livre's overall profitability suffering from the decline in net sales resulting from e-book prices (which are 30% cheaper on average than their printed counterparts), as they erode the market share from printed books. Net sales have therefore been successfully decoupled from digital margins.

A number of restructuring operations were carried out due to structural slowdowns in the market, particularly in Spain and Australia. The division also sold BSSL, no longer compatible with Hachette Livre's core strategy.

C) OUTLOOK

Historically speaking, the book market has always been relatively stagnant, absorbing both upturns and downturns in the economic environment. Unless the global economic crisis significantly worsens, we expect the book market to contract but not collapse in 2012.

The digital boom, with e-books representing 20% of Hachette Livre's net sales in the United States, looks to be slowing. Regardless of actual developments and thanks to efforts deployed in 2010 and 2011, Hachette Livre is poised to supply e-books to operators on all of its markets in accordance with their specifications, and to assist its partners (publishers, book stores) wishing to adapt to this new distribution media.

5.2.1.2 LAGARDÈRE ACTIVE

The following comments describe the position of Lagardère Active based on its 2011 scope and business developments. Accordingly, they reflect the sale of its International Magazine Publishing business to Hearst Corporation Inc. further to the sale agreement signed on 28 March 2011. They also take into account Lagardère's sale of its Radio business in Russia on 23 December 2011.

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

Lagardère Active encompasses the Magazine Publishing, Radio, Television channels, Audiovisual Production and Distribution, Advertising Sales Brokerage and Digital businesses. The division also has a 20% share in Canal+ France (see section 5.2.2.4).

A.1 MAGAZINE PUBLISHING

Lagardère Active is the leading [1] publisher of magazines for the general public in France, boasting 38 titles plus other licensed titles published internationally.

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

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

Net sales for the Magazine Publishing business represent 66% [2] of Lagardère Active's total net sales. 47% of non-digital net sales come from the sale of magazines (one quarter of which are sold through subscriptions) and 53% from the sale of advertising space.

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

(1) 2010-2011 paid distribution in France: this is used to measure the advertising potential of a magazine and corresponds to the average number of paying copies per issue. It includes copies sold at news-stands and through subscriptions.
(2) Of which 27% outside France.

A.2 RADIO

Radio accounts for 18% of Lagardère Active's total net sales, of which 41% are derived outside France. Nearly 86% of radio stations' revenues come from advertising sales, which largely depend on audience ratings and the state of the advertising market.

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

Europe 1

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

Virgin Radio

Virgin Radio is a music station for 20-34 year olds, blending creativity, originality and audacity. In January 2011, Virgin Radio introduced new musical genres into its programming schedule and claims to play "*Un Maxx de Tubes*" (a maximum of hits) throughout the day. Virgin has 2.4 million listeners (1).

RFM

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

International radio stations

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

Every day, more than 30 million listeners tune in to its 23 radio stations, mostly music channels.

In almost all of the countries in which it operates, LARI is a major player in the private radio station market. It is number one in Russia with five stations including Europa Plus, which is the market leader with 10 million listeners every day; in the Czech Republic, where it has four radio stations (including Evropa 2, the undisputed leading radio station for young people, and Frekvence 1, the country's second most popular station); and in Saarland (Germany) with Radio Salû.

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

LARI is also the second-largest radio broadcaster in Poland with five stations (including the well-known Radio Zet with more than 7 million listeners every day) and in Romania, where Europa Fm, Radio 21 and Vibe Fm cover all of its target markets. LARI is also strengthening its presence in Slovakia by rebranding Europa 2.

In France and abroad, these radio broadcasting activities are subject to national and EU laws and regulations governing the audiovisual and telecommunications industries. In France, radio broadcasters must have been approved by the French broadcasting authority (*Conseil supérieur de l'audiovisuel* – CSA).

A.3 TELEVISION CHANNELS

Lagardère Active shifted the focus of its television channels in 2011 to cover two main segments.

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

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

Lagardère Active's package for the youth and family market is leader in its segment and is also the best known offer in France (96% of households with children know at least one of these channels).

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

The Mezzo channel and its offshoot Mezzo Live HD are currently broadcast in 41 countries and more than 17 million households, and have forged a reputation as the international reference for classical music, jazz and dance on television. These channels attract more than 920,000 viewers every month. Mezzo is 40%-owned by France Télévisions.

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

(1) Source: Médiamétrie - 126,000 Radio; 13 years and up; CA; 5am-midnight; Monday-Friday; January-December 2011; exactly 2,391,000 listeners for Virgin Radio and 2,268,000 listeners for RFM.
(2) Source: Médiamétrie - 126,000 Radio; 35-49 age group; CA and audience share; 5am-midnight; Monday-Friday; January-December 2011.

Thanks to this diverse offering, Lagardère Active is a major player in the television market. The Gulli channel captured one-fifth of the DTT audience in 2011 [1], with 2.1% of audience share [1] among children aged four and over across France. Most importantly, it was the most popular daytime (7am - 7pm) channel among children aged 4-10, with 18.4% [1] of audience share.

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

The opposite is true for freeview DTT channels. At end-2011, freeview DTT channels were available in virtually all geographic areas in France, with analogue signals – digital's previous rival – switched off in the last quarter of the year. Freeview DTT channels derive most of their revenues from advertising, since they have a very large pool of potential viewers combined with a dynamic advertising market in this medium.

A.4 AUDIOVISUAL PRODUCTION AND DISTRIBUTION

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

In 2011, net sales generated by Audiovisual Production and Distribution represented almost 11% of Lagardère Active's total net sales.

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

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

A.5 ADVERTISING SALES BROKERAGE

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

- it is the leading French magazine advertising sales agency, with a 20% market share [2];
- in radio, it has a strong position on influential targets as the leader in advertising sales targeting managers and executives*, with a commercial audience share of 26.5%, and in advertising sales targeting high-spending adults in top occupational categories** (CSP+1), with a commercial audience share of 22.7% [3];
- in television, it is a major advertising sales brokerage agency operating in all broadcasting media and covering all targets. The Gulli channel makes it the leading advertising offering for children aged 4 to 10 [4];
- it has a strong digital presence with 70 websites (including 30 premium websites), 20 smartphone applications and 5 tablet applications. This gives it a point of access to almost half of the Internet-connected population: 46.3% of Internet users are covered (19.6 million unique visitors, or UVs) [5], making Lagardère Publicité the seventh-largest advertising sales agency on the market.

A.6 DIGITAL

In 2011, Lagardère Active consolidated its positions in its Digital business, which represents 7% of its net sales.

In France, Lagardère holds the joint top spot among media groups in terms of audience, with 16 million unique visitors [6] in November (up 3% on average compared to 2010), of which:

- 10.3 million UVs [6] for its portfolio of women's websites associated with Elle.fr, the leading high-end website for women with 2.1 million UVs [6], and with Doctissimo.fr, the most popular women's website with a total of 8.3 million UVs [6] and the largest French-speaking Internet community. The model is now also available in Spanish, Italian and English;
- close to 4.5 million UVs [6] for Premiere.fr, France's second-largest entertainment website;
- 3.1 million UVs for Europe 1, the number one news radio website [7].

Lagardère Active is the leader on the French mobile market with a total of 6 million UVs [7] in the third quarter of 2011, up by almost 10% compared to the previous quarter. The division produces eight well-known applications: Public, the most popular "celebrity" app; Télé 7 Jours, ranked number two in TV guide apps and hot on the heels of the number one; as well as Sports.fr, Première, Virgin Radio, Europe 1, Elle and Boursier.com.

(1) Source: Médiamétrie - Médiamat; consolidated audience since January 2011. Audience share is expressed as a percentage and calculated by dividing the audience for a given channel by the total audience for the media as a whole.
(2) Source: Kantar Media - 2011.
(3) Source: Médiamétrie - 126,000 Radio; November-December 2011; Monday-Friday; 5am-midnight; *Executives and managers = company heads, executives and managers, intellectual professions; **CSP+I = independent traders, executives and intellectual professions, company heads, intermediate job categories.
(4) Source: Médiamétrie Netratings, all connection sites; November 2011.
(5) Source: Médiamétrie Nielsen Netratings.
(6) Source: Médiamétrie Netratings, all connection sites; November 2011.
(7) Source: Médiamétrie, Nielsen NetRatings.

Doctissimo.fr remains the leading digital source for French women across all products (website and apps), with 1.8 million UVs in the third quarter of 2011 [1].

Lagardère Active is also present on the tablets market with apps such as Télé7, Public and Gulli, along with eReading apps such as Paris Match and Elle à Table.

B) OPERATIONS DURING 2011

Contribution to consolidated net sales for 2011: €1,441 million

• Breakdown of net sales by activity

	2011	2010
Magazine Publishing	**66.3%**	73.6%
of which: Magazine Publishing in France and Advertising Sales Brokerage	**35.6%**	28.5%
International Magazine Publishing	**27.5%**	42.3%
Other Activities	**3.2%**	2.8%
Audiovisual	**33.7%**	26.4%
of which: Radio	**18.0%**	14.6%
Television	**15.7%**	11.8%
Total net sales	**100.0%**	100.0%
of which: Digital activities	**7.0%**	7.4%

• Breakdown of net sales by geographic area

	2011	2010
France	**64.9%**	50.5%
International	**35.1%**	49.5%
Total net sales	**100.0%**	100.0%

Contribution to consolidated net sales for 2011 (pro forma excluding International Magazine Publishing which was sold): €1,075 million

• Breakdown of net sales by activity

	2011	2010
Magazine Publishing	**54.6%**	55.2%
of which: Magazine Publishing in France and Advertising Sales Brokerage	**48.0%**	48.4%
International Magazine Publishing	**2.2%**	2.0%
Other Activities	**4.4%**	4.8%
Audiovisual	**45.4%**	44.8%
of which: Radio	**24.2%**	24.7%
Television	**21.2%**	20.1%
Total net sales	**100%**	100.0%
of which: Digital activities	**6.7%**	7.2%

• Breakdown of net sales by geographic area

	2011	2010
France	**87.5%**	87.9%
International	**12.5%**	12.1%
Total net sales	**100.0%**	100.0%

(1) Source: Médiamétrie third-quarter 2011.

B.1 MAGAZINE PUBLISHING IN FRANCE

In 2011, Lagardère Active confirmed its leadership position in circulation and advertising in **Magazine Publishing**, both overall and in nearly all of its markets.

In March 2011, Magazine Publishing in France sold its Photo magazine to Magweb.

In terms of circulation, Magazine Publishing in France strengthened its positions on strategic segments.

Overall net sales from **circulation** retreated 1.5% like for like, despite pressure on per-issue sales.

- In the fiercely competitive high-end women's magazine segment, circulation for Elle stabilised in 2011, after five consecutive years of growth.
- Circulation for *Psychologies Magazine* rose 1.3% thanks to the increase in subscriptions and the virtual stability of per-issue sales.
- Lifestyle magazines performed well, with paid distribution in France [1] up 3% for *Elle Décoration* and 1.2% for *Journal de la Maison*, remaining stable for *Art & Décoration, Campagne Décoration* and *Elle à Table*, and slipping 1.3% for *Maison & Travaux* and 1% for *Mon Jardin & Ma Maison*.
- Paid distribution for *Le Journal du Dimanche* remained virtually stable at 254,459 copies (down 1.1%), with the newspaper successfully countering the closure of the Saturday issue in March.
- *Paris Match* turned in the best performance in its segment, with paid distribution up 1.3%, buoyed by a 2.4% rise in per-issue sales.
- Amid a downturn in the market for celebrity magazines, *France Dimanche* and *Ici Paris* fared better than the market as a whole. Along with its competitors on the young celebrities market, *Public* had a tough year.
- *Télé 7 Jours* remains the leader in its competitive environment, with an average circulation of 1,371,000 copies.

In **advertising**, net sales for Magazine Publishing in France were virtually stable year on year, with the business performing well on its main markets.

- Net sales for *Elle* increased year on year, and are back to their 2008 level. *Elle* is still the undisputed leader in its segment and remains way ahead of its competitors.
- Launched in March 2010, *Be* has captured market share with a 47% rise in page volume compared to 2010.
- *Version Femina* saw a 14% rise in its page volume and a sharp 3.9% increase in its market share.
- Lagardère Active's leadership grew in the interior decor and renovation segment, with page volumes up for all its main titles including *Elle Décoration* (up 3%, the best performance for its segment), *Art et Décoration* (up 0.8%) and *Maison & Travaux* (up 6.8%).
- Advertising page volume for *Paris Match* was up slightly on 2010.
- *Le Journal du Dimanche* declined, amid a downturn in the market for daily newspapers.
- *Télé 7 Jours* confirmed its leading position and captured market share despite the structural decline in television advertising.
- Lagardère Active's share of the parent segment edged up 0.2 points, with *Parents* faring better than its competitors.

B.2 RADIO

Europe 1

2011 was a highly unusual year for Europe 1, although the surveys conducted in November and December of that year [2] confirmed the quality of the programming put in place by the new management team.

Europe 1's new programming schedule attracts 4,912,000 listeners every day and has a cumulative audience share of 9.4 points. A total of 267,000 new listeners tuned in to the station in 2011, including 241,000 new listeners in a single wave, helping Europe 1 move one notch up the rankings for the best radio station in France.

The morning show hosted by Bruce Toussaint had an excellent year, attracting 3,124,000 listeners every morning (162,000 more listeners than in 2010), and increased its audience share among top occupational categories (CSP+) by 25%.

Europe 1 also had an excellent year in terms of its commercial target markets (audience share up 0.3 points for CSP+), making it the most listened-to private radio station among executives and managers(*) and CSP+I(**).

The following programmes also attracted a large number of listeners:

- *Europe 1 matin* (5am-7am): 84,000 new listeners for Emmanuel Maubert's early morning show, which attracts a total of 1,144,000 listeners every morning;

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

(2) Source: Médiamétrie - 126,000 Radio; November-December 2011; Changes vs November-December 2010 - unless otherwise specified. 13 years and over; Monday-Friday; 5am-midnight and in the morning 7am-9.30am; (**) CSP+I = independent traders, executives and managers and intellectual professions, company heads, intermediate job categories; (*) Executives and managers = company heads, executives and managers, intellectual professions.

- *Le grand direct des médias*, hosted by Jean-Marc Morandini, which attracted 33,000 new listeners drawn to the new programming schedule;
- *Les Experts Europe 1*, a new programme hosted by Helena Morna, attracted new 32,000 listeners to this slot over one year;
- *On va s'gêner*, hosted by Laurent Ruquier, saw its popularity jump, with 120,000 new listeners and a total daily audience of 1,343,000.

Europe 1's digital output has been at the top of various rankings since September 2010, and this leadership was consolidated in 2011:

- the most visited radio station website in 2010-2011, with an average of 2,782,000 unique visitors each month [1]. Europe 1 was the most popular radio website for five months out of seven until July 2011;
- the radio website from which the most podcasts were downloaded in 2010-2011, with an average of 4,356,000 downloads each month [2]. Europe 1 was the leader for podcast downloads in 2011, with an average of 4,288,000 podcasts downloaded at end-November. It occupied the number one spot seven months out of eleven.

Nicolas Canteloup's *La revue de presque* continued to be the most popular news download in France in 2011. *On va s'gêner* was the second most downloaded programme on Europe1.fr, followed by *Au cœur de l'histoire*, which took third position right after its launch in September 2011.

Europe 1 receives an ever increasing number of hits, both to its iPhone app and on its mobile websites. Europe 1's application for mobile telephones is among the 15 apps reporting the most hits in France [3].

The News package including Europe 1.fr, Lejdd.fr, Parismatch.com and Lelab.europe1.fr was introduced in 2011 with the aim of forming one of the top ten news websites and one of the top five in the medium term (target: above five million Nielsen UVs).

Music radio

On 22 August 2011, Virgin Radio introduced a new programming schedule featuring:

- a new morning show hosted by Cyril Hanouna between 6am and 9am;
- a commitment to play a "*Un Maxx de Tubes*" (maximum of hits) between 9am and 9pm ;
- *Le Soir Show* hosted by Camille Combal, the first phone-in show in the 9pm-midnight slot.

In November and December, the new programming schedule got off to a good start, with 116,000 more listeners than in 2010 and 80,000 more than the previous wave.

RFM is positioned as the second most popular music station for adults [4] in the 35-49 age group. Bruno Roblès and Justine Fraïoli are hosting *Le Meilleur des Réveils* for their second season, every morning between 6am and 9am. The rise in the number of listeners in the 35-49 age group is greater than in 2010, with the cumulative audience up 9% and the audience share up 0.5 points. *RFM's VIP* interview programme hosted by Frédéric Lopez is now aired daily at 7pm, Monday to Friday.

The audience share has increased over the last two waves (up 1.2 points on April-June 2011).

Changes in the Group's cumulative radio audience in France are as follows:

	Nov. – Dec. 2011	Sept. – Oct. 2011	Nov. – Dec. 2010	Nov. – Dec. 2009
Europe 1	9.4%	8.9%	8.9%	9.9%
RFM	4.6%	4.2%	4.4%	4.6%
Virgin Radio	4.6%	4.5%	4.4%	5.2%

Source: Médiamétrie

International radio

Outside France, 2011 saw mixed performances from one country to the next, with strong growth in Russia, Slovakia and South Africa and more subdued advances in other countries. Investments helped improve audience figures, particularly in Poland, the Czech Republic and Slovakia.

In terms of the business portfolio, LARI consolidated its position in Slovakia by purchasing interests in the joint shareholder of its Europa 2 radio station on 31 August 2011. This allows it to capitalise on the continued rise in listeners for Europa 2 since it was relaunched at the beginning of 2010.

On 23 December 2011, as part of a move to pre-empt changes in regulations governing foreign investments in the Russian Federation, LARI sold its entire Russian radio broadcasting business (Europa Media Group) to several private Russian investors.

(1) Source: Médiamétrie NetRatings; recalculated average; September 2010-June 2011; France. List compiled based on radio websites featured in Médiamétrie NetRatings.
(2) Source: Médiamétrie eStat; recalculated average; September 2010-June 2011; France.
(3) Source: OJD (French media watchdog).
(4) Source: Médiamétrie - 126,000 Radio; 35-49 age group; CA and audience share; 5am-midnight; Monday-Friday; January-December 2011.

LARI's radio stations attract almost 17 million listeners each day in Russia [1]; 8.2 million in Poland [2]; over 2.3 million in Romania [3]; 2 million in the Czech Republic [4]; more than 1 million in South Africa [5]; and around half a million in Germany [6]. In all, LARI [7] has over 30 million listeners.

In line with Lagardère Active's overall strategy, LARI accelerated the pace of its digital development in 2011, preparing for the launch of two new websites in the Czech Republic at the beginning of 2012. It has also helped develop apps and companion websites for radio stations in France.

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

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

Given that it operates principally on the Eastern European markets, LARI reported growth in 2011.

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

	2011	2010
Russia	**16,590,100**	17,108,200
Poland	**8,127,000**	7,928,000
Czech Republic	**1,908,900**	2,005,000
Romania	**1,541,400**	1,456,400
Slovakia	**305,300**	283,200
South Africa	**922,000**	995,000

Sources: Russia: TNS S1 2010/11 – LV 12+Nat. and TNS Q3 2010/11 – LV12+Rég.
Poland: SMG/KRC Radio Track Q4 2010/11 – LV 15+
Czech Republic: Radio Project S2 2010/11 – LV12+
Romania: IMAS Q4 2011 – LV11+ Urbains and IMAS Q4 2011 – LV11+ Bucarest
Slovakia: MML SK 2010/11/S2, – LV14+
South Africa: RAMS 2011/4 Oct. – LV15+Rég.

B.3 TELEVISION CHANNELS

2011 confirmed the expansion of Digital Terrestrial Television (DTT) in France, whose audiences continued to grow in line with the increasing number of viewers and broader coverage. The audience share for "Other TV" increased from 31.9% in 2010 to 34.8% in 2011 [8]. The DTT audience share rose sharply, from 19.7% to 23.5%, while special interest channels fell slightly to 11.3% from 12.2% in 2010.

The Gulli channel enjoyed strong growth in 2011, with advertising sales up more than 30% between 2010 and 2011. The main trends are described below.

Gulli remains the third most popular DTT channel for households with children throughout the day, with an audience share of 2.9%. Evening viewing figures for the channel rose for all categories: up 17% among the target population of 4 year olds and up in the 8pm-midnight slot, with an audience share of 1.4% versus 1.2% in 2010.

Lagardère Active's youth channels hold a 35% share of the audience for children's channels [9] in 2011, which saw the inclusion of the Disney Channel within the basic ISP package. TiJi and Canal J are respectively in third and eleventh positions on cable and satellite television for pay channels among the 4-10 age group, with a respective audience share of 3.5% and 1.6%. TiJi is the second most popular pre-school channel among 4-10 year-olds.

June is the second-ranking special interest channel for women aged 15-24, with an audience share of 2.1% [10], up 75% since the last wave.

In just one year, MCM has more than doubled its audience share among men aged 15-34 and has increased 25% in a single wave. MCM is among the top ten most popular special interest channels for men aged 15-24, with an audience share of 0.8% [10].

(1) Source: TNS Gallup Media, H1 2011.
(2) Source: SMG/KRC Q3 2011.
(3) Source: IMAS H1 2011.
(4) Source: Radio Project Q2+Q3 2011.
(5) Source: RAMS 2011/2.
(6) Source: AS&S MAll 2011.
(7) Source: TNS Gallup Media Régions Q3 2011; MML Sk Q2+Q3 2011.
(8) Source: Médiamétrie: live audience in 2010, consolidated audience in 2011.
(9) Source: Médiamétrie - Médiamat' Thématik; January-June 2011; Audience share extended 4-14 age group offer; Monday-Sunday average; 3-27 hours; consolidated audience.
(10) Source: Médiamétrie - Médiamat'Thématik; January-June 2011; pay channel consolidated audience.

The local versions of TiJi and Gulli in Russia, launched in May 2009 on the NTV+ satellite platform, continued to increase viewing figures. Broadcast in Russian, these channels use a subscription-based economic model. At the end of September 2011, a total of 1.8 million households were subscribed to TiJi [1] in eight countries (up 255% over one year) and 780,000 to Gulli [1] (up 106%).

To optimise brand positioning, raise profiles, and anticipate new television consumption patterns by imagining new ways of supplying content, the TV division has adapted to the digital age, developing mobile apps, tablets and connected TV, catch-up television, videos on demand, and websites. To meet emerging digital needs within households, the TV division has also enriched its content offering and is deploying its brands across all of the above-mentioned media.

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

B.4 AUDIOVISUAL PRODUCTION AND DISTRIBUTION

In 2011, Lagardère Entertainment enjoyed the resounding success of the international series *Borgia*, produced by Atlantique Productions and broadcast in France on Canal+, as well as in Germany and Italy. The 12-part series has already been sold to around 40 broadcasters across the globe, including Netflix in the United States.

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

2011 also saw the continued recovery of the advertising market and a further rise in the number of hours spent watching TV in France, which was up by 15 minutes to 3 hours and 47 minutes per day (source: Médiamétrie).

Advertising growth was boosted mainly by new DTT channels at the expense of historical channels which saw viewing figures fall in 2011. Despite these structural changes, TF1 and the France Télévisions group remain the biggest players on the French market and Lagardère Entertainment's main clients.

In this new-look audiovisual landscape with changing television consumption patterns (VoD, SVoD, catch-up TV), Lagardère Entertainment continued to grow in the segment of immediate broadcasts (acquiring 60% of 909 Productions) and lightweight drama. It also developed its international presence (in drama with Atlantique Productions and animation with Timoon Animation).

B.5 DIGITAL

In France, Lagardère Active consolidated its positions in its various segments: female-interest, entertainment and news.

- Doctissimo, the number one women's website in France launched its video platform with a daily health programme, *La minute santé*. To forge viewer loyalty and offer Internet users an ever-increasing range of services, Doctissimo has also launched a guide to the best maternity hospitals. Club Doctissimo allows Internet users to create their own space and find other users with the same interests beyond the forum.
- In January 2011, Elle.fr, the leading high-end women's website with more than two million [2] unique visitors, launched its video portal and a web series, *Lolicats*, which was a prize winner at the TV drama awards in La Rochelle.

  A mouthpiece for women, *Elle* also launched its PrésidentiELLE platform in December 2011, a forum discussing women's issues in the run-up to the 2012 French general elections.

  Elle is also available as an iPad app, thanks to a collector application based on the *Elle aime la Mode* event held in May 2011.
- in the entertainment segment, Premiere.fr confirmed its position as number two in its sector, attracting 4.5 million unique visitors in November 2011.

  Following the end-2010 signature of an agreement with the leader of catch-up television (TV-Replay), Lagardère Active acquired the publisher of the TV-Replay.fr website in December 2011.
- In 2011 Newsweb, the publisher of the Boursier.com, Sports.fr and Football.com websites, launched brand-content operations with special-interest sites for advertisers, including Rugbynews for Dim, Footballmag for Continental and Cyclismemag for Skoda.
- Europe 1 is the radio station with the most popular podcasts in France, representing almost 4,770,000 downloads [3] in November 2011.

  In December 2011, Europe 1 launched Le Lab (http://lelab.europe1.fr/), a new interactive website on politics.
- At the end of 2011, Lagardère Active revamped its digital activities based on an integrated brand strategy. The example of *Public* shows its ability to roll out its content across a variety of formats:
  - the women's weekly celebrity magazine has a total circulation of 406,849 copies [4] and 3.2 million readers [5];
  - *Public* is also the leading celebrity app, launched for the iPhone in March 2009 and now also available for the iPad, Androïd, Samsung Wave, Nokia, Windows phone and BlackBerry. According to the OJD (French media watchdog), Public had 541,063 unique visitors in November 2011.

(1) Source: Local reporting in Russia.
(2) Source: Médiamétrie, Nielsen NetRatings.
(3) Source: Médiamétrie eStat – Catch-Up Radio – November 2011 – France.
(4) Source: OJD – Paid distribution 2010.
(5) Source: AudiPresse - AEPM 2009-2010.

– Public.fr was launched in February 2011 and attracted 1.7 million unique visitors [1] in November 2011. The iPad app was launched in November 2011.

In phase with the unrelenting pace of change in the market, NextIdea pressed ahead with its growth strategy, reorganizing itself into three complementary agencies harnessing its broad spectrum of expertise:

- NextData, specialising in online relationship-based marketing (e-crm/e-prm);
- NextIdea Conseil, specialising in digital communication;
- NextIdea Digital Media, specialising in digital acquisition strategies (influence, SEO, SEM, display, affiliation).

This new-look organisation takes place as closer links are being forged with Lagardère Active's digital activities to achieve better integration and pursue common developments.

B.6 OBJECTIVES AND ACHIEVEMENTS IN 2011

Following the signature of a sale agreement on 28 March 2011, Lagardère Active sold its International Magazine Publishing business to Hearst Corporation Inc. (see section 8.3.1 for more details).

Net sales for 2011 were lower than targeted, due chiefly to the sale of International Magazine Publishing to Hearst Corporation Inc. in 2011. Net sales from advertising generated by Lagardère Active represented around 51% of total net sales in 2011, five points less than in 2010. The impact of the advertising recovery was particularly noticeable in the second half of 2011.

The performance improvement plans set up between 2007 and 2009 continued to bear fruit in 2011, driving profitability gains.

C) OUTLOOK

At the present time, visibility on the advertising market in 2012 remains poor for magazines, radio and Internet media.

Consequently, our focus will be on keeping a tight rein on costs and improving our performance.

5.2.1.3 LAGARDÈRE SERVICES

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

Lagardère Services' development focuses on two business lines:

- Travel Retail in three geographic areas (Europe, Middle East & Africa, Asia-Pacific and North America);
- Press Distribution to sales outlets, combining national distribution networks and integrated retail activities.

The world's third-largest operator in Travel Retail, Lagardère Services:

- has the world's largest international network of convenience stores and stores dedicated to cultural leisure products;
- is a major player in duty-free shops and luxury goods and specialist concept outlets;
- is also expanding in food service in travel areas.

The network comprises outlets under international store names (Relay, Hubiz and Aelia Duty Free), or store names with a strong local identity (Buy Paris Duty Free, Payot, Newslink).

Lagardère Services is also the world's leading player in Press Distribution.

The key figures for Lagardère Services are as follows:

- a unique network of more than 4,000 stores in 21 countries all over the world;
- 1,465 sales outlets trading under the Relay name in 14 countries, serving one million customers every day;
- over 50,000 newsagents supplied daily by Lagardère Services.

A.1 TRAVEL RETAIL

Retail sales dedicated to travellers

Lagardère Services is the world leader in retail sales dedicated to travellers, with companies such as LS travel retail France (Relay France, Aelia), LS travel retail Asia-Pacific and LS travel retail North America, and has set up new sales outlets in airports and train stations in the 21 countries where its store names are present.

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

   In 2011, LS travel retail France and Aéroports de Paris (ADP) forged a long-term partnership through the creation of a joint venture, Relay@ADP, with a view to opening and managing Relay, Air de Paris (gifts and souvenirs) and food outlets.

(1) Source: Médiamétrie, Nielsen NetRatings.

In train stations and airports, Lagardère Services also operates a large number of stores selling small electronic devices, telephony accessories and mobile devices under the Fnac, Virgin, iStore, Tech2go names (especially in France, Germany, Poland, China, Australia, Canada and the United States). Lastly, the Air de Paris stores in France and the Discover stores in North America, Germany, Poland, Australia and Singapore sell tourists products and souvenirs that promote local culture and regional produce.

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

b. In addition to the press, convenience and gift-souvenir businesses, Lagardère Services also operates duty-free shops and specialist concept stores, under its own names (Aelia Duty Free, Buy Paris Duty Free, So Chocolate, Fashion Gallery, etc.) and under international brand licences (Hermès, Fauchon, Longchamp, Hugo Boss, Lonely Planet, etc.).

This activity grew significantly in 2011, with notable achievements being:

- the reinforcement of the partnership with Aéroports de Paris via, first, the long-term extension of the SDA joint venture agreements (for fashion, perfumes and cosmetics, spirits and tobacco sales outlets) and, second, the acquisition of the 50% share held by The Nuance Group in the DFP joint venture, which operates fashion concessions in airports in Paris;
- the gain of new concessions (London City Airport, Reunion, Nouméa) and the acquisition of Unimex, the biggest operator of duty-free shops at Prague Airport.

This fast-growing activity accounts for 240 stores.

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

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

c. Lastly, with its long-standing presence in hospitals (220 sales outlets), LS travel retail is stepping up its expansion in food service in travel areas, having won concessions on the Rhine-Rhone TGV and in Montpellier airport, and acquired two companies in the Czech Republic that will ultimately give it access to more than 50 food service sales outlets in train and metro stations.

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

A.2 DISTRIBUTION

In 2011, Lagardère Services merged all of its distribution and local retailing operations into LS distribution.

National Press Distribution and Press Imports/Export

Supplying sales outlets with newspapers and magazines is a crucial function in press sales. Lagardère Services carries out this activity in 10 countries at two levels: National Press Distribution and international Press Import/Export.

The world's leading national press distributor, LS distribution is the largest distributor in the United States, Belgium, French-speaking Switzerland, Spain and Hungary. In these countries, Lagardère Services supplies convenience store networks: Lapker in Hungary (11,536 sales outlets, 622 of which are operated by the company), SGEL in Spain (20,764 sales outlets).

In North America, the leading national magazine distributor Curtis Circulation Company runs a network of independent wholesalers and manages sales of press titles to the biggest retail chains. Its market share stood at 30% in 2011. Competitors are major local players such as TDS/WPS (Time Warner group), Comag (Hearst/Condé Nast) and Kable.

In Spain, SGEL, the leading national press distributor, has 47% of the entire press and magazine market. Its main rivals are Logista and GDER (a newspaper publishing cooperative).

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

LS distribution is also a leading company in the import and export of international press, with operations in 10 countries (Belgium, Bulgaria, Canada, Czech Republic, Hungary, Romania, Spain, Switzerland and the United States).

Other distribution activities

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

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

In addition, expansion has gathered speed in the non-press retail networks, for example the acquisition in Canada of Euro-Excellence (importing and distribution of European chocolates and fine foods) by LS Distribution North America (LSDNA).

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

LS distribution also has an extensive network of more than 1,900 press sales outlets in town centres and shopping malls, trading under names with strong national identities such as Inmedio in Eastern Europe, Press Shop in Belgium, Naville in Switzerland and BDP in Spain. Competitors are local independent retailers.

This network is complemented by the Payot bookstore chain in Switzerland, with 11 stores. The competition consists of Fnac and independent bookstores.

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

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

B) OPERATIONS DURING 2011

Contribution to consolidated net sales for 2011: €3,724 million

• Breakdown of net sales by activity

	2011	2010
Travel Retail	**53.3%**	51.6%
Distribution	**46.7%**	48.4%
of which integrated retail	**18.7%**	19.0%
of which distribution	**28.0%**	29.4%
Total net sales	**100%**	100%

• Breakdown of net sales by geographic area

	2011	2010
France	**28.9%**	28.9%
Europe	**59.0%**	59.6%
North America	**6.0%**	6.4%
Asia-Pacific	**6.1%**	5.1%
Total net sales	**100%**	100%

Net sales grew by 4.0% in 2011 on a reported basis or 1.9% on a like for like basis.

The 2011 trading environment was marked by significant growth in air traffic and an acceleration of the decline in the press and book markets.

Events in North Africa and Côte d'Ivoire, in addition to the economic crisis, weighed on trading in Europe.

The Asia-Pacific region was hit particularly hard by a series of natural disasters (floods in Australia, earthquakes in New Zealand, a tsunami followed by a nuclear accident in Japan).

North America suffered from bad weather early in the year, and the continuing economic crisis.

Also noteworthy were the strong gains by the Swiss franc and Australian dollar, impacting sales in those countries.

Continued growth in air traffic

After a 2.7% drop in 2009 and an increase of 6.3% in 2010, 2011 saw steady growth of more than 5% in air traffic worldwide, with increases of 8.0% in Europe, 2.4% in North America and 5.2% in Asia-Pacific [1]. Since December 2009, world air traffic volumes have been higher than before the crisis (2007), with significant disparities between geographic areas:

- in Europe, 2011 air traffic volumes are above those of 2007;
- in North America, traffic has not yet returned to its 2007 level;
- in Asia-Pacific, 2011 traffic is well above 2007 levels.

Acceleration of the decline in print-media sales

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

Lower volumes have been partially offset by higher prices.

(1) Source: ACI, at end-September 2011.

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

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

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

For Distribution, the limited drop in profits stemmed from diversification efforts, as well as reorganisation plans, which helped generate new revenues and further savings in 2011.

B.1 TRAVEL RETAIL

The French operations have been under a single management since 1 May 2011: LS travel retail France.

In 2011, as part of the renewal of the contract in the Paris airports (60 stores), Relay France entered into a strategic long-term partnership with ADP, resulting in the creation of a joint venture in August: Relay@ADP.

This company operates not only Relay's traditional activities, but also in gift-souvenir concessions under the Air de Paris concept as well as, in the medium term, food outlets.

Fully consolidated and with 864 sales outlets, Relay recorded a 5.7% increase in net sales compared with 2010, thanks to network growth (several openings of sales outlets in hospitals and airports, and full-year operation of outlets that opened in 2010).

In addition to these openings, items other than press titles and books delivered a strong performance excluding changes in the network (particularly food products, which grew by 9.7%), backed up by an innovative commercial policy of diversifying the product range.

This performance was especially remarkable in view of the continuing decline of press (down 2.1%) and telephony (down 3.6%) sales.

Aelia recorded a sharp increase of 11% in net sales in 2011, especially in the Paris and regional airports, which recorded 13% and 6% growth, respectively. The modernisation of sales outlets, new business initiatives and the quality of the training policy helped generate sales growth that exceeded the increase in air traffic (up 6% for ADP, 7% in Lyon and 1% in Marseille).

Aelia's sales continued to grow outside France, with 13.5% growth in the United Kingdom, thanks to robust sales at Luton airport and the opening of sales outlets at London City and Glasgow.

In Paris, spirits, tobacco, perfume and gourmet shops are operated by SDA in joint venture with Aéroports de Paris. SDA now operates the concessions at the Paris airports of Charles de Gaulle (Terminals 1, 2, and 3), Orly Sud and Orly Ouest, as well as gourmet and fashion shops at certain terminals. In late 2011, SDA acquired The Nuance Group's 50% share in Duty Free Paris (28 fashion sales outlets operated as part of a joint venture with ADP).

Business in Germany rose 4%, thanks to continued expansion, which provided 7.4 points of growth, with eight additional sales outlets. The Happy business was discontinued in July, leaving the network with 84 sales outlets at end-2011.

In Poland, net sales grew by 9.1%, with noteworthy growth of 18.4% for the Empik Café network and 12.9% for Aelia Polska's duty-free shops. The network totalled 681 sales outlets, an increase of 10 outlets compared with 2010.

Lagardère Services' subsidiary in the Czech Republic grew strongly in 2011, thanks to several major acquisitions: Jablonsky (22 News & Convenience sales outlets in the Prague metro), Coffee Heaven (13 food service outlets subsequently converted into the Costa name) and, at the end of the year, FEE (acquisition of 70 food service outlets and convenience stores) and Unimex (Aelia CZ's main competitor at Prague airport). This resulted in net sales growth of 14.7% over the year. The traditional business of the Relay and Inmedio sales outlets edged down by 2% following a reduction in footfall subsequent to the bankruptcy of the lottery operator, but an improvement in the trend was observed at the end of the year, with a recovery for this distributor. The duty-free operations (six airport outlets and onboard sales for CSA, acquired in February 2010) and the fashion boutique at the Prague airport, opened in late 2011, recorded growth of 53% over the year. Lastly, the Paul and Costa sales outlets (in addition to the Coffee Heaven outlets) are booming.

In Romania net sales increased by 19.1%, with the opening of 19 new sales outlets in 2011, bringing the total to 185.

The Bulgarian subsidiary, founded in 2007, was consolidated on 1 January 2011. The network is growing steadily, with 60 sales outlets at the end of the year, primarily in shopping malls. The subsidiary recently diversified into food service in hospitals, with the year-end opening of three Café Inmedio outlets.

In North America, with a network totalling 238 sales outlets (155 in Canada and 83 in the United States), retail sales declined by 1.2% at constant exchange rates, as follows:

- excluding changes in the network, sales rose by 0.6%, spurred by airport sales (up 1.8%), while urban network and non-airport travel sales fell by 2.4% and 3.9% respectively. On top of the decline of the press market, the economic crisis weighed on footfall and pushed down tourists' average spend;

- including changes in the network, sales declined by 1.8% following the loss of the Winnipeg contract and the closure of non-profitable urban sales outlets.

The Asia-Pacific region represents a network of 222 outlets (102 in Australia, 10 in New Zealand, 2 in New Caledonia, 12 in Hong Kong, 67 in China, 23 in Singapore and 6 in Taiwan). Sales were stable, edging up by 0.4% at constant exchange rates:

- Sales in Asia-Pacific grew by 3.4%, thanks mainly to the acquisition of 11 sales outlets in New Zealand and the gain of the duty-free concession at the Nouméa airport in New Caledonia. Excluding change in the network, Newslink and Purely ended the year with sales down 2.2% and 8.7% respectively, in an unfavourable trading environment (a particularly strong Australian dollar, a widespread and a significant drop in sales of books, with the notable bankruptcy of RedGroup, series of natural disasters that affected tourism-related activities, etc.).
- Sales in Asia grew by a strong 55.6% thanks to network expansion in China and Singapore. Contract losses in Hong Kong in 2010 were offset by innovative commercial initiatives and a steady increase in traffic. China experienced strong growth in its Travel Retail network (airports, rail and metro), with 40 stores opened over the year.

  Sales in Singapore, disrupted by work on Terminal 1, nevertheless benefited from the openings of Fashion Gallery sales outlets in late 2010 and So Chocolate in April 2011.

This was compounded by ongoing diversification into Internet sales: HDS Digital posted 39.2% growth in the number of subscribers and sold nearly 2.9 million individual downloads in 2011.

B.2 DISTRIBUTION

Integrated retail activities

In Hungary, retail sales grew by 1.5%, with good performances by non-press products (up 3.4%) and a contained decline in press sales (down 3.7%). The network operating under the Relay and Inmedio store names expanded by five units to 345 sales outlets, while the streamlining of news-stands continued, with the closure of 35 units (277 stands in total).

In Belgium, retail sales were down 3.5%, due mainly to the optimisation of the network, which was trimmed from 275 sales outlets at end-2010 to 264 at end-2011. Excluding changes in the network, net sales were down 1.2%, due to lower sales of press titles and telephone cards.

In Switzerland, the strength of the Swiss franc (up 12.0% against the euro compared with December 2010) resulted in purchases being made on the Internet or in neighbouring France, affecting retail sales throughout the country. Business was severely impacted, with the Naville Détail network down 4.9% at constant exchange rates. Press sales were hit particularly hard (down 8.4%), but the fall was partially offset by strong performances in tobacco (up 3.7%) and lotteries (up 7.6%). At the end of 2011, the network numbered 179 sales outlets.

The 11-store Payot chain of bookstores posted a 6.1% decline in business in 2011.

In Spain, retail sales were down 1.1% in 2011, due to the deteriorating economic environment (higher unemployment and declining consumption). Business was down 2.6% in press sales outlets in Spain and Portugal alike. Diversification projects were launched to make up for the flagging press market. The network has eight La Cure Gourmande sales outlets (one closure in 2011), which recorded growth of 4.6% over the year. Four Jeff de Bruges sales outlets were opened in Madrid in 2011, contributing 0.9 points to net sales growth. Two fashion boutiques were opened in Malaga and Alicante, contributing 1.2 points.

Distribution activities

The 2011 results of the distribution activities were negative in all countries except Hungary and Canada due to the continued decline in the press markets. To limit the structural decline in press sales, distribution companies implemented plans aiming to accelerate diversification.

In Belgium, AMP's distribution activities saw a 1.2% decline in net sales in 2011. The telephone cards business retreated by 2.8%. The reorganisation plan launched in 2007 was extended in 2011 (with the implementation of job cuts reducing the workforce by 90 people and reshuffling key functions). This has fuelled a strong improvement in the company's profitability since 2007.

In Spain, the distribution activities fell by 3.9% in 2011, due to adverse trends in the local press market and a drop in the number of collections for partworks (down 31.3%). This fall was partly offset by strong growth in international (up 11.9%) and national press after fresh funds were raised.

In Switzerland, the erosion of press sales also affected Naville's distribution activities, with press sales down 8.3%. The distribution of non-press products was also down, falling by 4.1% due chiefly to the one-off impact of the 2010 FIFA World Cup on Panini stickers, despite strong tobacco sales (up 14.7%).

Activity was stable in Hungary (down 0.3%), with a limited fall in press sales (down 2.3%) and strong growth in non-press sales (up 9.9%), thanks, on the one hand, to the growth of the telephony products network and, on the other hand, the creation of a range of prepaid electricity services (in partnership with E.ON in Budapest).

In the United States, the Curtis Circulation Company's consolidated distribution sales were down a sharp 16.9% in 2011, with the magazine market having suffered a severe contraction over the year due the country's economic situation and the transition to digital formats.

In Canada, LSDNA's sales grew by 5.9%, driven by the dynamic sales of English titles and strong sales of partworks. On 1 July 2011, LSDNA finalised the acquisition Euro-Excellence, a Canadian specialised distribution company, contributing 0.6 growth points over the year.

B.3 OBJECTIVES AND ACHIEVEMENTS IN 2011

With the implementation of the new strategic plan in 2011, Lagardère Services' growth objectives have been redefined. Lagardère Services has structured itself so as to achieve its aim of growing and reinforcing its global leadership in two segments of the specialised distribution market:

- Distribution: focus on growth and consolidation despite lower print-media sales, around three axes:
  - streamline and improve the performance of Press Distribution operations: harmonise and improve industrial practices and productivity, integrate companies to improve efficiency, make market-share gains in press distribution, capture a greater portion of the value chain, etc.;
  - develop Distribution activities and diversified services: distribute and represent FMCG brands, extend the services (including dematerialised services) provided within the network, in a new and commercially attractive offer, expand into non-press distribution networks;
  - build an offer of B2B services based on skills, logistics assets and systems: provide services for online retailers, 3PL (Third-Party Logistics Provider) and PUDO (Pick Up Drop Off).
- Travel Retail: Travel Retail is a niche in the distribution market, and one of the most attractive activities in retailing. The market is undergoing profound change (globalising, integrating, consolidating and becoming more sophisticated). Lagardère Services plans to continue and speed up its expansion in this segment by:
  - consolidating more strongly its existing positions in order to bolster its efficiency and reputation;
  - enriching its commercial offers, especially in food service;
  - increasing its organic growth, especially in the emerging markets;
  - accelerating its external growth, with, if possible, a defining acquisition.

In support of its strategic plan, Lagardère Services has reviewed its organisation. Four activities have been created:

- LS distribution;
- LS travel retail EMEA (Europe, Middle East & Africa);
- LS travel retail ASPAC (Asia-Pacific);
- LS travel retail North America.

LS distribution covers all distribution companies in Belgium, Canada, Hungary, Spain, Switzerland and the United States, and includes the European retail entities operating in those countries. The strategy that led to this decision is based on a need for growth in both net sales and profit, which involves efforts to diversify into distribution channels and products other than the press.

LS travel retail, whose strategy is to become an attractive partner for licensors in all market segments (News & Convenience, Duty Free & Luxury, Food & Beverage) is structured by geographic area:

- LS travel retail EMEA covers Europe and pending expansion in the Middle East and Africa. A centre of expertise and duty-free support known as "New Aelia" has been created, and Aelia's and Relay's French operations are now housed in LS travel retail France;
- LS travel retail ASPAC covers the Asia-Pacific region. A significant effort has been made in this area, with the establishment in Singapore of a development structure dedicated to accelerating growth;
- LS travel retail North America covers the retail businesses in Canada and the United States.

Travel Retail accounted for 53.3% of consolidated net sales in 2011, compared with 51.6% in 2010. The retail activities (Travel Retail and integrated retail) accounted for 72% of consolidated net sales in 2011, compared with 70.6% in 2010, due to acquisitions in 2010 (Aelia CZ and Aelia España) and 2011 (Czech Republic, New Zealand), the consolidation of new entities (Bulgaria, Singapore, China) and new contract wins (London City, Reunion, Nouméa).

The product diversification policy, for both retail activities and Press Distribution, reduced the press component of net sales from 44.3% in 2010 to 43.4% in 2011.

C) OUTLOOK

Lagardère Services' trading outlook in 2012 is hinged on changes in airport traffic, the press markets and broader economic trends.

For Travel Retail, the objectives are focused on:

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

For Distribution, the new strategy could require:

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

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

5.2.1.4 LAGARDÈRE UNLIMITED

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

Lagardère Unlimited is a leading player in the Sports Industry and Entertainment businesses. Having built its expertise around six complementary major business lines, Lagardère Unlimited is positioned over the entire value chain.

Management of broadcasting rights

Lagardère Unlimited's core business is media rights, encompassing the management and operation of broadcasting rights for events through traditional or digital media.

Media activities also involve production, which covers all the resources necessary to record an event or a programme intended for broadcast on content distribution platforms.

Marketing of rights and associated products

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

Organisation and management of events

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

Talent representation

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

Consulting in the management and operation of stadiums and multipurpose venues

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

Management of sports training academies

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

A.1 EUROPE AND AFRICA

The Europe and Africa region comprises six main subsidiaries:

- Sportfive (wholly-owned subsidiary acquired in 2007 and divided into four units: France, Germany, Africa and International);
- IEC in Sports (wholly-owned subsidiary acquired in 2007);
- Upsolut (wholly-owned subsidiary acquired in 2008);
- PR Event (wholly-owned subsidiary acquired in 2008);
- Lagardère Unlimited Stadium Solutions (founded in 2010 and reinforced by the acquisition of Stadia Consulting Group's business in 2011);
- Lagardère Unlimited Live Entertainment (acquired in 2011 from Lagardère Active).

The operations of Lagardère Paris Racing SASP and Lagardère Unlimited Talents France are also part of the Europe and Africa activity.

Management of broadcasting rights

Sportfive is one of the principal players in the worldwide sports media rights market and has entered into partnerships with over 30 European football federations. Its other assets include broadcasting rights for such popular and prestigious events as the Olympic Games (2014 in Sochi and 2016 in Rio de Janeiro), the European Football Championship (UEFA Euro 2012™) and the Africa Cup of Nations.

IEC in Sports is a Stockholm-based agency specialising in the distribution of sports media rights. It represents more than 200 sporting events. Its portfolio of media rights includes the IAAF World Series (World Championships in Athletics), over 20 ATP tennis tournaments (men's tennis) and over 35 WTA tournaments (women's tennis), including the Premier Event Series in partnership with Perform. IEC in Sports also distributes the media rights to several events organised by FINA (swimming) and FIG (gymnastics), as well as other Olympic sports events.

Marketing of rights and associated products

Most of the marketing rights sold by Sportfive cover the leading national football clubs:

- in France, Sportfive has comprehensive marketing agreements with five League 1 clubs (including Olympique Lyonnais and Paris Saint-Germain) and one League 2 club. Sportfive is also a non-exclusive partner of many other French and international clubs;
- in Germany, Sportfive has comprehensive marketing agreements with eight Bundesliga clubs (including Borussia Dortmund, champion of the 2010-11 season) and four Bundesliga 2 and 3 clubs. Sportfive is also a non-exclusive partner of many other German clubs.

Other marketing rights in Sportfive's portfolio relate to the Confederation of African Football (CAF), golf (Allianz Lyon and Grand Toulouse Opens) and tennis (hospitality services at the "Roland Garros" French Open).

Organisation and management of events

Upsolut has developed expertise in organising and managing mass sports and endurance events. The German company organises three of the ITU World Triathlon Series meetings: the triathlons in Hamburg, London and, soon, San Diego (organised jointly with Lagardère Unlimited USA and USAT – USA Triathlon). Upsolut also owns and organises the Berlin Škoda Velothon (endurance cycling competition) and Vattenfall Cyclassics (a cycling race which is part of the International Cycling Union Pro Tour).

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

The Sports Promoters, a subsidiary of Sportfive founded in 2009, draws on Sportfive's expertise and network to organise training sessions, matches and friendly tournaments for the best European football clubs. Since 2010, The Sports Promoters has also organised The Race of Champions, a unique event bringing together the world's best motorsport drivers.

Lagardère Unlimited Live Entertainment is the producer and co-producer of several musicals, including *Dracula*, *Cinderella* and *Elle en Scène*. It also holds a 20% share in the company that operates the Zénith in Paris, a 90% share in the company that operates Folies Bergère and a 51% share in Marques Folies Bergère.

Consulting in the management and operation of stadiums and multipurpose venues

Founded in 2010, Lagardère Unlimited Stadium Solutions is a consultant specialising in project development for stadiums and multipurpose venues. It also offers arena management and operating solutions. Lagardère Unlimited Stadium Solutions offers integrated and comprehensive solutions for sports stadiums and complexes worldwide. Its offer allows it to build long-term relationships with venue owners. Lagardère Unlimited Stadium Solutions' noteworthy contracts include the preparation of projects relating to the UEFA Euro 2012™ in Poland and Ukraine, as well as many projects in the lead-up to the UEFA Euro 2016™ in France.

Talent representation

Lagardère Unlimited manages the sporting careers and/or image rights of more than 20 rugby players in France, including Thierry Dusautoir, voted best rugby player in the world by the International Rugby Board in 2011. Lagardère Unlimited also manages the image and marketing rights of numerous French and international athletes in several other disciplines.

Management of sports training academies

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

A.2 ASIA-PACIFIC AND MIDDLE EAST

The Asia-Pacific and Middle East region is operated by World Sport Group (71% share acquired in 2008).

Management of broadcasting rights

World Sport Group has established itself as a major player in sports media rights in the Asia-Pacific region with a portfolio of rights containing more than 1,000 hours of programmes, 600 days of sporting events across 30 countries every year, and as a distributor of prestigious events such as the Asian Football Cup and the qualifying matches for the 2014 FIFA World Cup.

Marketing of rights and associated products

World Sport Group's portfolio of marketing rights chiefly comprise of those of the AFC (Asian Football Confederation), the Chinese Football Association and the OneAsia golf circuit.

Organisation and management of events

World Sport Group is the promoter of one of the biggest golf tournaments in Asia, the Barclays Singapore Open. In addition, as the business partner of OneAsia and having taken part in its creation, World Sport Group also sponsors five OneAsia circuit tournaments including the Australian Open, the Thailand Open and the Nanshan China Masters.

Consulting in the management and operation of stadiums and multipurpose venues

World Sport Group is a member of the consortium formed to build the Singapore Sports Hub, an ultra-modern complex comprising a 55,000-seat stadium, an indoor aquatic complex and a 41,000m² shopping mall. World Sport Group will be in charge of sales and marketing for events held in this new centre.

Talent representation

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

A.3 UNITED STATES AND SOUTH AMERICA

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

Management of broadcasting rights

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

Organisation and management of events

Two types of events are organised in the United States:

- professional tennis tournaments, including the ATP 500 Legg Mason Tennis Classic in Washington;
- university and amateur tournaments, particularly in basketball (The Showcase).

Consulting in the management and operation of stadiums and multipurpose venues

Lagardère Unlimited is the exclusive provider of tennis events for the New York Barclays Centre, which is scheduled to be completed in September 2012.

Talent representation

It also represents professionals from several different sports (American football, basketball and tennis) and other celebrities from the world of sport (TV commentators and trainers). Its clients include Reggie Bush, Dwight Howard, Joakim Noah, Gaël Monfils, Victoria Azarenka and Caroline Wozniacki.

Management of sports training academies

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

B) OPERATIONS DURING 2011

Contribution to consolidated net sales for 2011: €454.0 million

• Breakdown of net sales by activity

	2011	2010
TV rights and production	**46.3%**	51.0%
Marketing rights	**38.0%**	39.9%
Other	**15.7%**	9.1%
Total net sales	**100%**	100%

• Breakdown of net sales by geographic area

	2011	2010
Europe	**60.8%**	64.3%
Asia-Pacific	**23.9%**	17.5%
United States and South America	**5.4%**	5.3%
Africa	**3.6%**	7.1%
Middle East	**6.3%**	5.8%
Total net sales	**100%**	100%

• Breakdown of net sales by sport

	2011	2010
Football	**73.9%**	72.1%
Tennis	**5.7%**	3.6%
Rugby	**0.4%**	0.6%
Other sports	**20.0%**	23.7%
Total net sales	**100%**	100%

The weighting of "Other sports" activities increased sharply in 2011, with the consolidation of Lagardère Paris Racing, and thanks to the full-year impact of business growth in the United States in 2011. As such, the "Media" and "Marketing" activities, which grew in value (owing mainly to the occurrence of the Asian Cup), saw their respective weighting in net sales decline.

From a geographic point of view, Africa's reduced weighting was attributable to the non-occurrence of the Africa Cup of Nations in 2011, while the sharp increase in Asia's weighting stemmed from the significant net sales generated by the Asian Cup (held in January 2011, with the next edition due in 2015). The Europe region grew in value (up €23.6 million), thanks mainly to the consolidation of Lagardère Paris Racing in 2011, but its weighting as a proportion of Lagardère Unlimited's total net sales fell due to the strong growth of the Asia region.

The proportion of net sales derived from "Football", a major sport for Lagardère Unlimited, was 74% in 2011, compared with 72% in 2010, due chiefly to the Asian Cup. The weighting of "Other Sports" was down, mainly because of the absence of cricket revenues in India and the growth of football, despite the consolidation of Lagardère Paris Racing. The weighting of the "Tennis" business increased thanks to its expansion in the United States and Sweden (organisation of tournaments and media rights).

In 2011, Lagardère Unlimited restructured itself into three regions:

- Europe and Africa;
- Asia-Pacific and Middle East;
- United States and South America.

Several changes were made within the Europe and Africa division:

- the Sportfive France/Africa subsidiary was divided into two separate subsidiaries, one devoted to France and the other to Africa. Sportfive now has four separate geographic subsidiaries;
- The Stadia Consulting Group's business was acquired in October 2011 to support the growth of Lagardère Unlimited Stadium Solutions and reinforce its consulting expertise in the management and operation of stadiums and multipurpose venues.

In addition, Lagardère Unlimited Live Entertainment was acquired from Lagardère Active in April 2011, with the aim of merging all of Lagardère's entertainment businesses: the production of shows, venue management and artist representation.

Cyclical nature of Lagardère Unlimited's activities and competitive environment

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

Lagardère Unlimited's cyclical rights activities – chiefly its football businesses at end-2011 – were at the high point of the cycle in 2011, and will decline in 2012, 2013 and 2014, before returning to the top of the cycle in 2015.

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

B.1 EUROPE AND AFRICA

Management of broadcasting rights

In 2011, Sportfive reinforced its leading position in the distribution of European and African football media rights by acquiring:

- the rights to the home qualifying matches of six European federations for the 2014 FIFA World Cup;
- the rights to six of the eight qualifying play-offs for the UEFA Euro 2012™;
- additional rights in Africa to qualifying matches for the FIFA World Cup 2014 and the Africa Cup of Nations in 2013 and 2015.

Sportfive also continued its work marketing the UEFA Euro 2012™, the Africa Cup of Nations, the 2014 Winter Olympics and the 2016 Summer Olympics.

IEC in Sports has partnered up with Perform to distribute the international media rights (excluding North America) to 22 of the most prestigious WTA tournaments (women's tennis). It has also acquired new rights, including those of the Russian Basketball League and several ATP Challenger Tour events (men's tennis). IEC in Sports has also partnered with SportAccord for the distribution of multisport events.

In 2011, IEC in Sports was the technical partner of the Asian Winter Games, and managed the media distribution of the World Mind Games.

Lastly, IEC in Sports continued its work marketing rights to the 2011 and 2013 IAAF World Championships in Athletics and international rights to the Portuguese Football League.

Marketing of rights and associated products

In 2011, Sportfive consolidated its leading position in managing marketing rights:

- by securing exclusive rights to market hospitality services for the UEFA Euro 2012™ in France and Germany;
- by expanding its portfolio of exclusive clubs in Germany;
- by opening up to sailing, becoming the exclusive marketing partner of the Aleph-Équipe de France squad competing in the America's Cup.

Organisation and management of events

For Upsolut, 2011 was marked chiefly by the announcement of the new schedule for the ITU World Championship Series, and by its marketing repositioning. Starting in 2012, the series will be known as the ITU World Triathlon Series. The San Diego Triathlon, newly created by Upsolut, will be directly integrated, alongside the events in Hamburg and London.

2011 was also marked by the acquisition of Lagardère Unlimited Live Entertainment from Lagardère Active in April. It is destined to house all the Lagardère group's entertainment activities. In September 2011, Lagardère Unlimited Live Entertainment launched a new co-production of *Dracula*, and in October 2011 finalised the acquisition of a 90% share in the company that operates Folies Bergère and a 51% share in Marques Folies Bergère.

Consulting in the management and operation of stadiums and multipurpose venues

In 2011, Lagardère Unlimited Stadium Solutions reinforced its consulting expertise in the management and operation of stadiums and multipurpose venues via the acquisition of Stadia Consulting Group's business activities. This company, founded in 2005, was the first French company to specialise in this market. It is involved in many projects in the lead-up to the UEFA Euro 2016™, which is to be held in France.

Talent representation

In 2011, Lagardère Unlimited's talent portfolio grew considerably in rugby. Five players, all of whom played in the 2011 Rugby World Cup, signed up with Lagardère Unlimited: Thierry Dusautoir, Aurélien Rougerie, Maxime Mermoz, Lionel Nallet and Alexis Palisson.

B.2 ASIA-PACIFIC AND MIDDLE EAST

Management of broadcasting rights

In 2011, World Sport Group's media rights business was marked by:

- the acquisition of the media rights to the Chinese Football Association for a period of four years;
- the acquisition of the media rights to the Arab Nations Cup and the Arab Union Cup for Clubs via a five-year partnership with the Union of Arab Football Associations;
- the renewal of the contract with the South Asian Football Federation (SAFF) until 2017.

In addition, World Sport Group has entered into innovative partnerships with online video platforms (YouTube, UStream), thereby increasing the visibility of Asian sports throughout world, especially in North America.

Marketing of rights and associated products

Contracts signed in 2011 between World Sport Group and the Chinese Football Association, the Arab Football Federation and the SAFF also cover the marketing rights for all these competitions.

Consulting in the management and operation of stadiums and multipurpose venues

The Singapore Sports Hub was chosen by the Southeast Asian Games Federation to host the 2015 Southeast Asian Games.

Talent representation

In 2011, World Sport Group expanded its talent portfolio, which now includes Australian golfer David Gleeson, who has won numerous Opens in Asia.

B.3 UNITED STATES AND SOUTH AMERICA

Organisation and management of events

In 2011, Lagardère Unlimited took over the WTA Tour Citi Open, a women's tennis tournament held near Washington D.C., in the United States.

Talent representation

In 2011, Lagardère Unlimited continued its expansion in talent representation by recruiting an agent specialising in basketball. Moreover, Lagardère Unlimited's portfolio of athletes grew significantly, especially in tennis.

B.4 OBJECTIVES AND ACHIEVEMENTS IN 2011

2011 was marked by the division's reorganisation and the creation of three regional subsidiaries: Europe and Africa, Asia-Pacific and Middle East, and United States and South America. Following this reorganisation, a systematic review of the business portfolio identified risks and areas of underperformance in the second half of 2011, in the context of a pronounced financial and economic crisis. Non-recurring items played a role in the deterioration of the performance in 2011, mainly provisions for litigation (including activities related to cricket in India), loss-making contracts (including the comprehensive marketing agreement with Racing Club de Strasbourg, which has been placed in receivership), reorganisation costs, unforeseeable events such as the NBA (National Basketball Association) lockout in the United States, as well as the impact on the commercial performance of difficult trading conditions, chiefly, but not exclusively, in Europe.

However, Lagardère Unlimited's policy of diversification in the various Sport Industry and Entertainment businesses, the expansion of business in fast-growth markets (Asia and Africa) and its acknowledged expertise in football – the world's most popular sport – represent strong foundations in an attractive market enjoying sustained and steady growth.

C) OUTLOOK

Priorities for 2012 are focused on Europe and Africa, to further strengthen the rights portfolio, especially media rights; to extend the marketing offering to sponsors; to help accelerate the expansion of comprehensive marketing agreement activity in Europe; and to develop businesses related to the organisation of sporting and cultural events, as well as consulting on the management and operation of stadiums and multipurpose venues.

In Asia-Pacific and the Middle East, the strategy is focused on supporting the growth of Asian football, including the competitions of the Asian Football Confederation, and the development of other football rights in the region (notably the Union of Arab Football Associations). Lastly, the Asia-Pacific and Middle East region will continue to open up new avenues for growth relating to cricket, golf and the provision of sporting and cultural activities at the Singapore Sports Hub.

The priority for 2012 in the United States and South America region is to continue expanding the portfolio of represented athletes, especially in golf and baseball.

Lastly, the further development of synergies between regions and businesses, largely through the exploitation of media and marketing rights, and the reinforcement of expertise in digital innovation are the major growth priorities for Lagardère Unlimited as a whole.

5.2.2 OTHER BUSINESS ACTIVITIES

5.2.2.1 EADS [1]

A) GOVERNANCE

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

Principle of parity

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

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

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

  The principle of parity is also reflected in the Dutch "Contractual Partnership" empowered to exercise the voting rights of Sogeade, Daimler and Sepi at EADS NV's Annual General Meetings, in accordance with the EADS NV shareholder agreement. Sogeade and Daimler each hold identical rights in this partnership.

- **At managerial level**: EADS NV's board of directors comprises the following members, appointed at the Annual General Meeting of 22 October 2007 for terms of office that will expire at the Annual General Meeting to be held in 2012:
  - the two representatives of Sogeade, appointed upon proposal by Lagardère SCA – Arnaud Lagardère and Dominique D'Hinnin – and two representatives of Daimler – Rolf Bartke and Wilfried Porth (who was appointed more recently at the Annual General Meeting of 27 May 2009);
  - the Chairman of EADS NV – Bodo Uebber;
  - its CEO – Louis Gallois;
  - a representative of Sepi, appointed upon proposal of Sepi – Juan Manuel Eguiagaray Ucelay; and
  - four independent directors – Hermann-Josef Lamberti, Lakshmi N. Mittal, Sir John Parker and Michel Pébereau – appointed upon joint proposal of the Chairman and the CEO of EADS NV to contribute their experience and independent points of view to the group.

  The next representatives of Sogeade appointed upon proposal of Lagardère SCA (Dominique D'Hinnin and Jean-Claude Trichet) and the next representatives of Daimler (Bodo Uebber and Wilfried Porth) will take up their duties on EADS NV's board of directors after their nomination by the Annual General Meeting to be held in 2012.

  The next Chairman of EADS NV (Arnaud Lagardère) and the next CEO of EADS NV (Thomas Enders) will take up their duties after their appointment by the board of directors of EADS NV following the Annual General Meeting to be held in 2012.

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

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

  The Chairman of EADS NV and the CEO of Airbus must be of the same nationality, either French or German, while the CEO of EADS NV and the COO of Airbus must both be of the other nationality.

  The Chairman of EADS NV is, among other things, in charge of overseeing group strategy – teaming up with the CEO for top-level strategic discussions with third parties – and relations with the controlling shareholders. In particular, he chairs the board's strategic committee (see below). The CEO of EADS NV is more particularly in charge of the management team responsible for the execution of group strategy, and handles the company's relations with institutional and private shareholders.

(1) Accounted for under the equity method.

Principle of unicity

- In compliance with the wishes expressed when the company was founded, EADS NV has only one general management, one finance division, one strategy division, etc.
- The executive committee of the EADS group, which, along with the CEO, is jointly responsible for the executive management of the group, comprises 12 members.

  The CEO of EADS NV and its executive committee have broad autonomy in the day-to-day management of the company. In particular, investments of less than €350 million are the exclusive responsibility of the executive committee, as is the appointment of the management teams for the main subsidiaries and operating entities (apart from the CEO of Airbus – see below).

  The members of EADS' Executive Committee are appointed by the EADS NV board of directors upon proposal by the CEO of EADS NV and after approval by the Chairman of EADS NV.

  The guiding principle governing management appointments in the EADS group is that the best candidate should be appointed ("best person for the job"), while at the same time maintaining the group's balance and diversity in line with its heritage and founding shareholders.

  At Airbus, Thomas Enders is the CEO (candidates for this post are appointed by the board of directors of EADS NV upon proposal by the CEO of EADS NV and require the approval of the Chairman of EADS NV), and Fabrice Brégier is the COO (candidates for this post are nominated by the CEO of Airbus and require the approval of the CEO and Chairman of EADS NV). The next CEO of Airbus (Fabrice Brégier) will take up his duties after he has been appointed by the board of directors of EADS NV following the Annual General Meeting to be held in 2012.

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

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

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Changes in the shareholder structure of EADS NV – Partial withdrawal from the capital of EADS NV by Lagardère SCA and Daimler in 2006 and 2007

Since 1 July 2003, the principal shareholders of EADS NV within the Contractual Partnership have the right to sell their EADS shares on the market, subject to a reciprocal senior pre-emptive right between Lagardère SCA and Sogepa, and a reciprocal junior pre-emptive right between Sogeade and Daimler. Lagardère SCA, Sogepa and Daimler also each have proportional tag-along rights.

On 11 April 2006, Lagardère SCA issued and IXIS Corporate & Investment Bank (now named Natixis) subscribed bonds with a nominal value of €1,992,186,000 exchangeable for a maximum of 61,110,000 EADS NV shares, in three tranches covering a maximum of 20,370,000 shares each, on 25 June 2007, 25 June 2008 and 24 March 2009 respectively. In all, 61,110,000 EADS NV shares were remitted by Lagardère SCA to Natixis, representing 7.5% of the share capital and voting rights of EADS.

In 2006, Daimler sold a certain number of EADS NV shares, reducing its interest in the share capital of EADS NV from 30% to 22.5%.

On 13 March 2007, Daimler also initiated a plan to transfer the equivalent of 7.5% (one-third of its holding at that date) of the capital of EADS NV to German investors while retaining the attached voting rights. Having decided in 2010 to renew this arrangement, Daimler will be entitled to sell the 7.5% holding concerned directly to the said investors after 30 September 2013, it being understood that Sogeade and the German government would then each benefit from a pre-emptive right, which, if exercised, would enable them to ensure an equal French-German balance of control in EADS NV. Daimler is expected to continue to exercise the voting rights attached to the EADS NV shares acquired by the German government, which will only be transferable subject to the conditions set out in the EADS NV shareholders agreement.

These partial withdrawal transaction had no effect on the balance of powers, which remains unchanged between the French government and Lagardère SCA in France and between the French and German sides of EADS NV. Lagardère SCA retains its role as controlling shareholder in the control structure of EADS NV.

Following the introduction of regulations on mandatory takeover bids into Dutch law in October 2007, the Dutch Finance Ministry published in late 2011 a draft amendment providing for exemptions to said regulations. If adopted, this draft amendment would apply to the controlling shareholders of EADS NV within the scope of the agreements that bind them.

In November 2011, Daimler publicly announced its intention to sell part of its interest equivalent to 7.5% of the capital of EADS NV (above and beyond the share held by the above-mentioned German investors) to the state-owned German bank KfW. The impact of this plan on the agreements binding the principal shareholders of EADS NV will be analysed accordingly.

B) KEY FINANCIAL DATA PUBLISHED BY EADS

	2011	2010	2009
Revenues (in millions of euros)	**49,128**	45,752	42,822
EBIT [(1)] (in millions of euros)	**1,696**	1,231	(322)
Net income (loss) [(2)] (in millions of euros)	**1,033**	553	(763)
Number of employees	**133,115**	121,691	119,506
Order intake [(3)] (in millions of euros)	**131,027**	83,147	45,847
Order backlog [(3)] (millions of euros)	**540,978**	448,493	389,067

(1) Operating profit before interest, tax, goodwill and non-recurring items.
(2) EADS uses the term "Net income (loss)", which corresponds to "Profit (loss) attributable to owners of the parent" under IFRS.
(3) Contributions from commercial aircraft activities to EADS order intake and backlog are based on list prices.

C) PRINCIPAL ACTIVITIES AND MAIN MARKETS [(1)]

With consolidated revenues of €49.1 billion in 2011, EADS is the one of the world's leading players in aeronautics, space, defence and related services. In terms of market share, EADS ranks among the world's top two manufacturers of commercial aircraft, helicopters for the civil and semi-public markets, commercial space launch vehicles and missile systems. It also holds leading positions in the field of military aircraft, satellites and defence electronics. In 2011, EADS generated approximately 76% of its revenues in the civil sector, and 24% in the defence sector.

Organisation of EADS' activities

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

C.1 AIRBUS

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

Airbus Commercial is one of the world's two leading manufacturers of commercial aircraft with more than 100 seats. From its foundation in 1970 up to 31 December 2011, Airbus received 11,479 orders for aircraft from some 334 companies worldwide. With 534 deliveries in 2011, Airbus was the world's largest commercial aircraft manufacturer for the ninth consecutive year. In 2011, Airbus Commercial recorded a total of 1,608 new orders (1,419 net of cancellations), representing 64% of worldwide orders for aircraft with more than 100 seats.

The military arm of Airbus, **Airbus Military**, is in charge of developing the A400M transport aircraft. In addition, it manufactures and sells small- and medium-capacity military transport aircraft as well as special mission aircraft, including aircraft derived from Airbus' commercial range, principally the A330 MRTT. These aircraft are designed for special military purposes such as marine surveillance, anti-submarine weaponry and in-flight refuelling. In 2011, the Airbus division generated revenues of €33.1 billion (2010: €30 billion).

C.2 EUROCOPTER

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

In 2011, Eurocopter confirmed its top ranking world position, with 457 new helicopters ordered and a 43% share of the civil and semi-public markets. Its products represent 33% of the world's entire fleet of helicopters on the civil and semi-public markets. Exports accounted for 77% of revenues, compared to 23% for the domestic markets (France, Germany and Spain). Eurocopter has extensive international operations through its subsidiaries and affiliates in 21 countries, and its network includes maintenance and training centres, distributors and approved agents serving some 2,900 customers around the world. A total of 11,300 Eurocopter helicopters are currently in service in 149 countries.

In 2011 the Eurocopter division generated revenues of €5.4 billion (2010: €4.8 billion).

C.3 CASSIDIAN

The Cassidian division is a leader in integrated security systems and solutions, in particular fighter aircraft, drone and missile systems, defence electronics and related services. Its customers are the armed forces and security forces of countries all over the world. The Cassidian Air Systems operating unit is part of the Eurofighter consortium (EADS holds a 46% capital share of Eurofighter GmbH), but Cassidian is also a leading player in naval, terrestrial and joint armed forces systems, intelligence,

(1) Detailed information concerning the activities and main markets of EADS is available on the company's website (www.eads.com).

border and coastal surveillance, and cyber security, as well as playing a key role in the secure and encrypted military communications market.

In 2011 Cassidian generated revenues of €5.8 billion (2010: €5.9 billion).

C.4 ASTRIUM

Astrium is the third-largest supplier of space systems in the world, behind Boeing and Lockheed Martin, and the leading European supplier of satellites, orbital infrastructures, launch vehicles and space services. Its three main business lines are organised into three operating units: Astrium Space Transportation for launch vehicles and orbital infrastructures, Astrium Satellites for satellites and ground systems, and Astrium Services for integrated solutions for telecommunication satellites and secure commercial networks, secure satellite communication equipment, navigation and geo-information products and services. Astrium also provides launch services via its shareholdings in Arianespace (the Ariane 5 launcher), Starsem (the Soyuz launcher) and Eurockot (the Rockot launcher), as well as a wide range of satellite telecommunications and earth observation services, chiefly through its subsidiaries Paradigm Secure Communication, Infoterra and Spot Image.

In 2011 Astrium generated revenues of €5 billion (on a par with 2010).

C.5 OTHER BUSINESSES

The Other Businesses segment in 2011 comprises ATR, the world leader for turboprop aircraft in the 50-90 seat market segment; EADS Sogerma, specialised in aerostructures and cabin fittings; and the North American subsidiary EADS North America, which operates in key defence and territorial security sectors.

Revenues generated by the Other Businesses segment in 2011 increased to €1.3 billion (2010: €1.2 billion).

D) OPERATIONS DURING 2011

Despite the volatile macro-economic context, EADS continued to grow and improve its financial performance in 2011, chiefly thanks to strong sales momentum and resilient air traffic figures. However, as anticipated, western defence markets remained under pressure during the year.

EADS' backlog stood at a record level of €541 billion at the year end, and the civilian helicopter market also recovered strongly. EADS continued to benefit from strong cash generation which allowed it to secure important acquisitions during the year, mainly in the field of services.

EADS will continue to pay close attention to its key programmes in 2012, especially the A350 XWB, as well as the uncertain economic environment. As regards the outcome of discussions with governments on the future of defence procurement programmes, EADS will be aiming for a swift and mutually positive outcome, notably in Germany.

EADS' revenues advanced 7% in 2011 to €49.1 billion (2010: €45.8 billion), driven by volume and mix effects at Airbus and stronger sales momentum at Eurocopter. These increases more than offset slight contractions at Astrium and Cassidian. The contribution to 2011 revenue from the first-time consolidation of the year's major acquisitions was around €300 million, chiefly concerning Vector Aerospace and Satair, although the impact on EBIT (1) was neutral.

Reported EBIT for 2011 came in at €1.7 billion (2010: €1.2 billion). At Airbus Commercial, a higher number of deliveries and a more favourable pricing policy more than offset the deterioration in the hedging rate and the increase in research and development costs. Following the postponement to first-half 2014 of the entry into service of the A350 XWB, Airbus Commercial recognised impairment of €200 million in the third quarter of 2011. The performances of Astrium, Cassidian and Eurocopter include a net negative €200 million in non-recurring items, arising mainly in Eurocopter (€115 million), chiefly as a result of government programmes as well as the "Shape" transformation programme. Cassidian booked a net €72 million charge for restructuring and impairment of programmes, while Astrium recognised a €23 million expense in respect of the "Agile" transformation programme.

Net income surged 87% to €1,033 million (2010: €553 million), and earnings per share came out at €1.27 (2010: €0.68).

For 2012, EADS expects the world economy and air traffic to grow in line with prevailing independent forecasts and is assuming an average dollar exchange rate of USD 1.35 to the euro.

In 2012, Airbus plans to deliver around 570 commercial aircraft, while gross orders are expected to exceed this number.

Revenues for 2012 are expected to continue to advance at a rate in excess of 6%. EADS expects EBIT before non-recurring items to come at more than €2.5 billion, driven by volume increases at Airbus and Eurocopter, better pricing at Airbus and a stronger performance from the A380. Earnings per share before non-recurring items (2) is expected to come out at a shade above €1.65 (2011: €1.39).

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

(2) Net income before non-recurring items corresponds to net income excluding non-recurring EBIT (1) items. It excludes other financial income or expense (except the unwinding of discounts on provisions), the positive non-recurring interest income linked to the termination of the A340 programme and the related tax effects. Net income before non-recurring items is net income before non-recurring items and goodwill, net of tax. Accordingly, earnings per share before non-recurring items corresponds to earnings per share based on net income before non-recurring items.

Going forward, reported EBIT and earnings per share are dependent on EADS' ability to execute its complex programmes such as the A400M, A380 and A350 XWB, in line with the commitments made to its customers.

D.1 AIRBUS

In 2011, for the ninth consecutive year, **Airbus** delivered a record number of aircraft, with commercial aircraft deliveries coming in at 534, up by 24 compared to 2010. **Airbus Commercial** logged 1,608 new orders (1,419 net of cancellations), including 1,226 orders for the A320neo (new engine option), bringing its backlog to 4,437 aircraft, i.e., more than seven years' full-capacity production.

Production rate improvements on the single-aisle and long-range family are well under way, despite ramp-up challenges. Due to the positive order momentum, Airbus has decided to ramp up production of the A330 to a rate of 11 in the second quarter of 2014, provided the Emissions Trading System does not have a negative impact on aircraft orders. Management is investing considerable efforts in solving the A380 wing 'rib feet' issues. The related costs will be borne by Airbus and an estimated amount has been set aside as part of the warranty provision for delivered aircraft. The A350 XWB programme is coming along, with major sections arriving at the final assembly line in Toulouse at the end of 2011. In February 2012, the A350 XWB Trent engine successfully performed its first flight on an A380 "flying test bed", and is scheduled to enter into service in the first half of 2014. The programme is very challenging, and the schedule is tightening as various milestones approach, particularly entry into the final assembly line. Airbus advanced its services strategy in 2011 by acquiring logistics specialist Satair and US-based Metron Aviation, a supplier of advanced air traffic management solutions.

Airbus Military delivered 29 light and medium transport aircraft and logged five new orders in 2011.

The A400M programme reported positive results and is on course to provide the first aircraft deliveries on schedule. The testing phase is currently at full throttle, with five test aircraft having racked up more than 2,700 flying hours and 900 test flights. The key "maturity gate" programme milestone was reached in February 2011, paving the way for series production. In November 2011, Airbus Military commenced the final assembly of the first aircraft, which will be delivered to the French air force in late 2012 or early 2013.

A total of six A330 multi-role tanker transporters were delivered in 2011.

At end-2011, Airbus' consolidated backlog comprised Airbus Commercial orders amounting to €475.5 billion (end-2010: €378.9 billion) and Airbus Military orders totalling to €21.3 billion (end-2010: €22.8 billion).

D.2 EUROCOPTER

In 2011, **Eurocopter** delivered 503 aircraft including the 1,000th Dauphin, the 1,000th EC135 and the 100th NH90. In the defence sector, Eurocopter delivered 32 NH90 and 16 Tigre combat helicopters. The division logged new orders for 457 helicopters (68% civil and 32% military), confirming the recovery on the civil market, in particular in the United States, and in the light helicopter sector. Highlights of 2011 included (i) the first firm orders for the new EC175 helicopter, (ii) major contracts from helicopter transporters including the EC225, (iii) a new order for 57 Lakota UH-72A by the US Army, as well as (iv) the first major order for 25 new generation EC145 T2 helicopters.

Eurocopter consolidated its global presence through the acquisition of Canadian-based Vector Aerospace, specialised in MRO activities (maintenance, repair and overhaul). New subsidiaries and affiliates in 2011 included Eurocopter Kazakhstan Engineering and the joint venture Korea Aerospace Industries Eurocopter for exports of the Korean Utility Helicopter.

In 2011, Eurocopter achieved significant new milestones in its innovation drive, initiating flight tests of an AS350 hybrid helicopter demonstrator and the X3 demonstrator. Eurocopter also completed two programmes during the year aimed at streamlining the industrial base. The Systemhaus project was kicked off at the Donauwörth site in Germany and involves the hosting of all the resources, skills and equipment needed to develop, produce, certify and maintain helicopters on a single site. In France, the Courneuve site will be transferred to a new location close to Bourget airport. In 2011, Eurocopter completed its "Shape" transformation programme launched in October 2009, which has enabled the Group to maintain investment levels despite the market downturn of recent years. At 31 December 2011, Eurocopter's backlog totalled €13.8 billion (end-2010: €14.6 billion) corresponding to 1,076 helicopters (end-2010: 1,122).

D.3 CASSIDIAN

Cassidian's performance reflects solid margins in mature programmes held back by a significant increase in self-funded research and development, a €38 million restructuring provision and a €34 million impairment charge on programmes. Budget constraints in domestic markets impacted the business with some postponed orders and financing, as well as higher research and development costs.

In 2011, Cassidian implemented a transformation programme designed to adapt to the challenging environment and bring about greater proximity with customers. Looking further ahead, it is targeting growth in the export businesses – especially in emerging markets – and the rollout of new security offerings, in the aim of offsetting the impact of challenging domestic markets. A major milestone was reached in the Eurofighter programme with the delivery of the 300th aircraft, and production of phase 3A of the aircraft will continue until at least 2017. Cassidian also signed a letter of intent with the programme's partner nations with a view to continuing the full development of the new generation E-Scan radar.

In the drone sector, a joint programme between Cassidian and Northrop Grunman saw the first EuroHawk drone to carry out a ferry flight to Germany in July 2011. As part of its sustained commitment to the new generation European drone, Cassidian signed agreements with Turkish Aerospace and Alenia Aeronautica, and also set up a joint venture with Rheinmettal.

At 31 December 2011, Cassidian's backlog held up well at €15.5 billion (end-2010: €16.9 billion).

D.4 ASTRIUM

Despite increasingly competitive economic conditions, **Astrium's** order intake in 2011 totalled €3.5 billion.

This includes four telecommunications satellites and two earth observation satellites, the European Data Relay System (EDRS) and the extension of the management of the international space station on behalf of the ESA. The "Agile" transformation programme delivered its initial successes with contract wins in the United States and Asia (DIRECTV 15 and MEASAT-3b). Astrium also bolstered its international presence through the acquisition of Vizada, which catapulted it to world number one in satellite communication services. In addition, it acquired a strategic investment in Space Engineering, the Italian specialist in telecommunications and radar technology.

In 2011, Astrium once again demonstrated its outstanding reliability as the prime industrial contractor for the Ariane 5 European launch vehicle, with five launches including the Johannes Kepler ATV-2, bringing the total number of successful launches to 46. Some 13 Astrium-built satellites were put into orbit in 2011, including the first two Galileo IOV (In-Orbit Validation) satellites and the first satellite of the Pleiades constellation, for which Astrium Services will act as exclusive distributor of very high resolution images.

Astrium's backlog stood at €14.7 billion at 31 December 2011 (end-2010: €15.8 billion).

D.5 OTHER BUSINESSES

In 2011, ATR delivered 54 aircraft and recorded 157 new orders (2010: 78 orders) bringing its total backlog to 224 aircraft. ATR continued to increase its customer support network by opening training centres in Toronto (Canada) and Paris (France) for new pilots.

EADS North America delivered 52 UH-72A Lakota light utility helicopters to the US army in 2011, bringing total aircraft deliveries to this customer to 203.

At 31 December 2011, the backlog for Other Businesses rose to €3 billion (end-2010: €2.5 billion).

5.2.2.2 PRESSTALIS [1]

By mid-2011, Lagardère sold its 49% interest in Presstalis and Transports Presse to the publisher cooperatives for a token price of €1. At the same time Lagardère relinquished all general management and administrative positions it held in these companies, retaining only its position as a publisher within the cooperatives.

This sale was carried out in accordance with the framework agreement signed on 27 May 2010 with the public authorities, the cooperatives and Presstalis, setting out a plan containing measures coherent with the Mettling report's recommendations. With milestones set over time, these measures (cost reduction, new cost scales, long-term State support for distribution of daily publications) are intended to enable Presstalis to lay the foundations for recovery.

The plan set out an initial set of actions applicable by the end of 2010 or early 2011. They included financial measures – actions to be undertaken by Lagardère and the cooperatives to improve Presstalis' equity, and actions to be undertaken by the public authorities to support publishers – which have now been fully implemented. These measures were also part of a cost-cutting plan approved by the management committee that affected all the processing centres run by SPPS (a Presstalis subsidiary) as well as Presstalis' headquarters.

5.2.2.3 MATRA MANUFACTURING & SERVICES (FORMERLY MATRA AUTOMOBILE)

In the course of 2011, Matra Manufacturing & Services pressed ahead with its strategy of developing light electric vehicles (LEV), with a focus on electric bicycles and scooters.

Matra Manufacturing & Services has introduced a restructuring plan aimed at reducing its workforce from 125 to 85 persons, due to the decline in the automotive aftermarket business for Renault Espace and Avantime models.

Development of the LEV business was marked in particular by:

- a 50% year on year increase in sales of electric bicycles thanks to a more aggressive product strategy, giving Matra a leadership position on the French market;
- the introduction, in October 2011, of the Matra FX, a folding electric bike which was awarded the title of 2012 bicycle of the year by the promotion committee at the Paris Cycle Show;

(1) Not consolidated.

- a more-than 25% increase in sales of electric scooters, cementing Matra's position as leader on the electric scooter market in France for the second year running;
- the introduction of the Matra-e-MO XP, an electric scooter aimed at the professional delivery market, and the introduction of a self-service battery distribution service (Bat'lib);
- a slowdown in the GEM quadricycle business in late 2011.

Sales by Matra Manufacturing & Services totalled approximately €25 million in 2011, and the company reported a profit of approximately €0.9 million.

5.2.2.4 CANAL+ FRANCE [1]

A) CANAL+ FRANCE SHAREHOLDER AGREEMENT

Since 4 January 2007, the Lagardère group has held a 20% interest in Canal+ France following the merger transactions involving certain production, broadcasting and pay television services of TF1, M6, Vivendi and Lagardère, and Lagardère's contribution to Canal+ France of its 34% share in the capital and voting rights of CanalSatellite.

A shareholder agreement was signed on 4 January 2007 between Vivendi, Groupe Canal+, Lagardère and Lagardère Holding TV (formerly Lagardère Active). This shareholder agreement gives Vivendi rights excluding rights of joint control over Canal+ France, even if Lagardère exercises its call option. Lagardère's rights are intended to preserve its economic interests, and depend on its level of investment in Canal+ France. The main provisions of the agreement are as follows:

- The Chairman and all the members of the Canal+ France executive board are appointed by the supervisory board, a majority of whose members are appointed by Groupe Canal+. Groupe Canal+ and Lagardère have, respectively, seven and two representatives on the supervisory board, which consists of eleven members and also includes an independent member and an employee representative. The number of Lagardère representatives on the supervisory board will be raised to three in the event Lagardère's investment is increased to 34%.
- Lagardère holds rights to veto certain operations (external investments in Canal+ France or its principal subsidiaries in certain circumstances), and certain rights (tag-along rights and anti-dilution rights) designed to protect its economic interests.
- In the event control of Canal+ France is transferred to a third party, Lagardère would hold a right of first offer and higher bid right entitling it to acquire Canal+ France if Lagardère is the highest bidder.
- Vivendi has a pre-emptive right exercisable in the event Lagardère sells its shares in Canal+ France, and a drag-along right that could force Lagardère to sell its investment in Canal+ France should Vivendi accept an outside offer for the acquisition of at least 95% of the capital of Canal+ France (subject to the prior application of Lagardère's higher bid right).
- Between 2008 and 2014, as long as Lagardère holds at least 10% and no more than 20% of the capital or voting rights of Canal+ France, Lagardère will have a liquidity right exercisable between 15 March and 15 April of each calendar year. Under this liquidity right, Lagardère may request an initial public offering (IPO) for Canal+ France. In this event Vivendi/Groupe Canal+ are entitled to acquire all of Lagardère's investment in the company.

  In April 2010, Lagardère notified Vivendi that it wished to initiate the procedure set out in the shareholder agreement signed on 4 January 2007.

  Since Lagardère and Vivendi could not reach an agreement over the sale of Lagardère's investment in Canal+ France, Lagardère decided in July 2010 to begin the IPO process for Canal+ France, in accordance with the aforementioned shareholder agreement.

  The official Canal+ France IPO prospectus (*document de base*) was filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) under number I.11.004, on 16 February 2011.

  In view of the scale of the catastrophe that occurred in Japan on 11 March 2011, which has caused extreme volatility on the markets, the Lagardère group decided on 16 March 2011 to postpone the IPO of its holding in Canal+ France. As the markets remain volatile, the IPO of Canal+ France remains on hold.
- The financing of Canal+ France has been structured through a mechanism which includes shareholder loans, and the delivery of parent company guarantees. This mechanism gives Lagardère the option to participate in such financing and guarantee arrangements in proportion to its level of ownership in Canal+ France. From 2011, after the reimbursement of any shareholder loans to which Lagardère has not contributed in proportion to its level of ownership, and subject to certain debt ratios, Canal+ France will pay a dividend equal to its available cash flow not required for the financing of its operations, provided that Lagardère owns at least 34% of the share capital of Canal+ France.

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

(1) Accounted for under the equity method.

B) CONSOLIDATED KEY FIGURES

(in millions of euros)	**2011**	2010	2009
Net sales	**4,049**	3,956	3,837
EBITA [a]	**617**	616	555
Profit attributable to owners of the parent	**346**	357	308

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

C) DESCRIPTION OF ACTIVITIES

Canal+ France is a key player in the delivery of premium television, special interest channels and the broadcasting of pay television in France and other French-speaking countries. The company is also a pioneer in the field of innovative television services.

C.1 PRODUCTION

Canal+/TPS Star channels

Canal+ France produces five premium channels showing exclusive, original, innovative programmes. Launched in 1984, Canal+ proposes a unique format of a general interest channel with films, sports, news, drama, documentaries and entertainment programmes. Around Canal+, Canal+ France has created four high value-added channels, each with their own programming and brand identity: Canal+Cinéma, Canal+Sport, Canal+Family and Canal+Décalé (known collectively as "Les Chaînes Canal+").

In 2011, Les Chaînes Canal+ broadcast more than 500 films, including approximately 360 on the Canal+ channel alone. Subscribers to Canal+ can enjoy all film genres as well as exclusive coverage from the major awards shows and events, such as the Oscars, the Césars and the Cannes Film Festival.

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

TPS Star, acquired by Canal+ France as part of the merger with the TPS Group in 2006, is a premium, general interest channel broadcasting both free-to-air and encrypted programmes sold by the unit in the context of offerings by Canal+ France and other distributors. It mainly shows films (150 exclusive film premiers in 2011) and sport, with three live European championship matches every week, as well as new series and magazine programmes.

Special interest channels

Canal+ France produces 20 special interest channels covering the most sought-after subjects on television: films (seven Ciné+ channels), sport (Sport+, Infosport+), documentaries (four Planète+ channels), lifestyle (Cuisine TV, Seasons), series (Jimmy, Comédie+) and youth (Piwi+, téléTOON+ and téléTOON+1).

C.2 BUNDLING

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

CanalSat is made up of over 200 channels, including 17 "+" channels produced by the group and third-party channels including around twenty of the best-known special-interest brands that can only be accessed through CanalSat (Disney Cinemagic, National Geographic Channel, Nickelodeon, 13ème Rue, MTV, etc.).

The channels are chosen with an eye on programme quality, audience appreciation and subscriber satisfaction, especially as regards those channels only available through CanalSat.

CanalSat is available on all multi-channel broadcasting networks and platforms, such as satellite, broadband and cable. A mini package including five special interest channels and the 19 free national channels is also available on digital terrestrial television, or DTT.

CanalSat can be accessed via internet, with more than 100 channels available live or on-demand. Users can also access CanalSat on the go, thanks to the mobile TV application CanalTouch with its offering of more than 40 channels.

C.3 DISTRIBUTION

Canal+ France distributes its premium and multi-channel offerings (Les Chaînes Canal+ and CanalSat) by means of specific subscriptions on all broadcast platforms: DTT, satellite, broadband and cable (only the Les Chaînes Canal+ channels), mobile phone and the Internet. Les Chaînes Canal+ and CanalSat are similarly priced at approximately €47 per month. The broadband offerings are also sold in the form of prepaid cards that are valid for one week.

All of these offerings are marketed directly by the group via its call centres and websites, or by commercial partners through physical distribution networks (almost 7,000 sales outlets including retail chains, specialist stores and phone stores) or the distribution platforms of ISPs.

At 31 December 2011, Canal+ France boasted a portfolio of 9.76 million subscribers in mainland France, a net increase of 41,000 subscribers since the end of December 2010.

C.4 NEW SERVICES

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

High Definition TV

Canal+ France led the way in introducing a HD TV satellite offering in France during the spring of 2006. Today, the five Canal+ channels are available in HD by satellite, cable and broadband (only Canal+ is available via DTT due to technical limitations). CanalSat offers 24 special interest HD channels via satellite and broadband.

VoD and Catch up TV

Since 2005 Canal+ France has offered a freely-accessible VoD service – CanalPlay. CanalPlay boasts one of the largest VoD catalogues in France, with almost 8,500 programme titles including over 4,000 films. The service registered over six million orders in 2011.

In November 2011, Canal+ France launched its subscription video on demand (SVoD) offering, Canalplay Infinity. Users do not need a subscription to Canal+ or CanalSat to access this service which provides several thousand titles via streaming, mainly films and series.

Canal+ and CanalSat on-demand services (more than 40 special interest channels) are offered free of charge to subscribers and allow users to access a catalogue of programmes that can be viewed for a period after their initial release, on TV, computers, smartphones and tablets.

Decoders

In November 2008, Canal+ France launched +Le Cube, an innovatively-designed high-end HD decoder with an Internet connection and hard drive providing access to exclusive services, such as avant-premières of certain series on Canal+. Since September 2010, a more advanced Wifi version has been available and a similar decoder will be offered to DTT subscribers during the first half of 2012.

Mobile services and Web TV

In line with changing television consumption habits, Canal+ France offers Les Chaînes Canal+ and CanalSat customers additional services on smartphones and tablets equipped with 3G or Wifi. Subscribers to the group's offerings can access Les Chaînes Canal+ and CanalSat, as well as Canal+ Catch up TV and CanalSat VoD offerings via the CanalTouch application available on Apple's iPhone, iPod Touch and iPad, as well as on devices with other operating systems such as Android. Since its launch in 2009, the application has been downloaded more than two million times and registers more than one million connections to Canal+ live streaming each month, with the same number of VoD downloads.

In November 2010, the group also launched a Web TV service that enables users to access Les Chaînes Canal+ and CanalSat, as well as the Canal+ Catch up TV and CanalSat VoD services, via broadband Internet connections on desktops or laptops.

Initially provided as part of a paid-for offering, Web TV and Mobile services are now included in the new Canal+ and CanalSat offerings available since 8 November 2011.

Canal+ via games consoles

In June 2009, Groupe Canal+ signed a strategic partnership with Microsoft with a view to associating Canal+ France content with Microsoft products and innovations. All of the group's live and VoD offerings and services are now available on Microsoft Xbox 360 consoles. In summer 2011, Canal+ became the first channel in France to use Kinect technology that enables users to navigate between programmes using gestures alone. The spoken command interface will become available sometime in 2012.

C.5 CANAL+ OVERSEAS

Canal+ France has developed its international activities through its subsidiary Canal+ Overseas, the leading provider of pay television in the French overseas territories and Africa.

Canal+ Overseas proposes pay television offerings, namely Canal+ and CanalSat, giving access to over 200 mainly French-language channels in the French overseas territories: the Caribbean (French Antilles and French Guiana), the Indian Ocean (Reunion, Mayotte and Mauritius) and the Pacific (New Caledonia and French Polynesia). Canal+ Overseas is also the leading pay television operator in French-speaking Africa, with operations in 30 countries in Central and West Africa, as well as in Madagascar. Following a trade agreement signed in 2009 with Multichoice, the leading pay television operator in English-speaking Africa, Canal+ Overseas extended its presence in several countries in Central Africa with sizeable French-speaking minorities, including Burundi, Rwanda and the Democratic Republic of the Congo.

D) NET SALES AND SUBSCRIBER PORTFOLIO IN 2011

Net sales for Canal+ France in 2011 came in at €4,049 million, versus €3,956 million in 2010.

At 31 December 2011, the portfolio of Canal+ France subscribers stood at 11,216 million for pay television (individuals and group subscriptions; figures for France including the overseas territories and Africa), a net increase of 158,000 subscribers since the end of December 2010.

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

By a decision of 20 September 2011, the French competition authorities (*Autorité de la concurrence* – ADLC) withdrew the authorisation given by the French Ministry of the Economy on 30 August 2006 in respect of the merger transactions described in section A above. The ADLC also imposed a fine of €30 million on Groupe Canal+ (in practice, on Canal+ France). Notwithstanding an appeal against this decision currently pending before the French supreme administrative court (*Conseil d'État),* lodged in accordance with the applicable rules, the ADLC was again given notice of the transactions on 24 October 2011. The ADLC is currently reviewing the case. Any authorisation may include commitments or injunctions liable to concern Canal+ France and entities within its scope of consolidation.

5.3 CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE CITIZENSHIP – ETHICS

Create purpose. Foster personal fulfilment at work. Combine excellence with corporate citizenship. Align respect for targets with respect for the planet. These issues are also the core concerns of the Lagardère group.

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

As a media corporation, Lagardère is aware of its special responsibility on these strategic issues in a continuously evolving environment particularly marked by the faster pace of digital development.

Given its extremely diverse customer base, Lagardère SCA's principal commitment is to propose **responsible editorial content**. Over and above this commitment, the Group intends to weave a **social fabric** imbued with **solidarity** with society as a whole, and more particularly with those who need it most.

The Sustainable Development Report, which is available on Lagardère's website for the third year, is intended for all stakeholders and describes the Lagardère group's approach, which is now structured around four priorities divided into twelve commitments.

The four priorities are the following:

- reinforcing our position as a **responsible employer**;
- developing business activities **in an environmentally-friendly way**;
- fostering **access to information** and knowledge;
- contributing as a media group to **enhancing the social fabric**.

This chapter, which makes regular reference to the online Sustainable Development Report, concentrates on the information required by Articles R. 225-104 and R. 225-105 of the French Commercial Code (*Code de commerce*) [1], (as amended by the implementing order for Article 225 of the French Grenelle 2 law), including labour, social and environmental reporting.

A cross-reference index is available at the end of this chapter to align the information and data contained in this document with the disclosure requirements of the French Commercial Code.

5.3.1 THE CSR POLICY – PLAYERS AND INSTRUMENTS

5.3.1.1 THE MEN AND WOMEN ENGAGED IN CSR

The Group's divisions are independent and autonomous, and each manages the CSR policy internally, under the supervision of a Sustainable Development Department which coordinates the networks of internal correspondents.

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

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

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

5.3.1.2 THE CSR REFERENCE FRAMEWORK

In addition to the corporate values on which Lagardère has built its legitimacy and reputation, the Group endeavours to respect a certain number of rules: the rules established by national and international bodies regarding business enterprises, and the rules Lagardère has chosen to draw up internally for application to its employees and partners.

The Sustainable Development Report, which for the third year in succession follows the guidelines of the Global Reporting Initiative (**GRI**), lists these documents, in particular those issued by the ILO and the OECD, as well as the new ISO 26000 standard. It also refers to the Group's Code of Conduct [2] and the different charters that are applicable either internally or to our stakeholders.

(1) At the time of writing, the implementing order for Article 225 of France's Grenelle 2 law setting out the required disclosures as of 2013 had not been published.
(2) The new version of the Code of Conduct, set to be finalised in 2012, covers fair operating practices and anti-corruption measures.

Section 5.3.2.2 on external relations provides details on our policy governing relations with our partners.

In this Reference Document, it is also important to underline the commitment of the Group's Managing Partner, Arnaud Lagardère, to the principles of the Global Compact.

With operations on all continents, the Lagardère group is one of the world's leading media companies. As an international Group, it is our duty to be rigorous and exemplary in the promotion of certain rights and principles that are universally recognised and adopted for a globalisation that 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 enterprises to align their operations and strategies with the principles of responsibility.

In parallel to this basic commitment, Lagardère is a member of the *Amis du Pacte Mondial en France*, a non-profit organisation which represents France in the Global Compact's National Networks.

To reassert our commitment, each year we report on the progress made by our Group regarding 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 they are not complicit in human rights abuses.

WORKING CONDITIONS

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5: Businesses should uphold the effective abolition of child labour.

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

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

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

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

ANTI-CORRUPTION MEASURES

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

Arnaud Lagardère
General and Managing Partner of Lagardère SCA

5.3.1.3 CSR METHODOLOGY AND INDICATORS

A) REPORTING SCOPE

The reporting system used to collect **labour and social information** is deployed in all the consolidated subsidiaries which are operationally managed by the Group, with the exception of:

- entities that were disposed of or deconsolidated during the fiscal year;
- certain entities acquired during the year, for which the reporting system will be implemented gradually as they are integrated into the Group;
- certain entities which have fewer than five employees.

The labour and social data presented below (with the exception of data pertaining to changes concerning the total number of Lagardère employees) therefore covers **142** Group companies (versus 168 in 2010), representing more than **94%** of the Lagardère group's total workforce. The reduced scope is primarily attributable to the sale of the International Magazine Publishing business to the US group Hearst.

Environmental information concerning water and energy consumption is integrated into the Group's financial data consolidation system. The corresponding data covers 100% of Lagardère's **consolidated** subsidiaries, representing **414** companies. The full list is appended to the consolidated financial statements.

Changes in scope

Changes in the scope of **labour and social** reporting are related to the financial consolidation scope comprising fully consolidated companies. The list is presented in note 37 to the consolidated financial statements in Chapter 6.

As **water and energy consumption** indicators have been incorporated into the financial reporting system, changes in the water and energy consumption scope are in theory identical to changes in the financial reporting scope. Companies acquired in the course of the year are included in the scope for the entire year in which the acquisition took place, and companies disposed of are removed from the scope from the date of disposal, the relevant data being taken into account up to the actual disposal date. However, the consumption of IMP and the Russian Radio activities (sold during the year) were not included in the 2011 reporting scope.

B) CHOICE OF INDICATORS AND REFERENCE BASE USED FOR REPORTING

Labour reporting follows the Group's Human Resources policy, taking into account the specific needs of each business line and geographic area. Following an initial update in 2006, the reference base was revised for a second time in 2010, redefining the entire range of indicators. This redefinition, which involved the removal of certain indicators deemed less relevant to certain business activities and the addition of new ones more in line with the spirit of the GRI, was also an opportunity to streamline the reference base and make it more accessible to contributors.

The reference base for labour and social reporting and the "contributor" and "validator" guides are available to users as each campaign is launched. These guides lay down the reporting procedures and the definition of the selected indicators to ensure satisfactory, uniform comprehension by all contributors. The data is entered for each Group subsidiary in the reporting scope, then validated by either the Human Resources Director or the subsidiary's Management. A second level of validation exists in each division.

The consistency checks include a comparison with the data for previous periods. These consistency checks guarantee data integrity and therefore contribute to the reliability of the information system. At each level of contribution or validation, operators can extract consolidated reports on the data entered in order to make use of the data for operational management within their particular scope.

As a means of rolling out the Group's social reporting internationally while complying with the disclosure requirements of France's law on new economic regulations (*nouvelles régulations économiques* – NRE), which refers to concepts that apply solely to French companies, a set of four occupational groups was created:

- Executives: management committee members (covering the French status of *cadre dirigeant*);
- Managers: management staff (covering the French definition of *cadre*);
- Journalists and Photographers;
- Other employees.

Data on water, energy and paper consumption is input by a contributor in each of the Group's consolidated subsidiaries. An **automatic** data presence check is run and, after consolidation, the data is compared to data from previous periods in order to control for any variances.

The other environmental indicators selected correspond to the specific environmental issues of each business division; the corresponding data is consolidated and verified at the level of the business divisions, on the basis of the information communicated by their subsidiaries.

The methodologies relative to certain labour and environmental indicators may present limitations due to:

- difficulties in interpreting the data by some contributors, due to the absence of internationally recognised definitions;
- the necessary use of estimations, or the practicalities of data collection and entry.

5.3.2 IMPLEMENTATION OF THE CSR POLICY

5.3.2.1 SOCIAL INFORMATION

The Lagardère group's performance depends directly on the skills of its employees and the suitability of resources.

- For optimum deployment of human resources that takes the specific features of the Group's various business lines into consideration, the operating units manage human resources in their own way but follow priorities, principles and commitments common to all the divisions. The common framework is defined and formalised at Group level in agreement with the divisions' Human Resources Directors.
- As part of the work carried out in 2009 to align reporting with the GRI guidelines, Lagardère has articulated its CSR approach around four priorities, the first of which, "**reinforcing our position as a responsible employer**", directly concerns the Group's commitment in labour issues.
- This priority is divided into three commitments that the Group strives to apply with a concern for continuous improvement:
  - ensuring balance and diversity in the workforce;
  - fostering harmonious working conditions;
  - encouraging skills development.

A) ENSURING BALANCE AND DIVERSITY IN THE WORKFORCE

This first priority involves implementing carefully considered management of human capital and guaranteeing the fair treatment of the Group's employees.

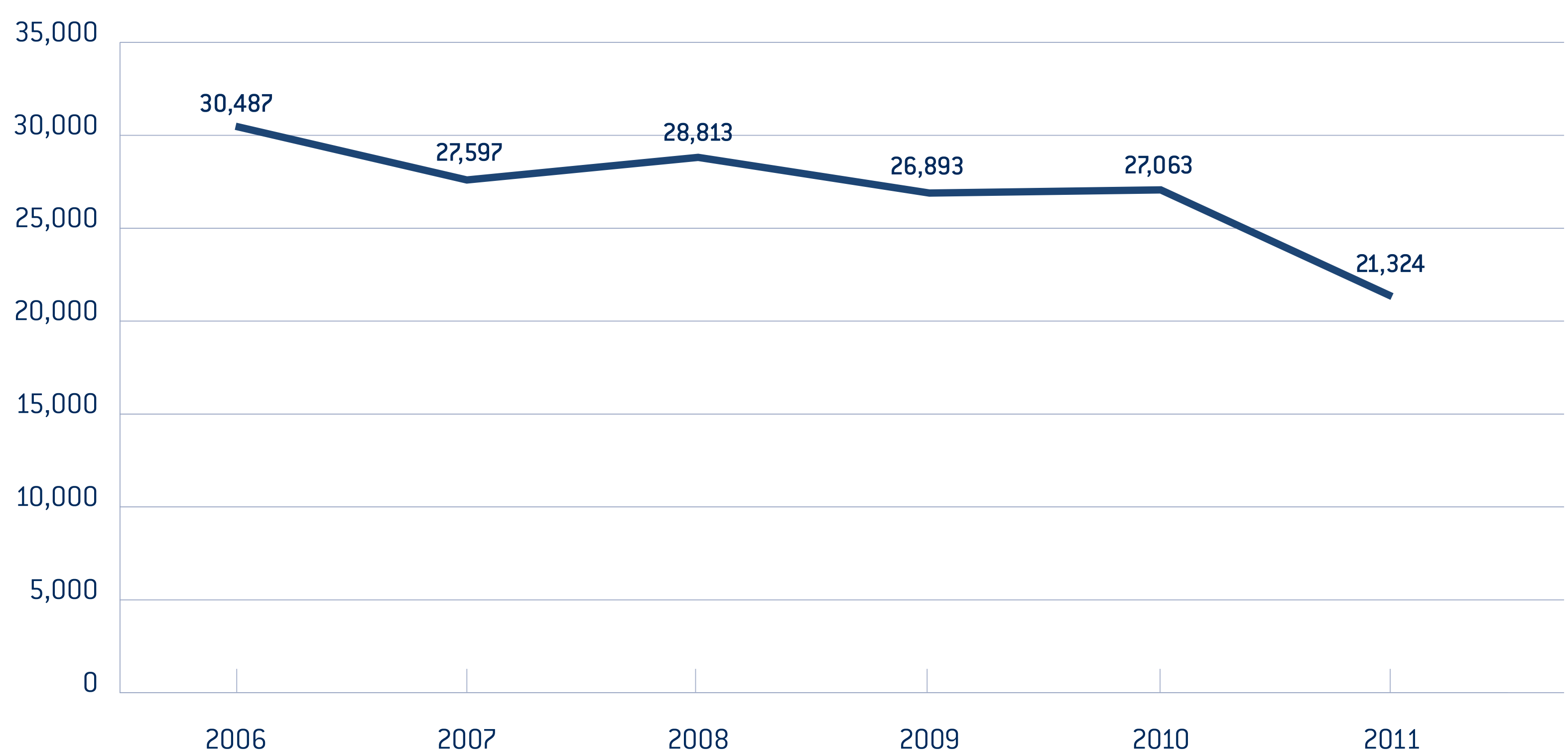
To achieve this, the Group undertakes to:

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

A.1 ADAPTING RESOURCES TO ORGANISATIONS

Changes in the workforce

• Changes in permanent workforce at 31 December, since 2006



At 31 December 2011, the permanent workforce totalled **21,324** employees, compared to 27,063 at the end of 2010. This sharp decline (more than **21%**) in the total permanent workforce is attributable to the sale of the International Magazine Publishing business (Lagardère Active division), which had **4,685** employees at the end of 2010, to the US group Hearst in 2011.

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

Divisions	Men	Women	Total workforce	% Men	% Women
Lagardère Publishing	2,813	3,721	6,534	43%	57%
Lagardère Active	1,614	2,266	3,880	42%	58%
Lagardère Services	4,141	5,522	9,663	43%	57%
Lagardère Unlimited	672	332	1,004	67%	33%
Other Activities	143	100	243	59%	41%
Group total	**9,383**	**11,941**	**21,324**	**44%**	**56%**

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

Divisions	Male Executives	Female Executives	Total Executives	Male Managers	Female Managers	Total Managers	Male Journalists and Photographers	Female Journalists and Photographers	Total Journalists and Photographers	Male Other employees	Female Other employees	Total Other employees
Lagardère Publishing	52%	48%	371	42%	58%	2,895				43%	57%	3,268
Lagardère Active	73%	27%	89	43%	57%	1,481	43%	57%	1,104	36%	64%	1,206
Lagardère Services	80%	20%	105	54%	46%	1,576				40%	60%	7,982
Lagardère Unlimited	96%	4%	46	76%	24%	224	100%	0%	1	62%	38%	733
Other Activities	80%	20%	30	64%	36%	104				48%	52%	109
Group total	**64%**	**36%**	**641**	**47%**	**53%**	**6,280**	**43%**	**57%**	**1,105**	**42%**	**58%**	**13,298**

The principal changes by division are as follows:

- **Lagardère Publishing**: The division's workforce declined slightly by just over **4%** from **6,534** at the end of 2011 to 6,820 at the end of 2010. This is essentially due to the sale of BSSL (116 employees), whose school materials and equipment distribution business was not part of the division's core business.
- **Lagardère Active**: In 2011, in addition to selling IMP, the division also disposed of Media Plus Zao, which managed the Radio activities in Russia (slightly fewer than 540 employees). As a result, the division's workforce fell by a total of more than **5,200** permanent employees.
- **Lagardère Services**: The division's workforce contracted slightly (9,877 at the end of 2010 compared to **9,663** at the end of 2011). The slight **2.15%** contraction in fact includes two contrasting factors: i) a reduction in the permanent workforce at distribution companies (namely AMP and Naville) due to reorganisations in line with market trends in this sector, and ii) a rise in the workforce at travel retail entities (Relay and Aelia) resulting from the strong expansion of this market.
- **Lagardère Unlimited**: This division's workforce increased (by just under **25%**) following the consolidation of two companies: one formerly reported under Other Activities (Lagardère Paris Racing Ressources, which manages sports centres and sports training academies, more in line with the businesses of this division) and the other under the Lagardère Active division (Lagardère Unlimited Live Entertainment, specialised in live entertainment).
- **Other Activities**: The decline in the workforce is due to the transfer of Lagardère Paris Racing Ressources to the Lagardère Unlimited division and a drop in the workforce at Matra Manufacturing Services (slightly less than **34%**) following the company restructuring to counter the market for spare parts and electric bicycles.

The non-permanent workforce [1] also saw a sharp overall drop in average employee numbers over the year, expressed in terms of Full-Time Equivalent (FTE) [2]: 2,012 for 2010, versus **1,383** for 2011.

This decline is chiefly attributable to the sale of the International Magazine Publishing business, with Lagardère Active registering a decrease of slightly more than 550 non-permanent employees between 2010 and 2011.

As for the other divisions, Lagardère Services and Lagardère Unlimited did not sign as many fixed-term contracts in 2011 (down **10.85%** and just under **15%**, respectively). However, Lagardère Publishing recorded a significant increase (slightly more than **30 FTE**), which stems more from the division's overall business growth than expansion in a given company or region. The

(1) Non-permanent employees: employees with a fixed-term contract.
(2) FTE: The FTE figure is obtained by adding all the employees who worked for the Group during 2011 in proportion to their working hours and period of employment; an employee who works half a week for six months of the year is thus counted as 0.25 FTE (0.50 x 0.50). This measure is considerably more appropriate in analysing the non-permanent workforce, as reporting a figure as at 31 December would not fully take into account the time worked for this category of employees.

change in Other Activities is a result of the transfer of the professional sports limited company (*société anonyme sportive professionnelle* – SASP) Lagardère Paris Racing Ressources.

• Changes in non-permanent workforce (FTE) during 2011

Divisions	2010	**2011**	Change 2010-11
Lagardère Publishing	308.00	**341.79**	10.61%
Lagardère Active	784.00	**231.43**	-70.48%
Lagardère Services	804.00	**716.80**	-10.85%
Lagardère Unlimited	105.00	**89.80**	-14.48%
Other Activities	10.50	**3.33**	-68.29%
Total non-permanent workforce	**2,012.50**	**1,383.15**	**-31.27%**

Recruitments/Separations of permanent employees

N.B.: The table below does not include the staff separations due to the sale of the International Magazine Publishing business. Only the changes for the companies included in the Group scope at 31 December 2011 are presented.

	Separations		Recruitments	
Divisions	2010	2011	2010	2011
Lagardère Publishing	957	768	742	542
Lagardère Active	1,953	491	1,898	457
Lagardère Services	2,864	2,867	2,856	2,433
Lagardère Unlimited	145	196	158	179
Other Activities	55	64	38	20
Total	**5,974**	**4,386**	**5,692**	**3,631**

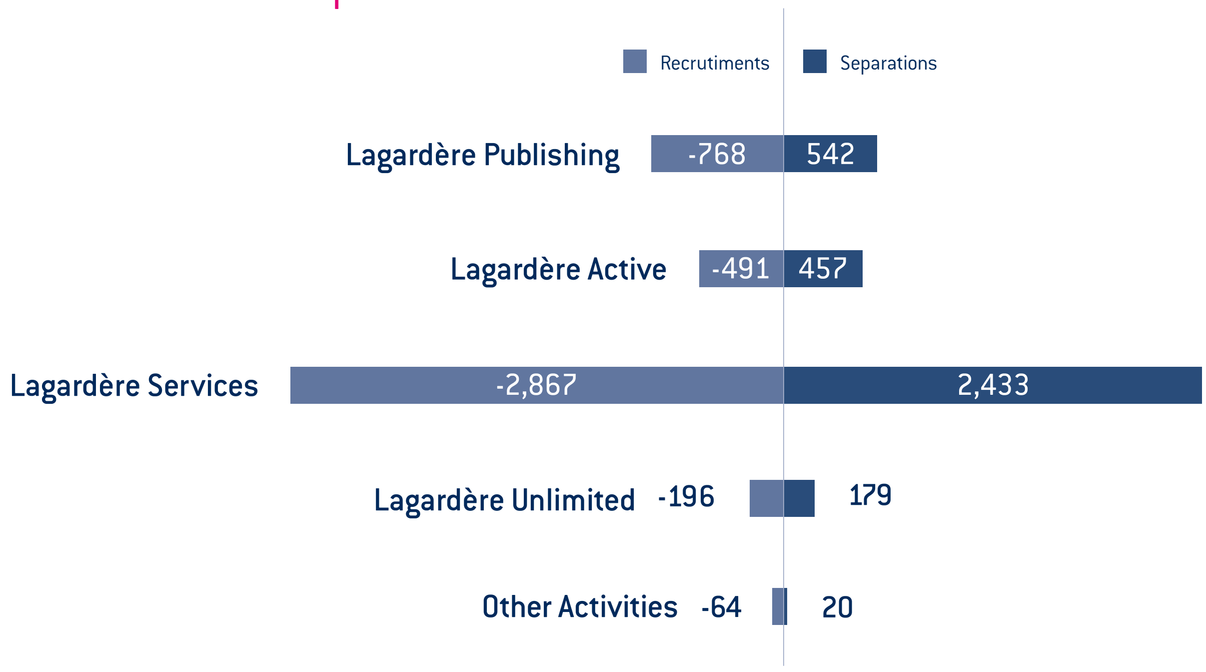
The table of recruitments and separations affecting the permanent workforce shows consistency with the general trend in permanent employee numbers.

The Lagardère Active division reduced its recruitments and separations considerably due to the sale of 19 companies in 2011. The same applies to the Lagardère Publishing division, which recorded sharp decline in both recruitments and separations.

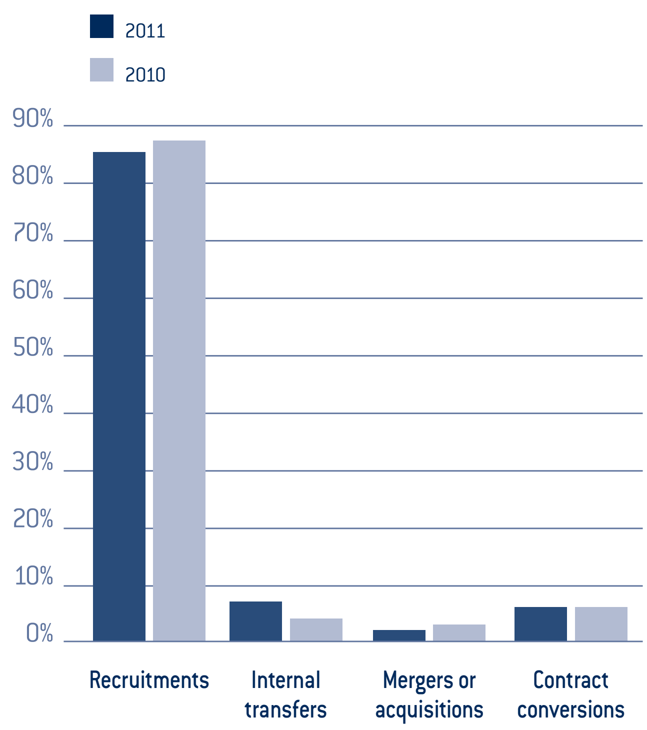
Separations remained stable for the Lagardère Services division, but recruitments slowed in 2011, primarily driven by business fluctuations inherent to the division and highly competitive sector. That said, this decline was offset by the opening of new businesses, notably additional Relay outlets.

The Lagardère Unlimited division saw significant changes in its recruitments/separations indicator, mainly due to the consolidation of Lagardère Paris Racing Ressources as well as the division's business restructuring that took place throughout 2011.

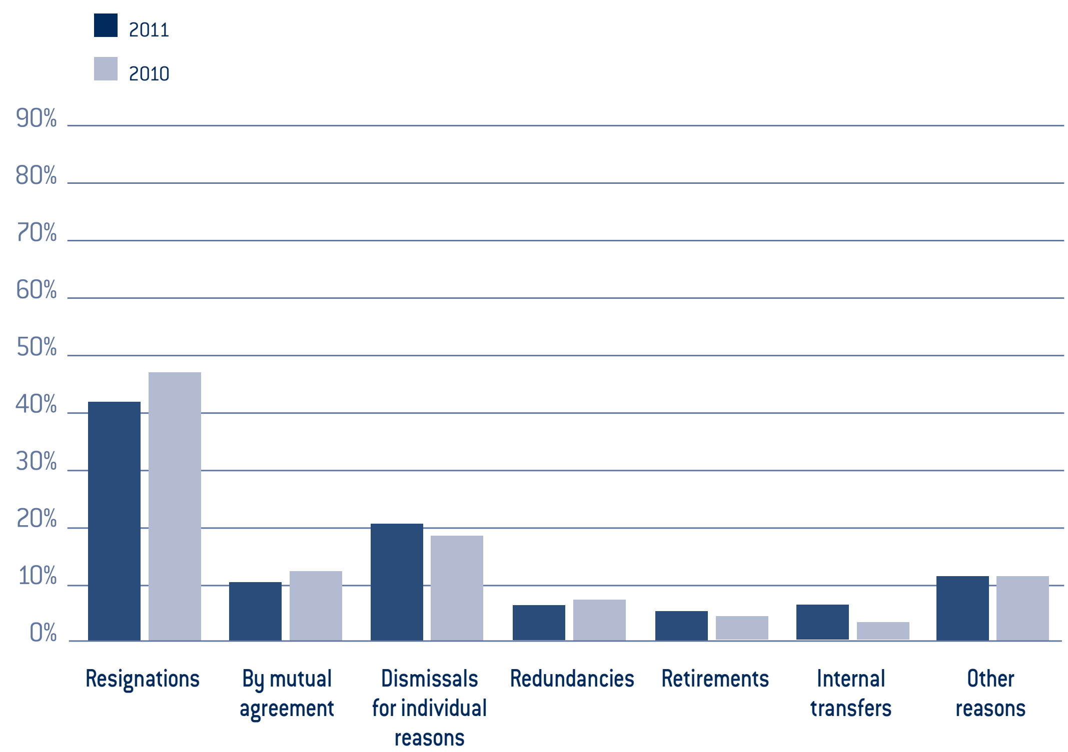
• Number of recruitments/separations in 2011



• Breakdown of recruitments



• Breakdown of separations



The breakdown of staff separations indicates a decline in the relative proportion of resignations (from 46% in 2010 to **41%** in 2011) and no change in the total proportion of redundancies, for both economic and personal reasons. The proportion of separations due to retirement showed a slight increase (from 3% to **5%**) together with internal transfers (from 3% to **6%**).

The extremely positive indicators for resignations (down) and internal transfers (up) reflect both employee loyalty to the Group and improvements in its internal mobility policy.

Furthermore, the number of fixed-term contracts converted into permanent contracts remained stable (**6%**), showing the Lagardère group's emphasis on securing employment for non-permanent staff.

New hires continue to account for the largest proportion of recruitments across the Group. Again in 2011, the Lagardère group encountered no difficulty recruiting new employees, attesting to its enduring appeal from year to year.

In addition, with its excellent reputation and strong brand names, the Lagardère group also benefits from tangible staff loyalty: the percentage of employees having served more than 10 years exceeded **34%** in 2011 (up from 28% in 2009 and 2010) and even surpassed **40%** in France.

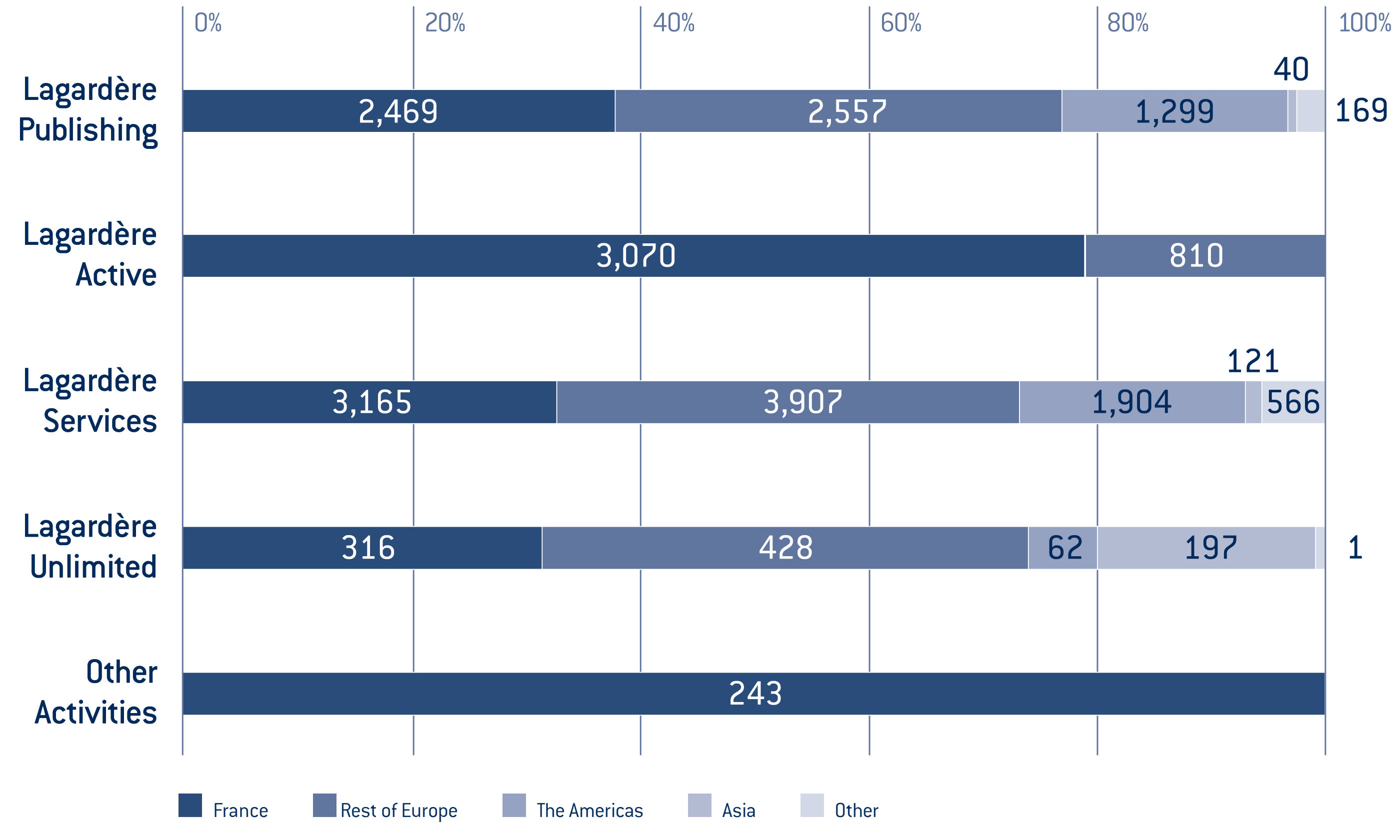
The Group's total turnover [(1)] of permanent employees came out at **19%** in 2011 (not including the workforce from International Magazine Publishing and Media Plus Zao), compared with 22% in 2010. "Unexpected turnover" [(2)] fell slightly to **12%** in 2011 from 13.7% in 2010.

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

The number of employees who moved to a different professional group (or were promoted) and were not counted in recruitments totalled **426** employees in 2011. As a result, promotions corresponded to **12%** of the Group's total recruitments for the year, up from 10% in 2010.

The Group's international presence

• Breakdown of workforce by geographic area at 31 December 2011



In 2011, the Group had operations in **around 30 countries**. The Group remains deeply rooted abroad, with nearly **57%** of its employees working outside France. Its international aspect was however less prevalent than in previous years, notably in 2010 when this percentage reached 66%.

This is a direct result of the sale of the International Magazine Publishing and Russian Radio businesses.

The Group remains predominantly French-based, with close to **43%** of the total workforce in mainland France, well ahead of Spain, Canada and the United Kingdom.

Adjusting staff numbers to changes in business activity through organisation of working hours

Group entities have implemented a work organisation scheme that provides the flexibility to meet the specific requirements of their operations. This scheme includes part-time work, overtime hours and temporary work. This flexibility allows Group employers to take the aspirations of the workforce into consideration and offers adaptability when staff on sick leave or maternity leave need to be replaced. That said, this flexibility, required for the organisation of working hours, does not jeopardise the Group's compliance with legal regulations specific to each country, particularly in terms of working hours and the management of overtime.

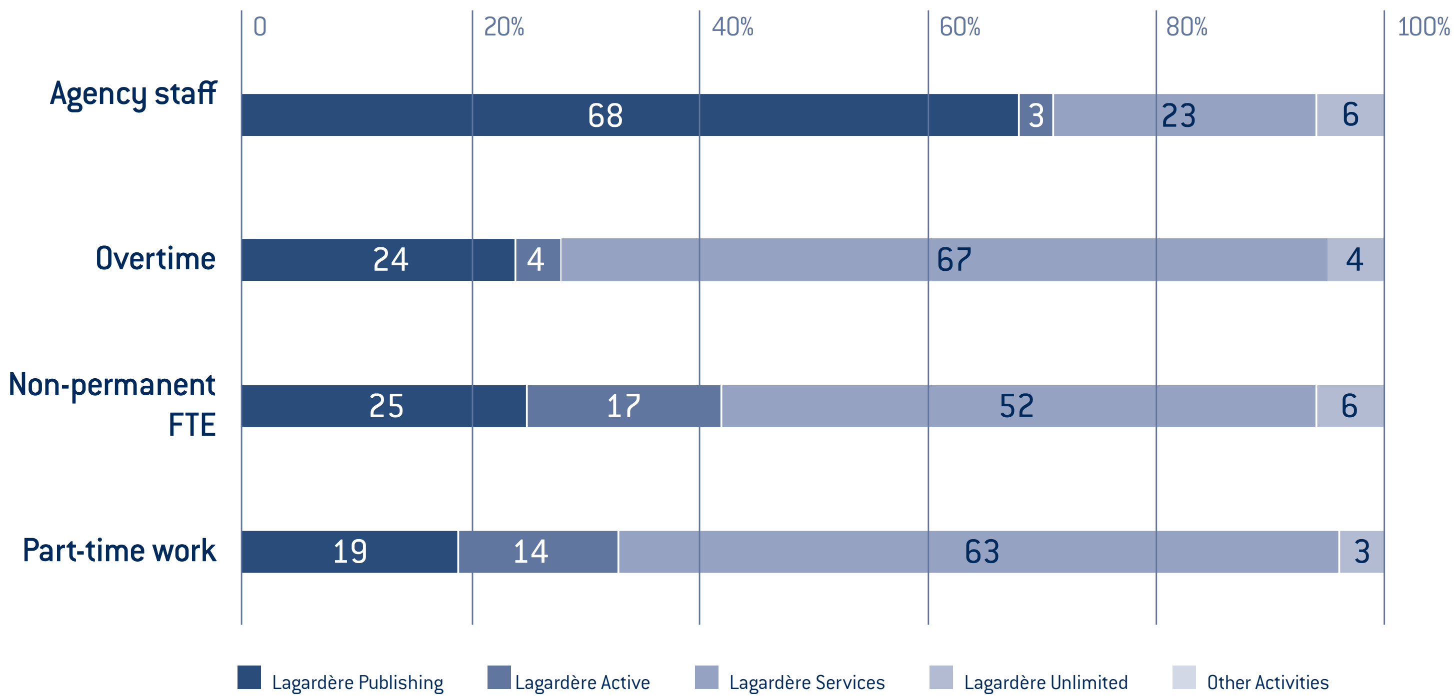
Employment of temporary staff (on fixed-term work contracts or through temporary staffing agencies) is thus an inherent part of the specific nature of certain activities. This is particularly true for seasonal peaks in business at Lagardère Publishing (the publication of new works of literature, generally scheduled from September to November in France, school textbook orders and the Christmas period).

The work organisation scheme also enables the Group to cope with constraints related to Distribution activities (replacing store managers on leave, extensive opening hours, training of store managers, etc.) at Lagardère Services and the organisation of sports events at Lagardère Unlimited. As flexibility and optimising labour costs are essential to the Distribution activities, the Lagardère Services division makes considerable use not only of temporary staff, but also of overtime (mainly in Europe) and part-time work (mainly in North America).

Furthermore, in France, due to the nature of its Press and Audiovisual Production activities, the Lagardère group calls on the services of specific types of employees: freelance journalists and entertainment workers.

Aware of the special status of these categories, the Group is involved in high-level discussions of changes affecting them, participating in the various sector-specific negotiations regarding social security coverage, unemployment benefits and occupational training. An indicator was introduced in 2011 to include these positions in the Group's total workforce and monitor their changes (calculating their assignments over the year as full-time equivalents). As a result, the number of these workers declined significantly (**62%**) in 2011, essentially an outcome of the sale of the International Magazine Publishing and Russian Radio businesses.

• Flexibility of work by division in 2011



The trends in flexibility of work for each division were as follows:

- **Lagardère Publishing**: To handle its business volumes in 2011 and in anticipation of a return to normal operations, the division managed its workforce by taking advantage of flexible work options, mainly fixed-term work contracts and agency staff.
- **Lagardère Active**: All indicators (reported data) in this category were down due to the sale of International Magazine Publishing. The proportion of part-time employees to total workforce also fell (**8%** in 2011 as opposed to 12% in 2010), as did the ratio of non-permanent to permanent employees (**5.9%** in 2011 compared with 8.6% in 2010). The number of overtime hours was divided by more than five in 2011, when the permanent workforce reduced by almost half.
- **Lagardère Services**: Employees on fixed-term contracts and agency staff were reduced (**26%**), while overtime hours rose (**13%**), reflecting the Group's preference for in-house solutions. The part-time workforce remained stable in 2011.
- **Lagardère Unlimited**: The number of part-time employees rose sharply following the consolidation of Lagardère Paris Racing Ressources, which employs many part-time teachers/coaches at its sports training academies. A strong increase in agency staff and overtime hours was also recorded, especially at events management companies.
- **Other Activities**: Indicators fell substantially across the board, mainly reflecting the transfer of Lagardère Paris Racing Ressources to the Lagardère Unlimited division.

Non-permanent and agency staff make up **11.53%** of the Group's total workforce, in line with its targets (less than 12% agency staff).

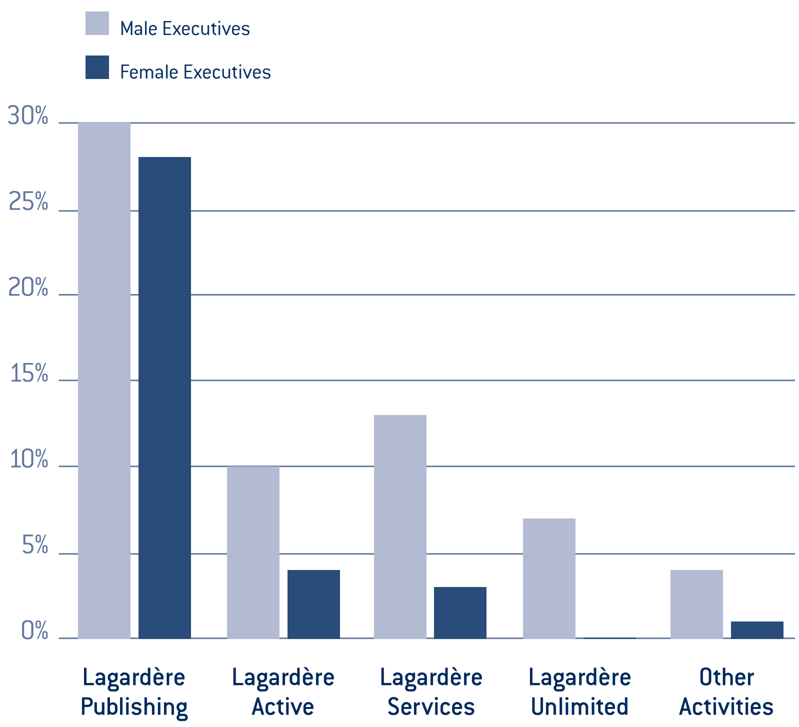
Part-time staff also rose considerably (proportionately to the total workforce) from 13% to **16%**. This category included both men and women, although a majority of women make up this category of the workforce (more than 69% of part-time employees).

• Part-time workforce at 31 December 2011

Divisions	Male	% male part-time/total male workforce	Female	% female part-time/ total female workforce	Total part-time workforce	Total workforce (%)
Lagardère Publishing	182	↑ 6%	446	→ 12%	628	10%
Lagardère Active	187	↓ 12%	280	↑ 12%	467	12%
Lagardère Services	604	→ 15%	1,519	→ 28%	2,123	22%
Lagardère Unlimited	60	↑ 9%	57	↑ 18%	117	12%
Other Activities	2	↓ 1%	7	↓ 7%	9	4%
Group total	**1,035**	↑ **11%**	**2,309**	↑ **19%**	**3,344**	**16%**

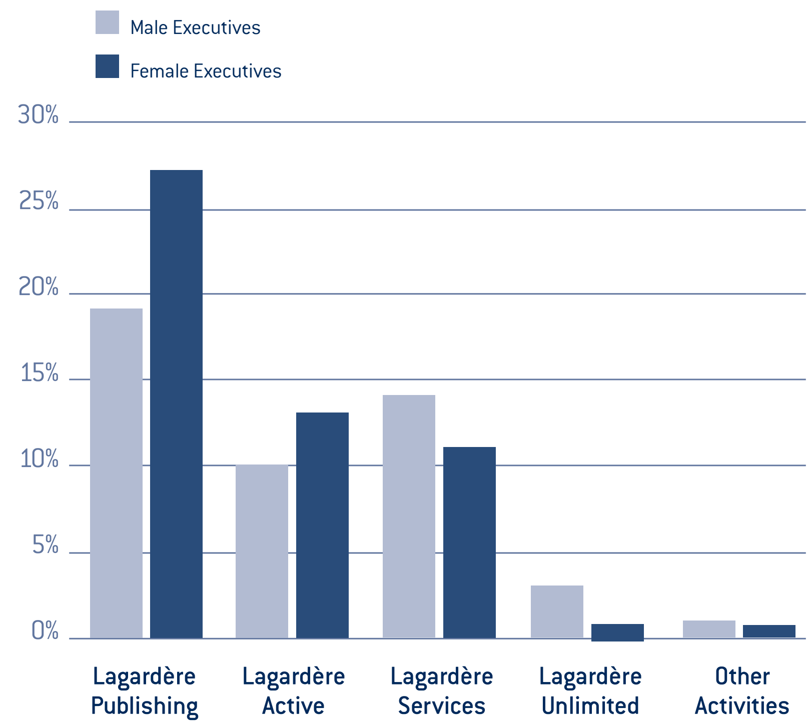
Adapting the workforce distribution by occupational group and gender

> Executives by division and gender



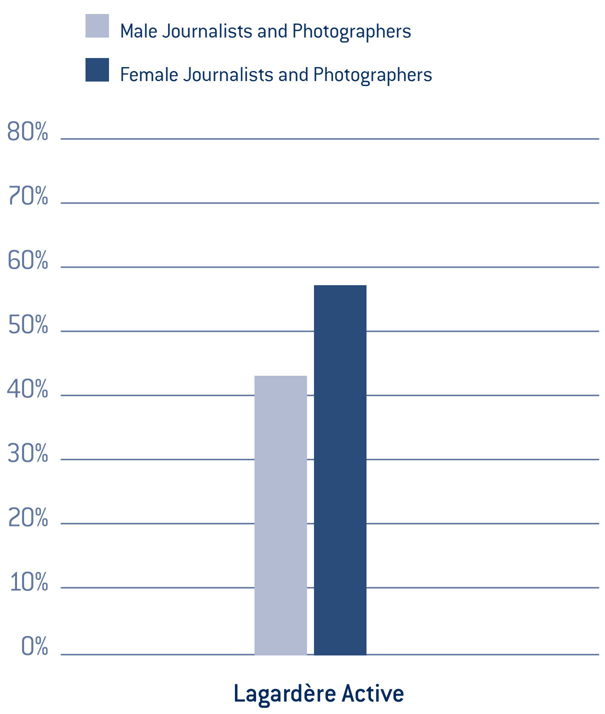
Number of employees: 641 Executives

> Managers by division and gender



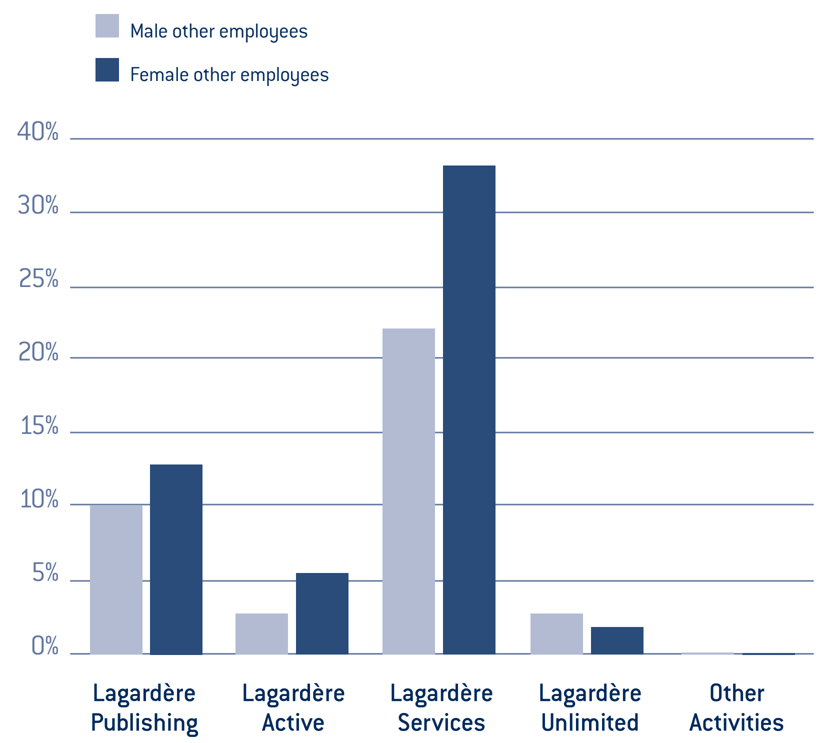
Number of employees: 6,280 Managers

> Journalists and Photographers



Number of employees: 1,104 Journalists and Photographers

> Other employees by division and gender



Number of employees: 13,298 Other Employees

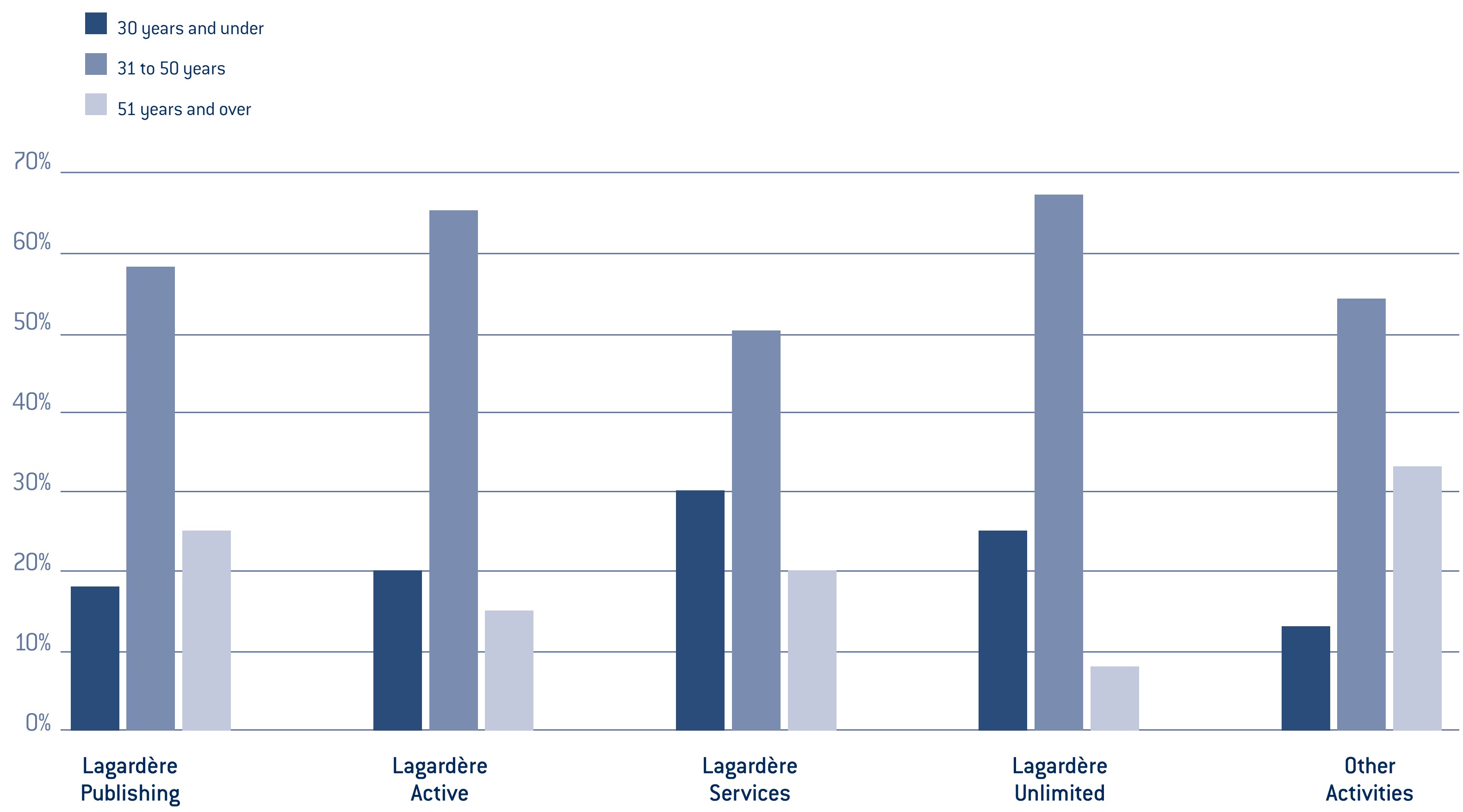
The Lagardère Publishing division's proportion of managers remained high in 2011 (**50%** of the employees are managers), which is typical of publishing businesses. The proportion is also very high in the Lagardère Active division (**40%**), but significantly smaller at Lagardère Unlimited (slightly over **26%**) and particularly at Lagardère Services (just over **17%**). These figures are also typical of the division's respective businesses (retail sales and distribution).

Lastly, the number of journalists and other employees fell substantially in 2011 with the sale of the International Magazine Publishing and Russian Radio businesses.

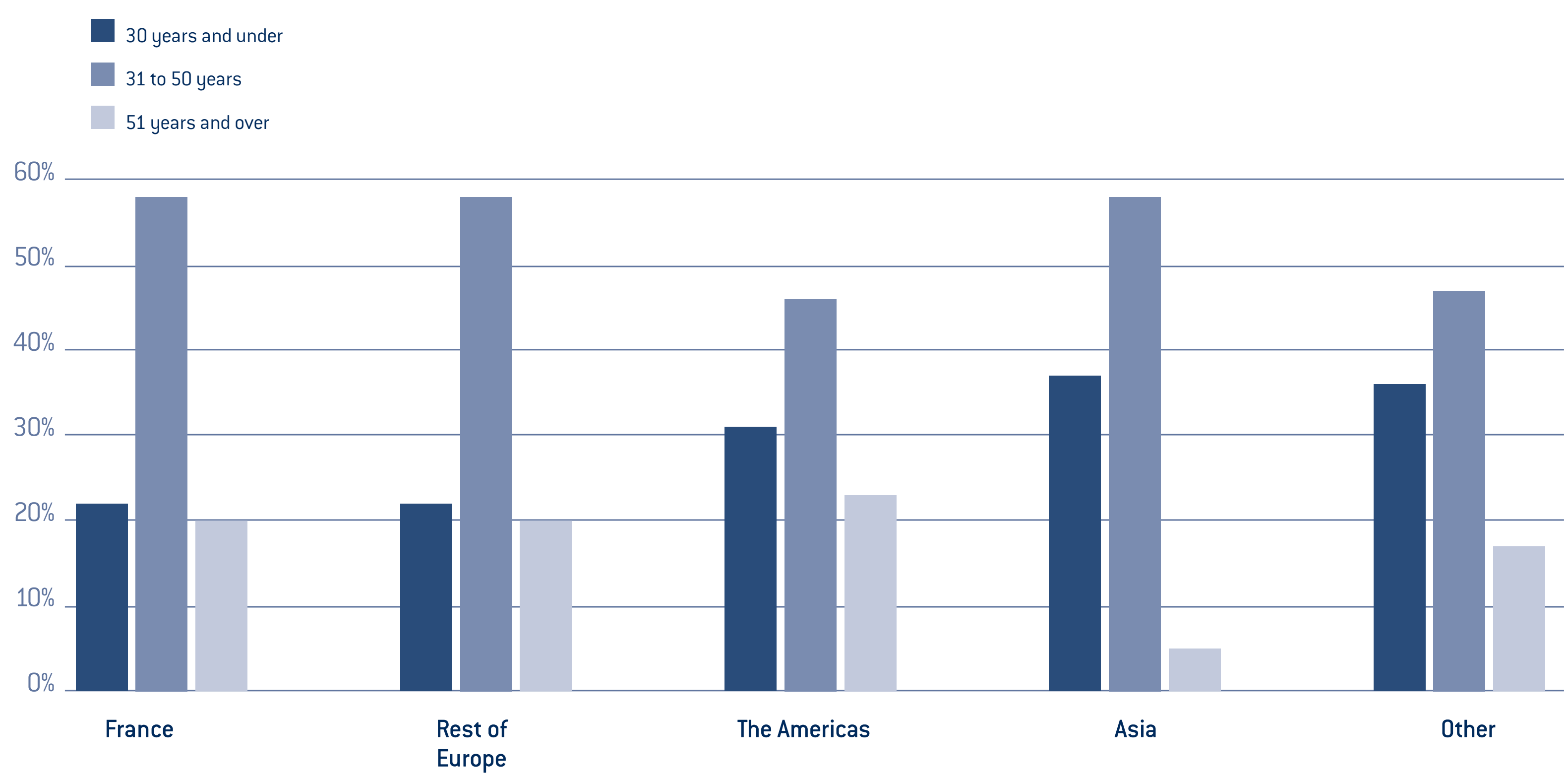
A.2 ENSURING AGE BALANCE IN THE WORKFORCE

The Group's age pyramid reflects a youthful workforce, with more than **54%** of employees under 40 and **24%** under 30. These percentages are down on 2010, in line with the Group's need for experienced staff in the highly competitive sectors of sports, media, publishing and distribution.

• Breakdown of workforce by age group and division



• Breakdown of workforce by age group and geographic area



A.3 PROMOTING EQUAL OPPORTUNITIES, DIVERSITY AND ANTI-DISCRIMINATION ACTION

The Lagardère group bases its actions in this domain on two major principles: ensuring equal opportunities and treating all individuals with respect.

With its wide-ranging business activities and skilled staff, the Group encourages diversity in the divisions. As media operators and distributors, they have an even greater obligation to reflect the society to which they belong.

It endeavours to promote and develop cross-divisional actions for diversity, particularly by identifying good practices in the different entities and sharing them throughout the Group.

Focus will be on three aspects:

- the place of women in the Company;
- the disabled;
- the integration of young people from sensitive urban areas.

Guaranteeing women's career development in the Company

Women account for almost **56%** of the total workforce, a slight drop on 2010 (59%), and the debate on sex equality at work is thus slightly atypical in the Lagardère group. The nature of the Group's business lines, which largely explains this strong female presence, should not obscure the progress that remains to be made in terms of effective equal opportunities and career development.

In 2011, women represented almost **60%** of total recruitments in the Group, a slight decrease compared to 2010 (64%). The question to address in the different divisions is not so much how to achieve a balance between the number of male and female employees but rather how to apply truly equal treatment in appointments to positions of responsibility. Providing opportunities for women to obtain senior management positions remains a clear objective for the Group.

In 2011, women accounted for **36%** of executives (an increase of **2 points** over 2010, after rising 2 points over 2009), more than **53%** of managers (stable compared to 2009 and 2010) and **57%** of journalists (down **4 points** from 2010). The proportion of women among "Other employees" exceeds **58%** (61% in 2010).

These figures have slipped as a result of the sale of the International Magazine Publishing business, which employed a majority of women.

It should be noted that certain companies in the Group are exemplary with respect to women's roles in the workforce:

- **Lagardère Publishing**:
  - Orion Publishing: 73% female employees, with a workforce of 138;
  - Editions Hatier: 71%, with a workforce of 177.
- **Lagardère Active**:
  - Lagardère Publicité: 77%, with a workforce of 438;
  - Lagardère Métropoles: 76%, with a workforce of 205.
- **Lagardère Services**:
  - LS travel retail North America: 74%, with a workforce of 1,056;
  - HDS Retail Cz: 72%, with a workforce of 151.

There is room for progress, however, in Other Activities and at Lagardère Unlimited where there are few women, particularly in the Executive category.

• Recruitment of women on permanent contracts in 2011, by division

Divisions	Recruitments	Internal transfer	Merger or acquisition	Contract conversion
Lagardère Publishing	282	12	0	36
Lagardère Active	129	45	21	70
Lagardère Services	1,368	54	21	26
Lagardère Unlimited	54	13	0	0
Other Activities	6	2	0	0
Group total 2011	**1,839**	**126**	**42**	**132**
Proportion of total recruitments	**59%**	**47%**	**66%**	**66%**

• Female permanent staff separations in 2011, by division

Divisions	Resignations	Separations by mutual agreement	Dismissal for individual reasons	Redundancy	Retirement	Internal transfer	Other
Lagardère Publishing	253	33	58	43	33	9	28
Lagardère Active	76	33	46	12	7	65	23
Lagardère Services	745	194	384	95	47	55	204
Lagardère Unlimited	38	10	4	4	1	6	4
Other Activities	3	0	1	8	0	5	0
Group total 2011	**1,115**	**270**	**493**	**162**	**88**	**140**	**259**
Proportion of total separations	**63%**	**59%**	**56%**	**58%**	**42%**	**50%**	**52%**

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

Divisions	Executives	Managers	Journalists and Photographers	Other employees
Lagardère Publishing	95%	87%		89%
Lagardère Active	37%	88%	93%	53%
Lagardère Services	100%	84%		79%
Lagardère Unlimited	50%	41%		53%
Other Activities	50%	84%		77%
Group total 2011	**89%**	**86%**	**93%**	**78%**
Group total 2010	**63%**	**64%**	**41%**	**60%**

• Percentage of hours of training attended by women

Divisions	Executives	Managers	Journalists and Photographers	Other employees	Total
Lagardère Publishing	58%	62%		55%	58%
Lagardère Active	25%	55%	56%	62%	56%
Lagardère Services	16%	46%		61%	57%
Lagardère Unlimited	0%	28%		39%	35%
Other Activities	16%	34%		40%	35%
Group total 2011	**38%**	**53%**	**56%**	**58%**	**56%**
Group total 2010	**35%**	**55%**	**69%**	**58%**	**57%**

Encouraging integration of disabled employees

Following satisfactory years in 2009 and 2010 (thanks to a rising proportion of disabled employees), after three years without advancement, 2011 continues in the same positive direction, with the indicator up across all geographic areas except Asia. This is due to the sale of International Magazine Publishing. Disabled employees were only employed by Hachette Fujingaho and Hachette Filipacchi Taiwan, which were sold to the Hearst Group.

After falling sharply in 2010 (mainly due to a change in legislation in Hungary), the proportion of disabled employees in the Rest of Europe (i.e., excluding France) remained at the same level in 2011.

As every year, France features the highest proportion of disabled employees, in compliance with the country's very strict legislation which encourages companies to develop and adapt their recruitment, employment and outsourcing policies accordingly.

• Proportion of disabled employees per one thousand permanent employees

Divisions	France	Rest of Europe	The Americas	Asia	Other
Lagardère Publishing	19	7.4	0	0	0
Lagardère Active	9.7	5			
Lagardère Services	8.2	7	1	0	3.5
Lagardère Unlimited	22.2	4.6	0	0	0
Other Activities	45.3				
Group total 2011	**13**	**7**	**1**	**0**	**3**
2010	12	7	0.5	4.6	2.2
2009	10	11.7	0.5	3.3	1.8
2008	9.6	10	1	4	1.8
2007	8.5	12	1	4	0.0

In keeping with previous years, the Lagardère Active division's campaign for the employment of the disabled ("*Mission Handicap*") continued to advance in 2011, signing on 4 new employees (on permanent, fixed-term and work-study contracts) and 28 placement students. A total of 38 employees and 78 placement students have been hired since 2007. In addition to its recruitment objectives, the campaign also works to promote and forge partnerships with companies specialised in the area.

At the end of 2011, the Group's HR Development Department established a campaign to take an assessment of the Lagardère group's practices on its employment of the disabled.

Outreach to young people in sensitive urban areas

In 2011, the Lagardère group continued the partnership initiated in 2006 with the non-profit organisation *Nos quartiers ont des talents* (Our neighbourhoods have talent). The organisation was founded in Seine Saint-Denis (north of Paris) in 2005, and is active throughout the Greater Paris Region (where the majority of the Group's French operations are located). This action consists in organising forums where employers and young people from sensitive urban areas can meet (thereby facilitating their access to the labour market) and providing job-seeking guidance and mentoring from HR departments.

Under this partnership, the Group participated in the second *Rencontres Nationales* on 14 and 15 December at the Carrousel du Louvre in Paris. The event was attended by more than 8,000 young people, mainly from sensitive urban areas.

Formal discrimination litigation

In 2010, the Lagardère group introduced an indicator to identify cases of discrimination encountered by its companies involving "formal litigation", defined as legal action or claims formally filed with any competent authority [1]. Nine cases were identified in 2010 but only four in 2011, which were in fact cases already identified the previous year. No new discrimination disputes were filed.

B) FOSTERING HARMONIOUS WORKING CONDITIONS

This second priority illustrates both the Group's desire to contribute to fulfilling career development for its employees and its determination to attract the best talents to its ranks.

This is evidenced in the first instance by the policy of offering employees remuneration that complies with legislation and labour agreements, situated at the upper end of the market average, rewarding individual performance and, as far as possible, related to the achievement of collective objectives.

The Group also strives to:

- stimulate the creation of social welfare schemes for its employees;
- protect health and safety at work;
- encourage employee relations.

B1) PROVIDING EMPLOYEES WITH FAIR FINANCIAL CONDITIONS

Providing an attractive remuneration package

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

The Lagardère group's determination to maintain employees' **purchasing power** and **encourage commitment and performance** is unaffected by its concern to control labour costs.

The Group also has the medium-term objective of **promoting the notion of total remuneration** (salaries, variable salary components, social security, savings schemes, etc.).

Salary levels

The Lagardère group's salary policy follows fair, equitable and consistent practices. Salary practices comply with local legislation and are also attuned to the economic and labour conditions prevailing in each country, and agreements negotiated with the employee representative bodies of the business sector concerned (particularly in terms of minimum salary and general salary increase scales).

In certain other countries where the notion of a minimum wage may sometimes be purely symbolic, or there is no minimum wage, salary practices are defined according to the practices of the local labour market.

The average annual salary worldwide (including bonuses and variable remuneration) for all occupational groups combined was **€40,489** in 2011 compared to €37,841 in 2010.

(1) Acts of discrimination include any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation (Source: ILO).

• Average gross salary in euros for permanent workforce, by occupational group, gender and geographic area

Areas	Male Executives	Female Executives	Male Managers	Female Managers	Male Journalists and Photographers	Female Journalists and Photographers	Male Other employees	Female Other employees
France	251,480.63	182,841.68	60,778.18	49,159.03	66,445.57	54,953.28	25,533.20	22,914.16
Rest of Europe	130,879.12	95,109.05	53,785.34	41,054.49	11,049.16	10,297.92	31,991.18	25,769.86
The Americas	208,427.71	235,527.57	77,776.64	69,052.50			24,322.51	21,990.76
Asia	188,487.08		93,028.45	46,307.17	16,782.00		28,725.30	23,800.68
Other	217,318.25	150,000.00	55,084.27	56,226.21			31,127.23	38,419.70
Group total	**191,900.72**	**130,525.39**	**59,973.27**	**48,824.88**	**54,863.33**	**49,195.63**	**28,684.59**	**24,431.50**

The Group points out that these averages, provided for information purposes, feature a wide disparity of situations (due to the very nature of the activities and geographic locations, with lifestyles and the cost of living varying greatly from country to country), and no general conclusions or comparisons should be drawn from them.

The Lagardère group firmly intends to encourage equal pay for women and men, under equal conditions of employment and qualifications.

The differences observed in the table above are due essentially to disparities in the nature of the positions and responsibilities held, as well as differences in age, length of service and level of qualifications between the two groups.

The salary scales implemented in some of the Group's subsidiaries are one means of achieving this equality. More than **63%** of all employees work in an entity which has defined salary ranges for each level (61% in 2010), and nearly **83%** work in a company which has defined a minimum wage (78% in 2010).

Policy governing salary increases: rewarding progress in the contribution made by employees and maintaining purchasing power

It is Group policy to encourage salary increases that reward individual performance levels, assessed on quantitative and qualitative criteria defined by the subsidiaries. To take into account employees' levels of skills, training and responsibility and the specific nature of the sectors they are working in, individualised pay rises are therefore increasingly common.

Here again, each entity is largely free to award individual and/or collective salary increases appropriate to its business line and the context.

In return for these individually tailored pay measures, to ensure optimum employee-hierarchy transparency on basic pay rise matters, the Group encourages annual interviews, which give employees a better perception of their situation in relation to the job position they hold.

• Proportion of permanent workforce who received a salary increase, by occupational group, gender and division

Divisions	Male Executives	Female Executives	Male Managers	Female Managers	Male Journalists and Photographers	Female Journalists and Photographers	Male Other employees	Female Other employees	Male - All occupational groups combined	Female - All occupational groups combined	All occupational groups combined
Lagardère Publishing	79%	95%	91%	87%			88%	89%	89%	89%	89%
Lagardère Active	37%	46%	89%	88%	78%	93%	39%	53%	70%	77%	74%
Lagardère Services	76%	100%	90%	84%			84%	79%	85%	80%	82%
Lagardère Unlimited	41%	50%	49%	41%	100%		74%	53%	66%	51%	61%
Other Activities	63%	50%	54%	84%			31%	77%	47%	78%	60%
Group total	**67%**	**89%**	**87%**	**86%**	**78%**	**93%**	**80%**	**78%**	**82%**	**81%**	**82%**

The proportion of employees that benefited from a salary increase in 2011 rose substantially in the Group's main divisions, and by more than 20 points for the entire Lagardère group.

This development is a counter-effect of the financial crisis of 2009-2010, a period when all Lagardère group entities were forced to hold back on salaries. 2011 therefore marked a positive turnaround in policy for employees.

Individual variable salary components: encouraging individual performance

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

These practices make it possible to link an employee's remuneration to the achievement of personal targets and collective objectives at the level of the subsidiary concerned. Nearly **53%** of the Group's workforce had a variable component of pay in 2011, versus 44% in 2010. A certain degree of disparity is emerging between different businesses and geographic areas, particularly due to local market practices.

Wherever variable pay components or equivalent systems apply, the Group encourages use of objective-based pay systems involving annual performance review interviews to provide employees with a maximum degree of clarity and transparency.

• Proportion of employees receiving a variable component of pay, by occupational group, gender and division

Divisions	Male Executives	Female Executives	Male Managers	Female Managers	Male Journalists and Photographers	Female Journalists and Photographers	Male Other employees	Female Other employees	Male - All occupational groups combined	Female - All occupational groups combined	All occupational groups combined
Lagardère Publishing	77%	74%	79%	70%			57%	49%	68%	60%	63%
Lagardère Active	54%	50%	86%	91%	71%	78%	68%	80%	75%	83%	80%
Lagardère Services	80%	86%	100%	89%			26%	20%	42%	30%	35%
Lagardère Unlimited	45%	100%	98%	93%	0%		51%	43%	62%	52%	59%
Other Activities	88%	83%	27%	41%			0%	0%	27%	20%	24%
Group total	**71%**	**73%**	**87%**	**79%**	**71%**	**78%**	**39%**	**34%**	**57%**	**50%**	**53%**

The existence of this variable component of pay, notably in occupations with a strong commercial dimension, partially explains the differences in total salary observed between the occupational groups (see table above).

Incentives and profit sharing: collective performance bonuses

Schemes that allow employees to share in the financial results of their company are encouraged within the Group. They mainly comprise profit sharing and employee savings schemes.

Each entity is free to implement its own scheme specifically tailored to the local legislation and appropriate to the local context, i.e., targets and the specific nature of the business.

In 2011, a profit sharing scheme was implemented at just under **36%** of Group companies, and more than **37%** in France, in 2011.

Employee savings schemes: encouraging savings

• Proportion of workforce belonging to a savings scheme

Divisions	Proportion of workforce
Lagardère Publishing	30%
Lagardère Active	71%
Lagardère Services	13%
Lagardère Unlimited	34%
Other Activities	100%
Group total	**30%**

30% of all Group employees belong to an employee savings scheme. In France the percentage is **40%**.

Moreover, **1.49%** of the shares issued by the Group are held by employees, including **0.55%** held through mutual funds.

Free shares: retaining high potential employees

The Group implements a specific policy of profit sharing with employees according to their level of responsibility, performance and results, and seeks to develop a certain degree of loyalty in high potential employees through the regular allocation of shares in the parent company, Lagardère SCA. Until 2006, this allocation took the form of stock options. In 2007, a free share allocation plan was set up (see "Special Reports of the Managing Partners", in Chapter 7, sections 7.3.4 and 7.3.5).

Employee welfare: top-up health insurance, social welfare plans

In France, all Group employees benefit from complementary health and social welfare plans partially funded by the employers. Certain companies also have a special pension scheme for one or more specific categories of employees, in addition to the general pension scheme.

Welfare benefits also exist or are proposed to all employees in other countries, depending on the state systems in place and local practices.

Each entity thus pays social welfare contributions depending on the obligations and practices in force in its country. The figures below cover the entities sold by the Group in 2011, such as the International Magazine Publishing companies, for the period until their disposal (these companies were not however included in the workforce data).

• Employee benefit expenses, in thousands of euros, by division

Divisions	2011	2010	Change
Lagardère Publishing	**80,061**	79,606	455
Lagardère Active	**136,234**	142,865	-6,631
Lagardère Services	**67,706**	63,711	3,995
Lagardère Unlimited	**11,568**	6,831	4,737
Other Activities	**9,823**	12,542	-2,719
Group total	**305,392**	**305,555**	**-163**

• Employee benefit expenses, in thousands of euros, by geographic area

Areas	2011	2010	Change
France	**231,764**	219,441	12,323
European Union	**44,858**	53,253	-8,395
Rest of Europe	**10,877**	8,983	1,894
USA and Canada	**15,717**	19,401	-3,684
Asia-Pacific	**1,717**	3,728	-2,011
Other (Middle East, Africa, Latin America)	**459**	749	-290
Group total	**305,392**	**305,555**	**-163**

The above employee benefit expenses also include contributions to social welfare organisations paid to the staff representative authorities, according to local practices.

Maternity/paternity leave

Divisions	Average days of maternity/paternity leave, per person
Lagardère Publishing	3.9
Lagardère Active	2.79
Lagardère Services	3.9
Lagardère Unlimited	1.38
Other Activities	0
Group total 2011	3.53
2010	2.68
2009	3.1
2008	3.2

The 2010 Reference Document contained an error concerning the average number of days taken for maternity/paternity leave. The correct figure was 2.68, not 1.3. In any case, this figure rose in 2011 (**3.53**), reflecting the efforts of Lagardère group companies to strike a better balance between employees' professional and personal lives.

B.2 PROTECTING HEALTH AND SAFETY AT WORK

The Group's business activities are mainly concentrated in the services sector, where **health and safety issues are of relatively limited importance**. Entities with logistics and distribution activities have a relatively greater "safety culture".

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

Collective action: training and management-workforce dialogue

Regular health and safety training is organised within the Group's individual entities. In 2011 this represented **13,785 hours**, or **1,838 days** (up **30%** on 2010).

Furthermore, health and safety issues were among the subjects most often discussed in the sessions held to promote dialogue between management and employees. **58%** of the workforce is covered by an agreement concerning health, safety and working conditions (stable compared with the 2010 figure), and almost **49%** of the Group's entities have a specific body in charge of health and safety at work, as opposed to 46%[1] in 2010.

Accidents at work: frequency and severity rates[2]

While the efforts deployed paid off in previous years, resulting in a steady decrease in the frequency and severity rate of work-related accidents, the trend was reversed in 2011, with a significant increase in the frequency rate (from 4.65 to **12.97**).

However, the total number of work-related accidents (with sick leave) remained virtually stable in 2011 compared with 2010 (**455** versus 470). With the drastic reduction in the workforce following the sale of Lagardère Active's international businesses (which traditionally count few work-related accidents), the rate automatically shot up considerably.

The severity rate also showed a marked increase (to **0.45** in 2011 from 0.14 in 2010).

Absenteeism due to work-related accidents and sick leave

Divisions	Average days of sick leave, per person	Average days of leave due to accidents, per person
Lagardère Publishing	5.44	0.79
Lagardère Active	6.93	0.22
Lagardère Services	5.78	1.12
Lagardère Unlimited	4.23	0.10
Other Activities	3.82	0.27
Group total 2011	**5.80**	**0.79**
2010[3]	5.53	0.46
2009	5.2	0.4
2008	5.2	0.4

Despite the training and prevention campaigns led by the divisions, the number of days of sick leave for work-related accidents rose sharply in 2011. This was notably the case for Lagardère Services and Lagardère Publishing, whose Distribution businesses are particularly exposed to the risk of accidents, in spite of the considerable resources (38% increase in the number of hours) dedicated to health and safety training in 2011.

Although they are aware that zero risk is impossible, the Group and its subsidiaries go to great lengths to implement all preventive measures pertaining to this particularly sensitive area.

The absenteeism rate due to sick leave remained relatively stable, with a slight increase (**4.7%**) compared with 2010.

(1) Correction to the figure of 18% indicated in the 2010 Reference Document.
(2) Frequency rate = (number of work-related accidents resulting in sick leave x 10)/number of hours worked. Severity rate = (number of days of sick leave x 1,000)/number of hours worked.
(3) Restated 2010 figure: The absenteeism data contained in the 2010 Reference Document was distorted due to a computer error in the calculation of the average number of days of absence. Despite a sharp decline presented in the average number of days of absence due to sick leave or work-related accidents (2.28 in 2010 and 0.01 in 2009), the 2010 figure in fact remained steady from 2009 (with average number of days of absence at 5.53 for sick leave and 0.46 for work-related accidents).

Working hours

The maximum working hours by geographic area were the following:

• Working hours by geographic area

Areas	Maximum number of days worked per year	Maximum number of hours worked per day
France	212	7
Rest of Europe	234	8
The Americas	247	8
Asia	250	8
Other	255	8

These figures correspond to local practices and systematically comply with local laws. The maximum number of days worked in all areas outside France, as well as the maximum number of hours worked per day, is either down (Asia and Rest of Europe) or steady (Americas, other geographic areas).

B.3 PROMOTING EMPLOYEE RELATIONS

Employee relations are an essential component of the Lagardère group's human resources policy, based on the clear principle of seeking a continuous balance between economic and labour issues, at **all levels of the organisation** (entities, divisions and Group).

Group Employees' Committee and European Works Committee

Although it applies the principle of autonomy for the divisions, the Group also aims to promote cooperation and dialogue with employee representative bodies and between the various subsidiaries, in France and the rest of the world.

Two Works Committees have been set up to this end: the European Works Committee, set up in January 2003, and the Group Employees' Committee, set up in January 2002. These two bodies have regular exchanges with Management about the key issues and changes necessary for the Group's business activities.

The Group Employees' Committee comprises 30 members representing employees of the Lagardère group.

The European Works Committee also comprises 30 members who are employees of the Lagardère group in Europe (France currently holds 15 seats, and the remaining 15 seats are held by representatives from six other European countries – Spain, Belgium, Hungary, the United Kingdom, Italy and Germany). Its composition is expected to change in 2012 as a result of the sale of the International Magazine Publishing businesses.

The articles of association of the Group Employees' Committee and the European Works Committee stipulate that each of these bodies must hold an annual meeting. In addition to the plenary sessions, meetings between committee members and Union Representatives may be held if the current situation so requires.

In 2011, the Group Employees' Committee and the European Works Committee predominantly focused on the sale of International Magazine Publishing by the Lagardère Active division. As early as November 2010, a closed meeting took place between the officers of the Group Employees' Committee and the Secretary of the European Works Committee to inform them of the deal and the reasons for the sale. In February and March 2011, both committees met at extraordinary meetings to discuss the planned takeover by the US media group, Hearst.

The representatives of the European Works Committee received first-hand information at these meetings, which were attended by an executive from Hearst who presented the deal and expressed his interest in the Group. These meetings also provided the opportunity for the Lagardère group Management to explain the reasons for the sale and its strategic interest. Three experts were appointed by the European Works Committee to review the deal. These reports were presented to both the European Works Committee and Group Employees' Committee. All countries concerned by the deal were then notified or consulted.

Local employee representation

In 2011, employee representation concerned nearly **82%** of the Lagardère Group's total workforce. This figure shows a strong increase compared to 2010 (72%), due to the sale of the International Magazine Publishing business, which operated in countries with low employee representation, namely Asia. In France, the rate was over **97%**. Employees without representation work in very small entities in which employee representation is not required.

Collective agreements

At 31 December 2011, there were **564** collective agreements in force in the Group (up **4.4%** on 2010), an indication of the vitality of employee relations. These agreements generally concerned remuneration, working hours, social welfare coverage, health and safety, etc.

100 new collective agreements were signed in 2011, a figure that is down compared to 2010 (**16%**).

In France, government requirements regarding negotiation obligations are becoming increasingly strict each year (particularly in 2011 concerning work-related stress and gender equality) and **76** new agreements were signed again this year (versus 77 in 2010). However, the considerable increases seen in Asia and Europe last year did not continue in 2011.

Percentages of the workforce covered by a collective agreement, by type and by geographic area, are indicated in the table below.

• Percentage of the workforce covered by a collective agreement, by type and by geographic area

Areas	Working hours	Health, safety and working conditions	Remuneration	Employee welfare	Training	Other
France	97	60	90	72	38	91
Rest of Europe	59	54	61	53	27	3
The Americas	59	59	59	59	11	0
Asia	11	0	5	13	0	0
Other	86	86	86	86	77	77
Total	72	60	71	62	29	39

Social dialogue at industry level

The Group also belongs to a large number of representative bodies in the media industry, such as press and book publishing unions. In this capacity, it takes part in negotiations with employee representative bodies in France (particularly concerning freelance journalists, entertainment workers and home workers).

In publishing, the Lagardère Publishing division is actively involved in joint negotiations between the French National Publisher's Union and the trade union organisations.

C) ENCOURAGING SKILLS DEVELOPMENT

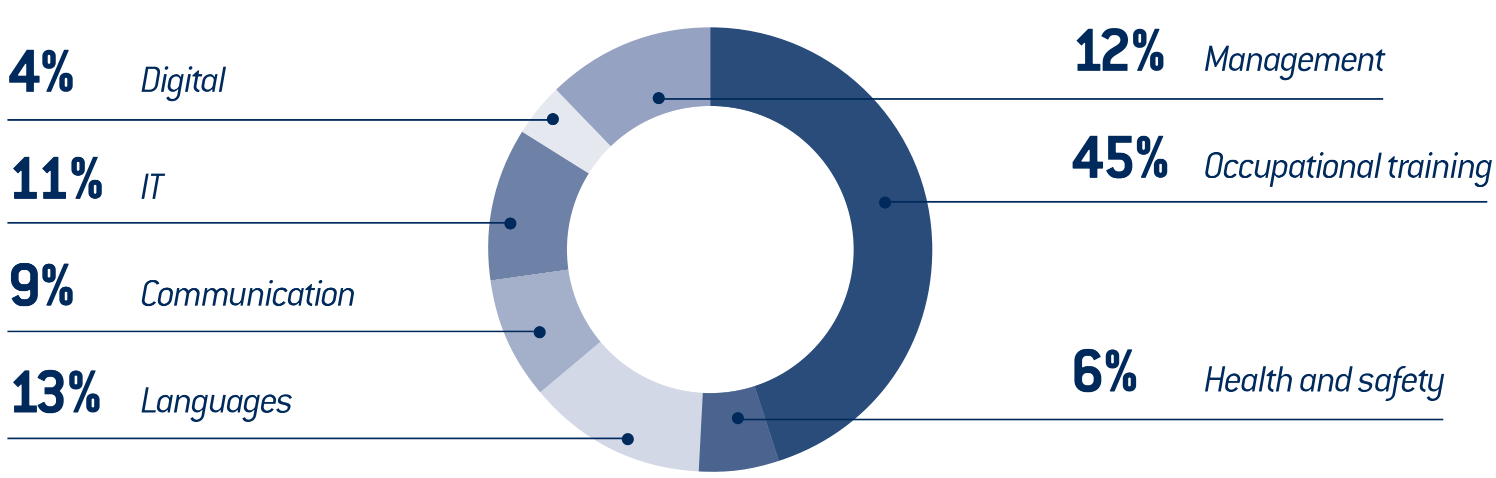
In compliance with the principle of autonomy of the Group's individual divisions, measures for skills development and internal mobility are taken at the level of each entity. However, they all reflect the Lagardère group's commitment to investing in the development of the professional skills and individual responsibilities of staff, and fostering fulfilling career development through increased internal mobility.

C.1 TRAINING

The Lagardère group invested more than **€8,400,000** in training, compared with €9,200,000 in 2010. This decline in reported data results from the sale of International Magazine Publishing but remains relatively low (**8%**) compared with the reduction in the workforce (more than 20%). This is partly due to the boosted efforts of Lagardère Services (up 10% on 2010).

The average training budget per employee came out at more than **€410** in 2011, compared to €339 in 2010. In France, this figure rose to more than **€680** from €600 in 2010, after remaining stable on the previous year.

• Breakdown of training hours by type



2011 was again predominated by occupational training, left unchanged from the 2010 level (**45%**). IT and digital training remained constant, while the proportion of management training was reduced in favour of training in communication and relations.

The Group also strives to build a corporate culture with its managers, and foster development of the key values of creativity, independence, audacity and entrepreneurship. These values are conveyed through the in-house university "Media Campus", which offers training devoted to them.

Two programmes – "Leadership" and "Integration" – provide support to managers and serve to strengthen their management skills.

C.2 ENCOURAGING WORK PLACEMENTS AND APPRENTICESHIPS

Each entity has a well-integrated policy for exchanges with schools and universities, particularly through work placements or work-study programmes.

This type of contract is particularly advantageous for both the Group and the trainees. It allows young people to gain experience in a real business environment over a relatively long period of time (1 to 2 years), while at the same time continuing their basic training and education.

In 2011, Lagardère Group companies welcomed some **1,465** placement students, down considerably due to the sale of the International Magazine Publishing business. The number of placement students remained stable compared to 2010 in the other divisions.

The number of work-study contracts increased further in 2011 (**492** as opposed to 457 in 2010), showing a steady number of work-study contracts at the Lagardère Active division and a substantial rise at the Lagardère Services and Lagardère Unlimited divisions (**50%** and **75%** respectively). This trend primarily applies to France, in line with legislation but also the growing appeal of this system for Group entities.

C.3 PROMOTING INTERNAL MOBILITY

Career management, internal promotion and internal career opportunities involve each entity's management and human resources teams and are essentially the responsibility of each division. For example, annual interviews for assessment and promotion are gradually being introduced systematically throughout the Group.

To help employees define their career plans, information and guidance on mobility is available through the Group's Intranet, which also contains lists of vacant positions within the Group. Employees can create personalised alert message systems for notification when new vacancies of potential interest arise.

In 2011, internal transfers represented over **17%** of the Group's recruitments (internal promotion plus transfers) compared to 12% in 2010.

Although the specific nature of the different entities (business activity and distant geographic locations) may hinder mobility between the divisions, the great improvement between 2011 and 2010 shows that mobility is a topic of importance in the Group's human resource policy. This increase is not an end in itself, and the action taken to organise, facilitate and develop internal transfers will continue to be a priority in the years to come.

5.3.2.2 INFORMATION ON EXTERNAL RELATIONS

Two of the four priorities (Fostering access to information and knowledge and Contributing as a media group to enhancing the social fabric) defined by Lagardère involve concerns related to corporate citizenship, giving rise to six commitments:

- defending the pluralism of news and information and guaranteeing the diversity of our content;
- increasing access to our content for disadvantaged people;
- being attentive to our different audiences;
- encouraging debate on sustainable development;
- making an active commitment to promoting culture and sport;
- showing solidarity and helping new talents to emerge.

These commitments are described in detail in the Sustainable Development Report (Chapter 2, Priorities and Commitments).

The information below concerning relations with subcontractors and suppliers is developed in section 1.4 "Maintaining dialogue with stakeholders" of the Sustainable Development Report.

In the different countries where the Group does business, the divisions take into consideration the territorial impact of their activities in terms of employment and regional development.

This is reflected in the proportion of executives hired locally: 95% across the whole Group.

A) RELATIONS WITH SUBCONTRACTORS AND SUPPLIERS

The Group maintains close relations with its numerous subcontractors and responds to these issues in two ways:

- first of all, for some time it has incorporated ethical, social and environmental criteria into relations with partners, in particular by drawing up a certain number of charters or codes of conduct specific to its entities;
- second, it conducts awareness-raising programmes for partners and monitors and audits their performance levels.

A.1 INCORPORATING THE GROUP'S ETHICAL, SOCIAL AND ENVIRONMENTAL CRITERIA INTO RELATIONS WITH OUR PARTNERS

The criteria in the Sustainable Development Charter, which apply to all foreign subsidiaries, mainly concern:

- respect of the principles defended by the International Labour Organisation (including the prohibition of child labour and all forms of forced or compulsory labour);
- prohibition of illegal employment;
- anti-corruption measures;
- compliance with applicable social welfare regulations;
- existence of risk prevention measures for work safety;
- implementation of a labour policy based on a quality approach;
- respect of the fundamental principles of environmental protection;
- compliance with the environmental legislation in force;
- control of the environmental impact of business activities through the implementation of an environmental policy based on the principle of continuous improvement;
- promotion of the above principles to business partners;
- acceptance that Lagardère may conduct audits in order to verify the application of the principles of this charter, directly or through the services of a third party.

The seventh principle of the Procurement Policy updated by the Group in 2008 addresses the issue of "Compliance with the regulations and legislation in force, and the code of conduct with respect to suppliers". The eighth principle of the Procurement Policy stipulates the "Consistent application of Sustainable Development principles".

Lagardère Active has gradually implemented several procedures to integrate sustainable development objectives into its supplier relations. The calls for tenders launched by the Procurement Department include social and environmental requirements. Companies bidding for contracts also receive a copy of Lagardère Active's Sustainable Development Charter. The selected supplier must adhere to the Charter, which is systematically included in new contracts. In some cases, such as for the magazine manufacturing sector (paper suppliers, printers, binders and transporters), contracts contain sustainable development clauses specific to the market covered.

At **Lagardère Publishing**, the charter (or Code of Conduct) was drawn up in 2007, covering the three components of Sustainable Development. Regarding labour, this charter sets forth the respect of children's rights and human rights. Regarding the environment, the charter obliges providers to respect the environmental laws and regulations in force, adopting a responsible waste management policy and encouraging the use of recyclable paper. Lastly, the charter obliges all suppliers to measure the quality of their products or services, the integrity of their business practices and independence vis-à-vis the employees and representatives of Lagardère Publishing.

The publishers of Hachette Collections have provided all their suppliers and subcontractors with a specific code of conduct reaffirming the fundamental principles of human rights and children's rights.

The Hachette Collections code stipulates that the publishing houses are entitled to verify that these principles are applied by their suppliers and subcontractors and consequently may initiate compliance audits during the term of the contracts on the suppliers' and subcontractors' premises or on any of their production sites. If the code has been breached, sanctions including cancellation of the contract and financial penalties may be applied against the defaulting party.

At **Lagardère Services**, certain specific suppliers manufacturing in Asia have also signed a charter undertaking to respect the same constraints. Regular audits are carried out to check that these requirements are met.

Sustainable development is one of the eight commitments in Relay France's procurement policy, which covers the products used and sold by its sales outlets. Relay stores are currently standardising the use of printers with the Imprim'Vert® label and the sale of organic or fair trade products. Sustainable development is now a factor in the division's choice of suppliers. For example, a company selling fair trade coffee won the bid in the most recent call for tenders launched among coffee suppliers.

This information is also contained in the Sustainable Development Report in the section devoted to stakeholders.

A.2 SUPPLIER/PARTNER AWARENESS RAISING AND THE MONITORING OF PERFORMANCE LEVELS

Lagardère Active is raising supplier awareness of the need for long-term commitment in favour of the environment. Lagardère Active has signed an agreement with Ecovadis, the leading cooperative platform enabling companies to assess the environmental, social and ethical performances of their suppliers all over the world. This solution combines technology with Corporate Social Responsibility (CSR) expertise and provides assessments covering more than 150 purchasing categories and 23 CSR indicators. Ecovadis systematically assesses the suppliers who bid for Lagardère Active contracts, which in 2011 covered multi-technology, multi-service and paper contracts. In 2011, Ecovadis also assessed the 13 largest suppliers of promotional materials (in France and abroad).

Lagardère Publishing conducts a policy of promoting environmental and labour issues with its paper suppliers and printers, both in and outside France, through a certification incentive scheme (see below).

In terms of raising supplier awareness on employee issues, Lagardère Publishing's efforts initially focused on subcontractors operating in countries where labour and environmental legislation is less strict than in Europe.

Outside Europe, 81% of Lagardère Publishing's printers in Asia have already obtained OHSAS 18001 certification (a standard that is recognised the world over for health, safety and working conditions) or have signed a framework agreement including a labour clause. These awareness-raising operations will be continued not only with subcontractors outside Europe, but also with Lagardère Publishing's European printers which currently handle over 80% of the division's printing work. As a result, an increasing number of the Group's French and European printers have signed framework agreements comprising a labour clause or have obtained labour-related certification.

In line with its code of conduct (see above), Hachette Collections carried out 11 compliance audits in 2011. Nine of these audits confirmed the satisfactory compliance of plants, while two audits detected points of non-compliance. These points have since been rectified and the plants were confirmed compliant following a second audit. All of the plants that have been audited are now compliant.

B) RELATIONS WITH SOCIETY IN GENERAL

In addition to the work of the Jean-Luc Lagardère Foundation and the Elle Foundation, all Group subsidiaries and brands advanced in their solidarity and partnership initiatives in 2011. This involvement is described in the Sustainable Development Report.

In 2011, the Lagardère group and its subsidiaries donated a total of more than €4 million.

In 2011, facilities were provided free of charge by Lagardère Active's media to support important solidarity causes, representing the equivalent of €4.6 million, about 20% more than in 2010. The disaster in Fukushima and the famine in the Horn of Africa accounted for most of this increase.

The **Jean-Luc Lagardère Foundation**, which celebrated its twentieth anniversary in 2009, is central to the Group's relations with society in general. The Jean-Luc Lagardère Foundation exists to implement Lagardère's commitment in the fields of culture, solidarity and sport; its ambitions are to boost confidence, promote excellence and foster social cohesion.

Every year the Jean-Luc Lagardère Foundation awards bursaries to young talents in the world of culture and the media. Since it was created, 206 winners (including fourteen new winners in 2011) have received a total of €4,630,000, including €260,000 in 2011.

In addition to these awards, the Foundation's other initiatives in 2011 are discussed in the Sustainable Development Report. Its partnerships with Studio 13/16 in the Centre Georges Pompidou and the Institut d'Études Politiques (IEP) in Paris for high-level sports training were continued. In June 2011, fourteen athletes were awarded a certificate for successfully completing the programme. The objective is to provide them not only with a grounding in basic culture but also training so that they can more easily pursue their careers in the future.

At Lagardère Active, the **Elle Foundation** created in December 2004 is an extension of the original idea behind *Elle* magazine: *"To support the advancement, the emancipation and the role of women in our society"*. Since it was set up, the Foundation has sponsored more than 45 projects promoting women's education in France and other countries worldwide. Six new projects were initiated in 2011: two in France and the others abroad (India, Morocco, Senegal and the Democratic Republic of the Congo).

In addition, Lagardère Active also put in place a volunteer programme for employees to support solidarity projects run by the Elle Foundation and the Solidarity Department. Seventy employees took part in solidarity projects in 2011, either on a one-off or a longer-term basis, mainly to work with journalism students or under-privileged journalists.

At Lagardère Publishing, Hachette and Hatier are involved in *Savoir Livre*, an organisation which works with the French National Education authority and the Books and Reading Department of the Ministry of Culture. In 2011, Hachette Livre was the exceptional sponsor to PEN International in New York. Hachette Livre is a founding member of the global PEN International Publishers' Circle, defending freedom of expression, especially for persecuted writers.

Regarding **vocational integration organisations**, the Lagardère group furthered its partnership in 2011 with the organisation *Nos quartiers ont des talents*, which helps young people from difficult areas to gain an initial foothold in the job market (see section 5.3.2.1 A-3).

Regarding **educational establishments**, along with its close relations with the Institut de Études Politiques in Paris, the Lagardère group works in partnership with several universities to hire young people on alternate work/study contracts.

The Sustainable Development Report discusses the partnerships led by the Group's divisions.

Lagardère Active's media are also involved in promoting young talents. The Sunday newspaper *Le Journal du Dimanche* (JDD), with the school of journalism at the Institut d'Études Politiques, organises a best written portrait competition. The prize is a 4-month work placement in the copy room of the newspaper, and publication on the newspaper's website. The Grand Prix Paris Match for photojournalism is awarded to four students, with the winner's work published in the magazine. In September 2011, Europe 1 launched the *Talents Europe 1 2012* contest to find new musical talent.

Regarding **environmental protection organisations**, the Lagardère Services subsidiary renewed its partnership with the WWF in 2011 as part of the HDS Digital electronic news-stand. At Lagardère Active, in its development of the *Gulli Ma planète* label, the children's television channel Gulli also renewed its partnership in 2011 with the organisation *Planète Urgence* (Planet Emergency).

5.3.2.3 ENVIRONMENTAL INFORMATION

Lagardère is a media corporation, with a highly diversified range of business activities mainly in the services sector, and this tends to moderate its direct industrial and environmental risks (a presentation of the management of industrial and environmental risks related to the Group's business activities is given in Chapter 3, section 3.5.1). Certain environmental disclosure requirements in the French Commercial Code (*Code de commerce*) are more specifically aimed at industry (disclosures on discharge into the air and soil, for example, or noise and odour pollution), and do not apply directly to the Group.

However, Lagardère is well aware that its status as a media corporation in no way exempts it from sound environmental awareness, particularly related to its business sector, and it strives to extend these environmental concerns to all its subsidiaries outside France.

"Developing business activities in an environmentally friendly way" is the Lagardère group's second priority. This entails limiting its greenhouse gas emissions, preserving biodiversity and anticipating the scarcity of natural resources.

This priority is illustrated by three commitments:

- ensuring responsible and efficient management of paper;
- streamlining transport;
- incorporating environmental concerns into the organisation of our activities.

A) RESPONSIBLE PAPER MANAGEMENT

This responsibility is effective throughout the lifecycle of the paper.

It begins with the purchase of the paper.

In 2011, the Group bought approximately 263,000 tonnes of paper for the Lagardère Publishing and Lagardère Active divisions. This drastic decrease on the 2010 figure results from the sale of International Magazine Publishing in 2011.

The Sustainable Development Report explains the Lagardère group's goals and actions in this domain, such as increasing the proportion [1] of paper originating from sustainably managed forests [2] and using recycled paper whenever possible [3].

In 2011, pulp from certified forests and recycled pulp together accounted for more than 72.5% of the total for all types of paper purchased by Lagardère Publishing (see certifications below).

The experimental printing of publications for the general public on recycled paper, which began in 2009, continued in 2011 with the collections "*Guides Évasion*" and "*100% Durable*".

HFA, Lagardère Active's magazine publishing company, was awarded PEFC certification, reflecting its approach implemented in 2010: at the end of 2011, 100% of the paper purchased by Lagardère Active and 99.5% of inventories were certified from sustainably managed forests. The rollout procedure is discussed in the Sustainable Development Report.

Lagardère Publicité, a subsidiary of Lagardère Active, conducted a review on the source of paper used for advertising inserts provided by advertisers. Inserts produced by Lagardère Publicité are printed on PEFC-certified or recycled paper, but this is not always the case for inserts supplied by advertisers. The study provided not only an overview of the paper used by advertisers but also a means of raising their awareness to the importance of paper sourcing and offering the expertise of Lagardère Publicité's manufacturing teams on gradually shifting towards paper from sustainably managed forests.

Responsible paper management continues during the manufacture of the paper itself, magazines and books, particularly with the measures taken to optimise production.

The Sustainable Development Report delves further into the measures taken.

It ends when the paper's lifecycle ends, with the action instigated both to reduce the rate of returns and recycle the remaining books and magazines.

In 2011, the average rate of returns for magazines in France was estimated at 42.1%. During this same period, the rate of returns at Lagardère Active was 33.1% or 9 points below the national average. As far as the processing of returns is concerned, on average, 90% of the returns generated by the press distribution system for newsstand sales in France are recycled, and the remaining 10% are returned to the publishers at their request. At Lagardère Active, the recycling rate is higher: approximately 97% of unsold magazines are recycled and only 3% are returned to the publishers. Outside France, the proportions are similar, with 100% of the unsold copies not returned to the publishers by Lagardère Services' distribution companies recycled.

(1) An overview of certifications is provided below in this document.
(2) Among other things, the report explains the extent to which sustainable forest management contributes at this stage to reducing the threat to ecological balance, unspoilt areas and protected animal and plant species.
(3) Since 2009, *Le Journal du Dimanche* has been printed entirely on recycled paper, and Lagardère Publishing now uses almost 4% recycled pulp.

B) STREAMLINING TRANSPORT

Transport generates high levels of greenhouse gases and is a critical environmental concern for the Lagardère group. Transport is used in the manufacturing and distribution of newspapers, magazines and books.

Lagardère Active continuously strives to optimise transport in the manufacturing cycle by working with paper suppliers, printers, binders and transporters and emphasising transport methods that emit less CO_2 (train or boat, where possible). Since January 2011, the entire production of *Psychologies magazine* has been transferred from Germany to France. A larger number of printers can work with the new format of *JDD* launched in March 2011, thus optimising logistics with printers closer to distribution areas. Operating on Reunion Island since September 2011, *JDD* is now printed locally using a digital technique instead of transporting newspapers printed on the continent to the island. In distribution, by substituting delivery subscriptions with post subscriptions for some Group magazines, distribution was centralised with local magazines and regional delivery networks were used.

Lagardère Publishing outsources the distribution of books to transport firms which optimise the delivery rounds – and therefore the kilometres covered – in accordance with the constraints imposed by customers.

At Lagardère Services, LS distribution covers all of the Press Distribution businesses. The European wholesale distribution subsidiaries (AMP, SGEL, Lapker and Naville) together cover almost 50 million kilometres a year to transport magazines from the printers to the vast network of sales outlets, mainly in lorries. Transport is a major concern for LS distribution. There are several ways of streamlining transport: optimising delivery routes, reducing the kilometres covered through eco-driving and environmentally friendly vehicles. LS distribution regularly optimises its delivery routes to reduce the number of kilometres covered. In Switzerland, Naville Presse provided its drivers with eco-driving lessons, resulting in a fuel economy of 13,000 litres per year. Some subsidiaries are currently experimenting with new electric and hybrid vehicles, planning to eventually adopt them permanently. Natural gas cars are being tested at Naville, while AMP in Belgium now uses green-energy company vans and cars. SGEL bought 18 EURO 4-certified vans for press distribution in Madrid.

C) INTRODUCING ENVIRONMENTAL CONCERNS INTO THE ORGANISATION OF OUR BUSINESS ACTIVITIES

C.1 UPDATE OF CARBON AUDITS

Lagardère Active and Lagardère Publishing were the first divisions of the Group to carry out carbon audits, using the proprietary *Bilan Carbone®* method. In 2011, Lagardère Services joined them by performing a carbon audit of Relay France in anticipation of the requirements of Article 75 of France's Grenelle 2 law of 12 July 2010 on environmental standards.

At **Lagardère Publishing,** in line with the action plan approved following the carbon audit of Hachette Livre France, two new measures were to be deployed in 2012 that would directly impact employees. The Technical Department will indicate the cost in both euros and CO_2 on each quote so that publishers can also take this factor into account.

Group publications will also be labelled with a symbol indicating whether the fibres are certified or recycled along with the individual carbon cost from its manufacture and upstream transport.

Lagardère Active conducted its second carbon audit in 2011 with the firm Carbone 4 (the first was performed in 2008). The review covered its entire scope (France and abroad). Each of its media – Magazine Publishing, Radio, Television, Digital – was broken down by managerial responsibility to make results easier to apply. Certain areas were developed further than in the first carbon audit, such as the foreign Radio businesses, Audiovisual Production, diversification businesses, the impact of paper selection and the breakdown of emissions per magazine.

For Magazine Publishing, emissions are essentially produced by its manufacturing and distribution processes, upstream from publishing. The CO_2 emissions produced by an average copy of a magazine amount to 490g CO_2-eq. (as opposed to 550g three years ago), an encouraging 10% reduction.

Excluding reception devices (radios, televisions, computers and tablets over which Lagardère Active has no direct influence), the other businesses (Radio, Television, Digital) account for half of Magazine Publishing's CO_2 emissions. However, electronic equipment should not be overlooked as it produces considerable CO_2 emissions that have been rising sharply over the past few years. The increasing number of devices, their renewal rate and the amount of information sent and stored on servers are all important factors.

In addition to the actual figures, the advantage of the new *Bilan Carbone®* method lay in the volume of information gathered, which reinforced the initial benchmark. New areas of improvement were defined for the broadcasting sector in 2011, while initiatives already in place in the Magazine Publishing sector were furthered.

At **Lagardère Services,** the Relay France group enlisted the services of Bureau Veritas in 2011 for its carbon audit, which covered three initial stores that represent the Group's operations.

The assessment showed that the products available for sale in Relay stores account for most of the greenhouse gas emissions, with the end of the lifecycle of products sold ranking second.

Based on the results of the carbon audit, the Relay France group is pursuing and stepping up its efforts to reduce its energy consumption. Relay France also implemented a sustainable procurement policy and pressed forward with its scheme to provide customers with plastic bags on request only and its optimised transport management.

Similar measures were taken by the German subsidiary HDS Retail Deutschland.

C.2 MONITORING ENERGY CONSUMPTION

In 2006, the Group incorporated certain environmental data items concerning **water and energy consumption** into its financial data consolidation system.

Within the Group, managing and reducing water consumption is only truly applicable to one of the companies, Lagardère Paris Racing, which manages the Croix Catelan site in the Bois de Boulogne. As part of its Environmental Management System and the ISO 14001 certification of the Croix Catelan site, Lagardère Paris Racing implemented a global environmental performance approach that covers a number of areas, including two major water issues: maintaining the two pools and green spaces.

Water management is not a strategic issue for the other Group entities as water is not used in any maintenance or production processes.

The data below for 2011 covers 100% of Lagardère's consolidated subsidiaries, totalling 414 companies, with the following breakdown:

Lagardère Publishing > 93

Lagardère Active > 133

Lagardère Services > 84

Lagardère Unlimited > 77

Other Activities > 27

Consumption included in certain site overheads (representing a relatively small number compared to the number of companies consolidated) and not itemised is estimated according to the type of premises and the number of occupants concerned. To ensure consistency in the consolidated data, internal reinvoicing between consolidated companies is not taken into account: the relevant data is entered once only, by the business unit that receives the invoice from the service company.

The Group has decided again this year to present the amount of CO_2 emissions relative to its tertiary energy consumption (consumption by offices and other premises occupied by the Group's employees), not only globally and consolidated at Group level (table 1: 100% of subsidiaries covered), but also with a breakdown by country (table 2). There are several reasons for this:

- to show more rigour and transparency in calculating the CO_2 equivalence of electricity, as the CO_2 emission factors differ from one country to another (because the way electricity is produced depends on the country concerned);
- to give a better representation of Lagardère's consumption levels (and the associated CO_2 emissions) depending on the geographical site.

The table of the Group's consumption levels and CO_2 emissions by country (table 2) covers 94% of the Lagardère group's workforce and 88.4% of the consolidated net sales.

Lastly, it was also decided to make a specific table of consumption levels for each division in France (table 3), which represents approximately 43% of the Group's total workforce and slightly more than one third of consolidated net sales.

The method for calculation and conversion to carbon equivalents uses the emission factors proposed by the 2010 update (version 6) of ADEME's Carbon database. Carbon equivalences for gas and oil consumption include emissions upstream of these two types of energy.

• Table 1: The Group's energy consumption and CO_2 equivalents, by division in 2011

Divisions	Year	Water (m^3)	Electricity (kWh)	Mt CO_2	Recycling and/or cogeneration (kWh)	Mt CO_2	Gas (kWh)	Mt CO_2	Oil (litres)	Mtt CO_2	Total MtCO_2
Lagardère Publishing	**2011**	77,012	39,390,036	13,438	3,575,130	697	25,619,930	5,946	938,381	2,761	22,842
	2010	82,796	40,524,000	13,555	1,935,277	377	27,438,100	6,368	971,437	2,858	23,158
Lagardère Active	**2011**	42,348	31,038,524	8,785	1,629,000	318	3,240,554	752	290,476	855	10,710
	2010	69,115	46,485,167	15,419	2,218,000	433	4,514,183	1,048	356,017	1,048	17,948
Lagardère Services	**2011**	462,468	95,248,665	28,663	605,511	118	19,898,504	4,618	1,230,984	3,622	37,021
	2010	409,002	91,540,123	26,742	373,631	73	19,663,711	4,563	1,392,387	4,097	35,475
Lagardère Unlimited	**2011**	148,455	5,930,295	1,621	1,690,607	330	7,021,696	1,630	8,660	25	3,606
	2010	10,108	2,653,143	920	85,000	17	667,172	155	7,160	21	1,113
Other Activities	**2011**	6,313	4,622,510	393	460,600	90	2,390,321	555	3,257	10	1,048
	2010	151,773	6,997,781	595	2,609,300	509	8,297,422	1,926	2,557	8	3,037
Total	**2011**	**736,596**	**176,230,030**	**52,900**	**7,960,848**	**1,553**	**58,171,005**	**13,501**	**2,463,098**	**7,273**	**75,227**
	2010	722,794	188,200,214	57,231	7,221,208	1,409	60,580,588	14,060	2,729,558	8,032	80,732

The Group's energy consumption levels in 2011 were therefore the following:

- Water: 736,596 m^3
- Electricity: 176 GWh
- Gas: 58.2 GWh
- Oil: 2.5 million litres
- Recycling of domestic waste and/or combined heat and power production (cogeneration): 7.96 GWh.

Altogether, these consumption levels are equal to slightly more than 75,000 tonnes of CO_2 equivalent. This figure is down slightly on the previous year, primarily due to the change in the reporting scope, especially in the Lagardère Active division with the sale of IMP in early 2011. The division also recorded a drop in electricity consumption.

Water consumption levels fluctuated drastically between 2010 and 2011 in the Lagardère Unlimited division (10,108 m^3 in 2010 compared with 148,455 m^3 in 2011) and for Other Activities (151,773 m^3 in 2010 compared with 6,313 m^3 in 2011). This is simply a result of the transfer of Lagardère Paris Racing Ressources, which manages the Croix Catelan site, from Other Activities to Lagardère Unlimited.

• Table 2: The Group's energy consumption and CO_2 equivalents, by country

Countries	Water (m^3)	Electricity (kWh)	Mt CO_2	Recycling and/or cogeneration (kWh)	Mt CO_2	Gas (kWh)	Mt CO_2	Oil (litres)	Mtt CO_2	Total MtCO_2
France	219,734	60,761,283	5,165	7,075,324	1,380	21,351,633	4,955	297,478	876	12,376
Spain	27,497	10,936,882	3,828	-	0	2,969,004	689	286,744	844	5,361
USA	111,172	13,999,585	7,826	-	0	11,865,362	2,754	6,019	18	10,598
Belgium	14,399	15,027,076	3,907	-	0	8,273,389	1,920	289,355	851	6,678
Switzerland	36,334	3,672,532	95	390,700	76	59,830	14	151,600	446	632
United Kingdom	11,146	10,076,137	5,089	90,000	18	2,632,767	611	250,048	736	6,453
Hungary	15,660	8,344,707	2,871	-	0	4,649,814	1,079	268,820	791	4,741
Poland	824	3,637,127	2,397	-	0	-	0	220,638	649	3,046
Australia	10,417	6,803,145	6,266	-	0	-	0	-	0	6,266
Germany	54,721	11,675,332	4,717	90,013	18	665,000	154	75,700	223	5,111
Canada	196,888	11,808,316	2,173	-	0	908,088	211	65,626	193	2,577
Czech Republic	6,651	7,458,581	3,931	122,459	24	562,213	131	58,821	173	4,258
Total	**705,443**	**164,200,703**	**48,263**	**7,768,496**	**1,515**	**53,937,100**	**12,518**	**1,970,849**	**5,800**	**68,095**

This table shows how much the carbon produced by electricity can vary depending on the country where it is produced. To illustrate this point, electricity consumption in France is six times higher than in the United Kingdom, but the countries register a very similar CO_2 equivalent (5,165 and 5,089 respectively).

• Table 3: The Group's energy consumption and CO_2 equivalents, in France

Divisions	Water (m^3)	Electricity (kWh)	Mt CO_2	Recycling and/ or cogeneration (kWh)	Mt CO_2	Gas (kWh)	Mt CO_2	Oil (litres)	Mtt CO_2	Total MtCO_2
Lagardère Publishing	36,907	13,274,080	1,128	3,475,130	678	9,747,314	2,262	291,921	859	4,927
Lagardère Active	35,337	14,118,668	1,200	1,629,000	318	2,639,111	612	800	2	2,133
Lagardère Services	1,155	25,904,123	2,202	-	0	210,021	49	-	0	2,251
Lagardère Unlimited	140,022	2,841,902	242	1,510,594	295	6,364,866	1,477	1,500	4	2,018
Other Activities	6,313	4,622,510	393	460,600	90	2,390,321	555	3,257	10	1,048
Total	**219,734**	**60,761,283**	**5,165**	**7,075,324**	**1,380**	**21,351,633**	**4,955**	**297,478**	**876**	**12,376**

Under the Group's ambition to **increase use of low-carbon emission energy sources**, the premises of the Parisian head office of Lagardère Publishing are heated by Compagnie Parisienne de Chauffage Urbain (CPCU). 63% of the energy supplied by CPCU comes from natural gas or gas produced by cogeneration (28%) and recycled domestic waste (35%). Lagardère Active's Europa building in Levallois is heated by the Levallois Energie Maintenance (LEM) and is comparable to the Paris system.

The same applies to the head office of the Lagardère group, which opted for this same energy mix several years ago to heat one of its two sites (both in Paris), accounting for 17% of its heating consumption.

Lagardère Services reduced energy consumption at its sales outlets in France through the implementation of a certain number of measures. In 2011, initiatives continued to design the most eco-efficient stores possible, in particular reducing energy consumption.

Relay also incorporates High Environmental Quality (HQE) construction data into its building projects, such as the use of heat recovery ventilators, cutting energy consumption by 35%, for example at the Purpan Hospital in Toulouse or Cochin Hospital in Paris.

As part of a vast energy-efficiency plan, AMP took out subscriptions from suppliers with green certificates for all of its Belgian sites. AMP also installed a large-scale solar power system at its Mollem site.

At its new 35,000 m^2 warehouse, LMPI decided to revamp the entire electrical system, investing in a new system to reduce electricity consumption by 20% to 35%.

C.3 WASTE MANAGEMENT

The wide disparity in situations and local constraints leads the divisions to conduct local improvement operations, while making use of the Group's exchanges of best practices.

In the course of 2011, Lagardère Active rolled out a waste sorting system for its establishments in the Paris area to increase the volume of recyclable materials collected (primarily paper) and ultimately reduce the volume of waste. Thanks to a local paper recycling system set up between the Levallois facilities and a paper supplier, about 270 tonnes of high-quality paper was recycled, considered valuable in the paper industry.

At Lagardère Services, Relay France minimises its waste production:

- a waste sorting system was introduced at the head office;
- the Garonor warehouse uses recycled cardboard for its business and outsources the treatment and recycling of cardboard and plastic wrapping.

LMPI in North America set up a new distribution chain to permanently replace cardboard packaging with a lighter, recyclable plastic film. This measure reduced the weight of packaging by 80% and its carbon footprint for transport.

As part of the ISO 14001 certification of the Croix Catelan site, considerable focus went to improving the waste sorting system. Waste is sorted into green waste, hazardous waste, non-hazardous industrial waste and WEEE and is collected by different organisations depending on type. The waste collected from the Croix Catelan site breaks down as follows for 2011:

- 315 m^3 of green waste
- 1.4 tonnes of hazardous waste
- 510 m^3 of NHIW
- 140 kg of WEEE

C.4 CERTIFICATION PROCESSES

ISO 14001 and ISO 9001 certification

- La Croix Catelan site obtained ISO 14001 certification in December 2009 and carried out its second follow-up audit in December 2011. In addition to the measures taken for this certification and those already mentioned above, the Croix Catelan site also included a biodiversity factor, which mainly entails gradually increasing the number of trees and planted areas. As for water conservation, biodiversity issues only apply to this specific entity within the Lagardère group, as the Group's other businesses are purely service-related.
- In 2011, 70% of the initial target set for increasing the number of trees was met, with 12 trees planted out of the 17 planned.
- Lagardère Publishing continued its efforts to encourage its partners to initiate ISO 14001 environmental certification procedures. To date, 98% of the paper bought by Lagardère Publishing in France comes from ISO 14001-certified factories (compared to 97% in 2010, 92% in 2009, 95% in 2008, 90% in 2006 and 80% in 2005).
- The Matra Manufacturing & Services electric vehicle manufacturing site in Romorantin (Loir-et-Cher department, France) renewed its ISO 9001 certification (obtained in 2008) and ISO 14001 certification covering the eco-design, assembly and distribution of Light Electric Vehicles.
- Since 2009, all French printers selected by Lagardère Active have obtained the Imprim'Vert quality label or ISO 14001 certification. At Lagardère Publishing, 44% of printers worldwide were ISO 14001-certified in 2010.

FSC or PEFC certification

At Lagardère Publishing, the proportion of paper manufactured with pulp made from wood from FSC or PEFC-certified sustainably managed forests has continued to increase, from 35% in 2005 to 50% in 2006, reaching 65% in 2008 and 70% in 2010.

In 2011, pulp from certified forests and recycled pulp together accounted for 72.5% of the total for all types of paper purchased by Lagardère Publishing [1].

At the beginning of 2010, Lagardère Active instigated a certification process for the paper control chain. HFA, Lagardère Active's magazine publishing company, was awarded PEFC certification in early 2011. It was then extended to each copy room so that the certification logo could be included in the magazine's masthead. About fifteen magazines had been certified by the end of 2011. The Sustainable Development Report elaborates further on the certification procedure.

C.5 AWARENESS-RAISING OPERATIONS

The Lagardère group implemented a growing number of these operations in 2011, which took various forms: CSR awareness seminar for the Group's Human Resources departments, half-day training for Hachette Livre publishers, forum on the sustainable development projects implemented by Lagardère Active for all employees who also took online training on climate change and carbon audits. Additional details on these programmes are provided in the Sustainable Development Report.

C.6 ECOLOGICAL INITIATIVES FOR NON-MEDIA ACTIVITIES

In addition to the policies aimed at enhancing control and reducing the environmental impact of its business activities, through its subsidiary Matra Manufacturing & Services, the Group has been involved since 2006 in the development, manufacture and European distribution of electric propulsion vehicles (electric bicycles and scooters, light electric quadricycles).

In 2011, Matra Manufacturing Services delivered its second order of Quadéos to the French Post Office, for a total of 95 small electric vehicles now used for deliveries. In December, MMS also presented Bat'Lib, the first system of battery charging and distribution stations for electric scooters.

The first sustainable mobility days were organised in September for Matra Manufacturing Services employees, which also followed up on the experimental "*Île d'Yeu territoire exemplaire*" project, an electric vehicle rental system implemented for the island's busy summer tourism season.

(1) Until 2009, the proportion of recycled pulp used was close to 0. In 2011, thanks to the action undertaken in connection with the carbon audit, the proportion is now 4%.

• Cross-reference index with Articles R. 225-104 and R. 225-105 of the French Commercial Code

Information	Subject	Paragraph	Section
Labour	Employment	Total workforce and breakdown of employees	5.3.2.1-A1
		Recruitments and redundancies/dismissals	
		Remuneration and salary increases	5.3.2.1-B1
	Organisation of working hours	Organisation of working hours	5.3.2.1-B2
		Absenteeism	
	Employee relations	Organisation of employee relations	5.3.2.1-B3
		Summary of collective agreements	
	Health and safety	Health and safety conditions at work	5.3.2.1-B2
		Summary of health and safety agreements entered into	
		Frequency and severity of work-related accidents and sick leave	
	Training	Policies implemented	5.3.2.1-C1
		Total number of training hours	
	Equal opportunities	Measures taken to promote gender equality	5.3.2.1-A3
		Measures taken to promote the employment and integration of disabled persons	
		Anti-discrimination policy	
	Promotion of and compliance with the ILO fundamental conventions	Respect and freedom of association and right to collective bargaining	5.3.1.2
		Elimination of discrimination in respect of employment and occupation	
		Elimination of forced or compulsory labour	
		Effective abolition of child labour	

Information	Subject	Paragraph	Section
Environmental	General policy	Organisation of the company and assessment and certification processes	5.3.1.1 and 5.3.2.3-C4
		Employee information and training initiatives	5.3.2.3-C5
		Measures taken to prevent environmental risks and pollution	7.4.1.5-C7
		Amount of provisions and guarantees set aside for environmental risks	
	Pollution and waste management	Measures taken to prevent, reduce and clean up discharge into the air, water and soil	5.3.2.3 (introduction)
		Measures taken to prevent, recycle and eliminate waste	5.3.2.3-C3
		Mitigation of noise or other forms of pollution related to a business activity	5.3.2.3 (introduction)
	Use of sustainable resources	Water consumption and supply in accordance with local constraints	5.3.2.3-C2
		Consumption of raw materials and measures taken to improve efficiency of use	5.3.2.3-A&B
		Energy consumption, measures taken to improve energy efficiency and use of renewable energy	5.3.2.3-C2
		Land use	5.3.2.3 (introduction)
	Climate change	Greenhouse gas emissions	5.3.2.3-C1&C2
	Climate change	Adaptation to the consequences of climate change	5.3.2.3-C1&C2
	Preservation of biodiversity	Measures taken to preserve and develop biodiversit	5.3.2.3-C4
Social	Territorial, economic and social impact of the company's activities	Regional employment and development	5.3.2.2 (introduction)
		Resident or local populations	
	Relations with people or organisations with an interest in the company's activities	Relations with these people or organisations	5.3.2.2-B
		Partnership or sponsorship operations	
	Subcontractors and suppliers	Recognition of social and environmental issues in the procurement policy	5.3.2.2-A1
		Importance of subcontracting and recognition of subcontractors' and suppliers' corporate social responsibility in relations with them	5.3.2.2-A2
	Fair business practices	Action undertaken to prevent corruption	5.3.1.2
		Measures taken to ensure consumer health and safety	5.3.1.2
	Other action undertaken to promote human rights	-	5.3.1.2

CHAPTER 6

Net assets
Financial position
Results

6.1 PER SHARE DATA, DIVIDEND POLICY AND SHARE PERFORMANCE

6.1.1 PER SHARE DATA

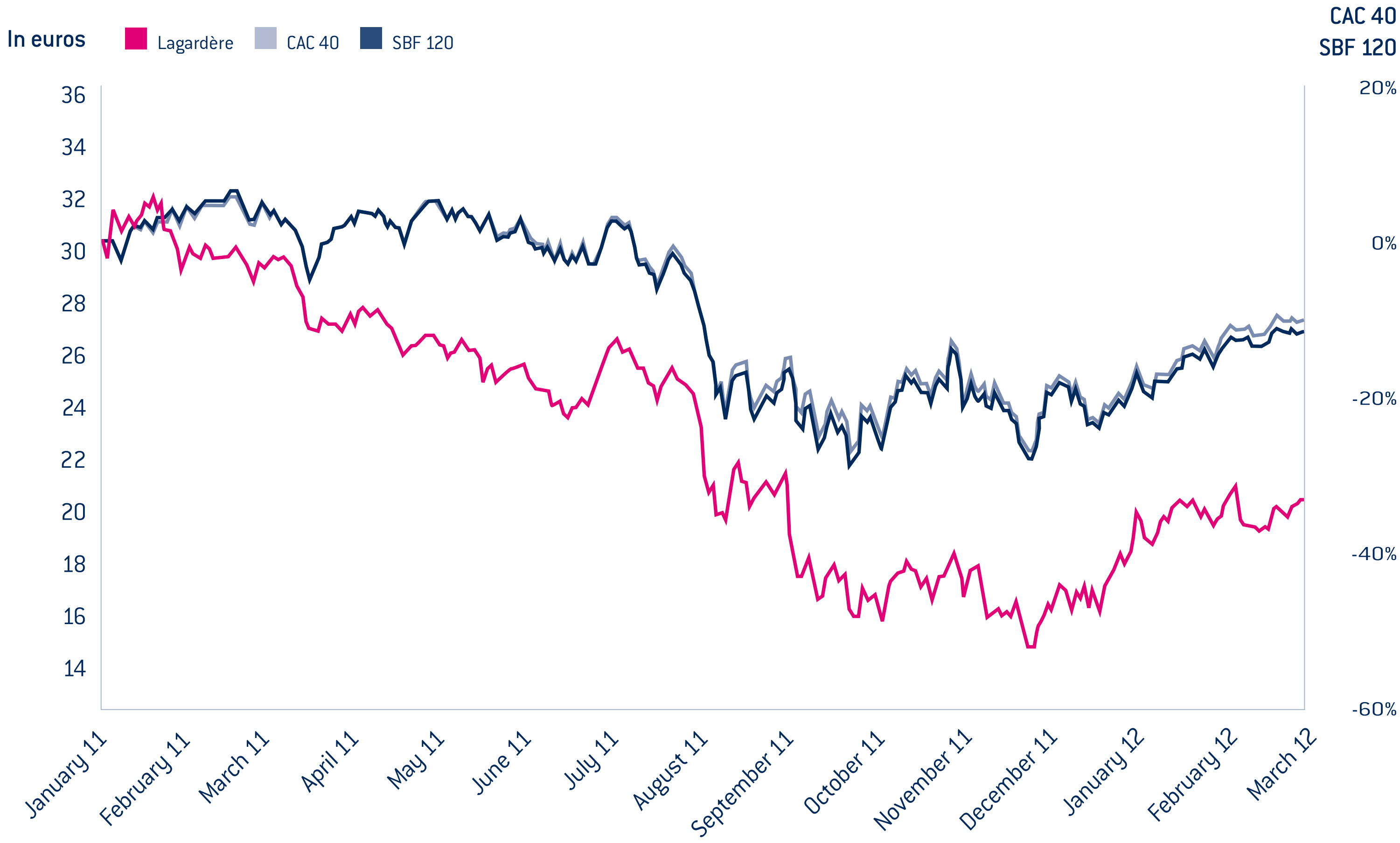
	2011		2010		2009	
(in euros)	**Basic**	**Diluted[1]**	Basic	Diluted[1]	Basic	Diluted[1]
Profit (loss) attributable to owners of the Parent, per share	**(5.56)**	**(5.56)**	1.29	1.27	1.08	1.07
Equity attributable to owners of the Parent, per share	**23.18**	**22.94**	30.61	30.32	31.18	31.04
Cash flow from operations before change in working capital, per share	**4.69**	**4.64**	4.65	4.60	5.17	5.14
Share price at 31 December	**20.40**		30.83		28.41	
Dividend	**1.30** [2]		1.30		1.30	

(1) The method used to calculate diluted earnings per share is described in note 15 to the consolidated financial statements.
(2) Dividend to be approved by the Annual General Meeting on 3 May 2012.

6.1.2 DIVIDEND POLICY

Total dividends paid for the years 2008, 2009 and 2010 amounted to €164.9 million, €165.1 million and €165.1 million respectively. These dividend payouts represented 27.8%, 120.7% and 101.1% of profit attributable to owners of the Parent in those same three years.

6.1.3 SHARE PERFORMANCE SINCE JANUARY 2011



Source: Nyse Euronext

6.2 ANALYSIS OF THE LAGARDÈRE GROUP'S FINANCIAL POSITION AND RESULTS

6.2.1 GENERAL INFORMATION

	2011	2010
Net sales	**7,657**	7,966
Profit (loss) before finance costs and tax	**(489)**	343
Finance costs, net	**(95)**	(82)
Income tax expense	**(105)**	(67)
Profit (loss) for the year	**(689)**	194
Attributable to:		
– Owners of the Parent	**(707)**	163
– Minority interests	**18**	31

The Lagardère group's consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), as described in note 1 to the consolidated financial statements – Accounting principles.

The Lagardère group's business is carried out through (i) the four operating divisions which form Lagardère Media, (ii) the Group's interests in EADS and Canal+ France, and (iii) "Other Activities", corresponding to activities not directly related to the operating divisions.

6.2.2 LAGARDÈRE MEDIA

Lagardère Media includes the operations of the four divisions Lagardère Publishing, Lagardère Active, Lagardère Services and Lagardère Unlimited. The Group's 20% stake in Canal+ France is no longer included within Lagardère Media and is presented separately in section 4 below.

• Income statement

	2011	2010
Net sales	**7,657**	7,966
Recurring operating profit before associates (*)	**414**	468
Income from associates	**33**	22
Non-recurring items	**(608)**	(102)
Amortisation of acquisition-related intangible assets and expenses	**(84)**	(34)
Profit (loss) before finance costs and tax	**(245)**	354
Finance costs, net	**(44)**	(46)
Profit (loss) before tax	**(289)**	308

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

• Cash flows

	2011	2010
Cash flows from operations before changes in working capital	**607**	656
Changes in working capital	**(165)**	48
Cash flows from operations	**442**	704
Interest paid and received and income taxes paid	**(191)**	(188)
Net cash provided by operating activities	**251**	516
Cash used in investing activities	**(335)**	(270)
– Intangible assets and property, plant and equipment	***(237)***	*(214)*
– Investments	***(98)***	*(56)*
Proceeds from disposals	**840**	74
– Intangible assets and property, plant and equipment	***26***	*10*
– Investments	***814***	*64*
(Increase) decrease in short-term investments	**21**	(29)
Net cash provided by (used in) investing activities	**526**	(225)
Total cash provided by operating and investing activities	**777**	291
Capital employed(*)	**2,485**	3,067

(*) Non-current assets less non-current liabilities (excluding debt) and working capital.

Income statement

Consolidated net sales came to €7,657 million in 2011, down 3.9% as reported but up by 0.2% based on a constant Group structure and exchange rates (like-for-like).

The difference between the reported and like-for-like figures was primarily attributable to a €344 million negative impact from changes in Group structure, the majority of which related to Lagardère Active due to the sale of the International Magazine Publishing business. Changes in exchange rates (calculated based on average rates for the period) had a positive net impact of €16 million, mainly due to the appreciation of the Swiss franc against the euro, although this effect was partially offset by the weaker US dollar.

Excluding the effect of changes in Group structure and exchange rates, net sales grew by 2.0% for Lagardère Services, 6.2% for Lagardère Unlimited and 1.3% for Lagardère Active, but declined 4.4% for Lagardère Publishing.

Lagardère Publishing's net sales also contracted 4.4% on a like-for-like basis. This decrease largely reflects a continuing decline in sales of Stephenie Meyer's novels – in the United States, the United Kingdom and France – although the impact of this unfavourable basis of comparison with the higher sales levels achieved in 2010 began to lessen in the latter part of third-quarter 2011 and had completely disappeared by the end of the year. Excluding this effect the like-for-like decrease in Lagardère Publishing's net sales would only have been 0.3%.

In English-speaking countries, 2011 saw growing demand for digital books and financial difficulties for certain retailers, with Borders in the United States and Red Group in Australia filing for bankruptcy. In France, Lagardère Publishing turned in strong performances in the General Literature market, where growth came in at 2.4%, and for Education, which also saw a 2.4% rise in net sales, fuelled by the high-school reforms carried out in the country during the year. The division also reported growth in Spain where net sales were up 1.1%, again reflecting school reforms.

As stated above, digital books continued to enjoy strong momentum in 2011 – primarily in English-speaking countries – and at end December in the United States and the United Kingdom they accounted for 20% and 10% of Adult trade net sales respectively. For the year as a whole digital books represented 6% of Lagardère Publishing's overall net sales.

During 2011, Lagardère Active's business was affected by major changes in Group structure, notably the sale and deconsolidation of the following:

- the International Magazine Publishing operations at the end of May in thirteen countries: the United States, Italy, Spain, Japan, the Netherlands, Hong Kong, Mexico, Taiwan, Canada, Germany, Russia, Ukraine and the Czech Republic;
- the division's UK operations on 29 July 2011;
- the division's operations in China on 5 December 2011 (excluding the joint venture with *Marie-Claire* which was sold on 1 February 2012).

Lagardère Active reported €1,441 million in net sales for the year, up 1.3% on a like-for-like basis. Television production and television channels posted strong growth of 8.3% and 7% respectively, whereas performances were more mixed for Magazine publishing and Radio operations in France, which experienced year-on-year declines of 2.2% and 5.5%, respectively.

Lagardère Services turned in growth of 4% on a reported basis and 2% like-for-like. This divergence between reported and like-for-like figures was essentially due to an overall €26 million positive effect from changes in Group structure, reflecting (i) the favourable impact of the first-time consolidation of operations in Singapore and Bulgaria, and (ii) the adverse effect of the fact that following a new partnership with Aéroports de Paris (ADP), since 1 August 2011 the operations of Relay outlets in Paris-based airports have been accounted for by the equity method whereas they were previously fully consolidated. During 2011 changes in exchange rates had a positive €49 million impact on Lagardère Services' net sales.

Despite a difficult operating context during the year – due to the general economic situation, the Arab Spring and the extreme weather events in North America and the Asia-Pacific region – Lagardère Travel Services' Retail sales rose 4.1% like-for-like, driven by a robust performance delivered by its airport activities as a result of network expansion, new concepts and sales and marketing initiatives. However, Press Distribution continued to trend downwards, registering a 3.2% contraction as a result of unfavourable developments in the press market.

Net sales for Lagardère Unlimited advanced 14.5% on a reported basis and 6.2% like-for-like. The difference between these two percentages chiefly stemmed from the positive impact of changes in Group structure during the year due notably to the consolidation of Lagardère Paris Racing from 1 January 2011 and Best – a US-based company specialising in the representation of sports personalities and celebrities – in April 2010.

The reported year-on-year increase also reflects a favourable basis of comparison as WSG's net sales for 2011 included revenues generated by the Asian Cup football tournament whereas there was no equivalent event in 2010. On the other hand, Lagardère Unlimited's 2011 performance was negatively affected – although to a lesser extent – by a lack of revenues from the IPL (the Indian premier cricket league) and the fact that the Africa Cup of Nations did not take place during the year.

Overall, recurring operating profit before associates for Lagardère Media declined by €54 million to €414 million in 2011, representing year-on-year decreases of 11.4% as reported and 11.1% at constant exchange rates.

Movements in recurring operating profit before associates can be analysed as follows for each division:

- For Lagardère Publishing it dipped by €29 million to €221 million, primarily due to lower net sales in the United States and the United Kingdom.
- Lagardère Active's recurring operating profit before associates climbed €10 million to €95 million at end 2011. Excluding the International Magazine Publishing business, it came to €56 million, versus €35 million in 2010. This €21 million increase reflects the combined impact of (i) the fact that the 2010 total included five months' worth of losses reported by Virgin 17, (ii) the favourable effect in 2011 of the strong performances turned in by television production operations and television channels, and (iii) the negative effect of lower sales levels, notably in the French radio market.
- Recurring operating profit before associates generated by Lagardère Services amounted to €105 million, on a par with 2010. This year-on-year stability was achieved despite the above-described difficult operating environment and was attributable to a very robust retail sales performance (particularly in France), which was driven by growth in air traffic volumes. In the Press Distribution businesses the impact of lower net sales was partially offset by the beneficial effect of cost-cutting plans launched in 2010, especially in Belgium and Spain.
- Lagardère Unlimited ended 2011 with a €6 million recurring operating loss before associates, representing a €34 million negative swing compared with the previous year. Although the division posted higher net sales than in 2010, its profitability was weighed down by a number of non-recurring factors in 2011:
  - WSG's dispute with the Board of Control for Cricket in India concerning a contract related to cricket rights;
  - loss-making contracts and the non-recovery of certain receivables.

In addition, a number of Lagardère Unlimited's contracts were not renewed and IEC in Sport Industry delivered a lower-than-expected sales performance.

Lagardère Media's income from associates amounted to €33 million in 2011 compared with €22 million in 2010, mainly as a result of improved performances for the Gulli TV channel and the Marie-Claire group.

Non-recurring/non-operating items included in profit before finance costs and tax represented a net expense of €692 million in 2011, breaking down as follows:

- €585 million in impairment losses, of which €550 million related to Lagardère Unlimited and €27 million to Lagardère Active's digital assets. The majority of these impairment losses were recorded due to changes in discount rates made in order to reflect recent market forecasts of the financial returns expected in the Group's business sectors, as well as a downward revision of the estimated future cash flows to be generated by the businesses concerned.
- €84 million in amortisation of acquisition-related intangible assets and other acquisition-related expenses. Out of this total, €74 million concerned Lagardère Unlimited, which includes amortisation recorded on contracts performed during the year as well as a €36 million charge relating to the ongoing legal dispute concerning the cricket rights contract in India.
- €41 million in restructuring costs. These costs were incurred as part of the Group's cost-cutting and streamlining plans and mainly concerned Lagardère Active (€16 million), Lagardère Services (€14 million) and Lagardère Unlimited (€10 million).
- €18 million in net disposal gains, including €22 million recorded by Lagardère Active, primarily from the sale of *Le Monde Interactif* shares. The sale of the International Magazine Publishing business and the Group's Russian radio operations also generated a small gain.

In 2010, non-recurring/non-operating items included in profit before finance costs and tax represented a net expense of €136 million, breaking down as (i) €100 million in impairment losses, including €87 million relating to Lagardère Unlimited, (ii) €38 million in disposal gains, of which €53 million was generated on the sale of the DTT channel Virgin 17, (iii) €34 million in amortisation of acquisition-related intangible assets and other acquisition-related expenses, and (iv) €40 million in restructuring costs.

As a result of the above items, Lagardère Media ended 2011 with a €245 million loss before finance costs and tax, down €599 million on 2010.

Net finance costs amounted to €44 million in 2011, on a par with the previous year.

Cash flows

Lagardère Media's cash flows from operations before changes in working capital contracted by €49 million to €607 million from €656 million in 2010, in line with the decrease in recurring operating profit.

Changes in working capital represented a cash outflow of €165 million compared with a €48 million cash inflow in 2010. This year-on-year negative swing stemmed from an increase in trade receivables in 2011 (for Lagardère Publishing, Active and Services) whereas trade receivables went down in 2010 (particularly for Lagardère Publishing which had high business volumes at the end of 2009).

Interest paid (net of interest received) stood at €41 million versus €38 million for the previous year, and income taxes paid were on a par with 2010 at €150 million.

All of these items generated net cash from operating activities of €251 million in 2011, compared with €516 million in 2010.

Purchases of intangible assets and property, plant and equipment totalled €237 million, up €23 million on 2010 and principally concerned Lagardère Services (sales outlet refits) and Lagardère Unlimited (purchases of sports rights) in both years.

Purchases of investments amounted to €98 million and mainly comprised (i) earnouts paid in connection with the acquisitions of IEC and WSG carried out by Lagardère Unlimited in previous years, (ii) investments by Lagardère Services in the retail business (particularly for sales outlets in the Czech Republic) and (iii) purchases of minority interests in the Lagardère Publishing division.

Disposals of intangible assets and property, plant and equipment generated proceeds of €26 million, and chiefly corresponded to the sale of property assets by Lagardère Services. Disposals of investments generated €814 million and primarily concerned Lagardère Active. Out of the total, €648 million related to the sale of the International Magazine Publishing business, €117 million came from the sale of the Group's Russian radio operations and €37 million corresponded to the balance received in 2011 from the 2010 sale of the DTT channel Virgin 17.

As a result, total cash of €777 million was provided by Lagardère Media's operating and investing activities in 2011 compared with €291 million in 2010. The year-on-year change is mainly attributable to the proceeds from the sale of the International Magazine Publishing business and the Russian radio operations, which more than offset the decline in net cash provided by operating activities.

6.2.3 EADS

In 2011 and 2010, the EADS group was accounted for by the equity method based on a percentage interest of 7.5%. EADS' contribution to consolidated profit in 2011 amounted to €79 million versus €43 million the previous year.

6.2.4 CANAL+ FRANCE

The process put in place for the planned sale of Lagardère's 20% stake in the Canal+ France group is described in note 19 to the consolidated financial statements. This process is being directly managed by the Group's management teams who are also responsible for tracking the valuation of Lagardère's investment in Canal+ France. As a result of this planned sale, Canal+ France's contribution to the consolidated income statement is no longer included within Lagardère Media.

At 31 December 2011 the value in use of the Group's investment in Canal+ France was estimated using the discounted future cash flows method as described in note 19 to the consolidated financial statements. As this value in use came out at €1,197 million and Lagardère's shares in Canal+ France had a carrying amount of €1,507 million in the opening consolidated balance sheet, a €310 million impairment loss was recorded to write the investment down to its value in use.

At 31 December 2010 the shares had a value in use of €1,507 million, the same figure as their carrying amount in the consolidated financial statements at 31 December 2009. No profit contribution from Canal+ France was therefore recorded in the 2010 financial statements.

6.2.5 OTHER ACTIVITIES

Other Activities comprise those operations not directly related to one of Lagardère Media's operating divisions.

• Income statement

	2011	2010
Recurring operating profit (loss) before associates	**(12)**	(6)
Non-recurring items	**(1)**	(48)
Profit (loss) before finance costs and tax	**(13)**	(54)
Finance costs, net	**(51)**	(36)
Profit (loss) before tax	**(64)**	(90)

In 2011, Other Activities recorded a recurring operating loss before associates of €12 million, including €5 million in costs related to the preliminary phase of the IPO for Canal+ France. Adjusted for this impact, the figure was on a par with 2010.

Non-recurring items were not material in 2011. In 2010 they represented a net expense of €48 million and primarily included the cost of contributions to the recovery plan for Presstalis and a loss on the sale of Le Monde SA shares.

Net finance costs amounted to €51 million, up €15 million on 2010, chiefly reflecting higher bank borrowing costs resulting from the new syndicated loan set up in January 2011.

6.2.6 OVERVIEW OF CONSOLIDATED RESULTS

Profit before tax and profit (loss) for the year breaks down as follows:

	2011	2010
Lagardère Media	**(289)**	308
Income from EADS (accounted for by the equity method)	**79**	43
Canal+ France contribution	**(310)**	-
Other Activities	**(64)**	(90)
Profit (loss) before tax	**(584)**	261
Income tax expense	**(105)**	(67)
Profit (loss) for the year	**(689)**	194
Attributable to:		
- Owners of the Parent	***(707)***	*163*
- Minority interests	***18***	*31*

Income tax expense rose to €105 million in 2011, chiefly reflecting the negative impacts of the following:

- the fact that impairment losses recognised on goodwill are not tax deductible;
- a €25 million tax charge on the sale of the International Magazine Publishing business, which generated an accounting capital gain of close to zero;
- the cancellation of a €13 million tax credit on losses for Lagardère Unlimited.

The year-on-year decrease in profit attributable to minority interests (down €13 million) chiefly relates to Lagardère Active (down €6 million) and Lagardère Unlimited (down €10 million), and resulted from the deconsolidation of the International Magazine Publishing business during the year as well as the contraction in profit reported by WSG.

6.2.7 CASH FLOWS

6.2.7.1 CONSOLIDATED STATEMENT OF CASH FLOWS

In 2011, net cash provided by operating activities amounted to €257 million (compared with €531 million in 2010), of which €251 million was attributable to Lagardère Media and €6 million to Other Activities.

Investing activities provided net cash of €509 million, breaking down as a net cash inflow of €526 million for Lagardère Media, partly offset by a €17 million net cash outflow for Other Activities, chiefly used for property renovation and refitting projects.

Net cash used in financing activities came to €770 million, primarily reflecting the following:
- €195 million in dividends paid.
- €21 million worth of acquisitions of minority interests in controlled entities (notably in Editions Albert René and Purely Group). In accordance with the applicable revised IFRS these cash flows are now included in cash flows from financing activities rather than cash flows from investing activities.
- Purchases of €3 million worth of treasury shares.
- A €551 million impact from scaling back debt.

The main movements in debt in 2011 were as follows:
- A €172 million reduction in amounts drawn on the multicurrency syndicated loan. On 26 January 2011, a new syndicated loan of €1,645 million, maturing in 2016, was set up to replace the €2,200 million syndicated loan which was due to expire in 2012.
- The repayment at term of the last tranche of the 2001 US Private Placement (€254 million) and the 2005 structured loan (€151 million).
- The repayment of debt by Lagardère Active in an amount of €71 million.
- These negative cash effects were partly offset by the impact of a €100 million bond issue carried out by Hachette SA.

Other movements reported in the consolidated statement of cash flows included:
- The reclassification – to proceeds from disposals of investments – of the €99 million in net cash held at 31 December 2010 by the International Magazine Publishing companies that were sold in 2011. At the 2010 year-end, these companies' net cash was classified under assets and liabilities held for sale.
- A €12 million negative effect from changes in exchange rates and other reclassifications.

As a result of the above cash flows, consolidated cash and cash equivalents stood at €594 million at 31 December 2011, representing a year-on-year increase of €83 million.

6.2.7.2 NET DEBT

Net debt breaks down as follows:

	31 Dec. 2011	31 Dec. 2010
Short-term investments and cash and cash equivalents	**737**	722
Non-current debt	**(1,843)**	(1,953)
Current debt	**(163)**	(541)
Net debt	**(1,269)**	(1,772)

Changes in net debt during 2011 and 2010 were as follows:

	2011	2010
Net debt at 1 January	**(1,772)**	(1,824)
Total cash provided by operating and investing activities	**766**	320
(Acquisitions) disposals of minority interests	**(21)**	(24)
(Acquisitions) disposals of treasury shares	**(3)**	5
Dividends paid	**(195)**	(200)
(Decrease) increase in short-term investments	**(21)**	29
Change in put options granted to minority shareholders recognised in debt	**2**	10
Change in financial liabilities following measurement at fair value	**(82)**	(7)
Reclassification of net cash of operations classified as assets held for sale	**99**	(99)
Reclassification of debt of operations classified as assets held for sale	**(54)**	54
Effect on cash of changes in exchange rates, consolidation scope and other	**12**	(36)
Net debt at 31 December	**(1,269)**	(1,772)

6.3 CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2011

• Consolidated income statement

(in millions of euros)		**2011**	2010
Net sales	*(notes 5 and 6)*	**7,657**	7,966
Other income from ordinary activities		**391**	373
Revenues		**8,048**	8,339
Purchases and changes in inventories		**(3,746)**	(3,660)
Capitalised production		**(4)**	3
Production transferred to inventories		**145**	107
External charges		**(2,202)**	(2,404)
Payroll costs	*(note 7)*	**(1,600)**	(1,652)
Depreciation and amortisation other than on acquisition-related intangible assets		**(224)**	(206)
Amortisation of acquisition-related intangible assets and other acquisition-related expenses		**(84)**	(34)
Restructuring costs	*(note 8)*	**(41)**	(90)
Gains (losses) on disposals of assets	*(note 9)*	**17**	40
Impairment losses on goodwill, property, plant and equipment and intangible assets	*(note 10)*	**(585)**	(100)
Other operating expenses	*(note 11)*	**(62)**	(89)
Other operating income	*(note 12)*	**47**	24
Income (loss) from associates	*(note 19)*	**(198)**	65
Profit (loss) before finance costs and tax	*(note 5)*	**(489)**	343
Financial income	*(note 13)*	**21**	21
Financial expenses	*(note 13)*	**(116)**	(103)
Profit (loss) before tax		**(584)**	261
Income tax expense	*(note 14)*	**(105)**	(67)
Profit (loss) for the year		**(689)**	194
Attributable to: Owners of the Parent		**(707)**	163
Minority interests	*(note 26.5)*	**18**	31
Earnings per share – Attributable to owners of the Parent: *Basic earnings per share (in €)*	*(note 15)*	***(5.56)***	*1.29*
Diluted earnings per share (in €)	*(note 15)*	***(5.56)***	*1.27*

• Consolidated statement of comprehensive income

(in millions of euros)		**2011**	2010
Profit (loss) for the year		**(689)**	194
Currency translation adjustments		**-**	92
Change in fair value of:			
– derivative financial instruments		**4**	(2)
– investments in non-consolidated companies		**(2)**	9
Actuarial gains and losses on pensions and other post-employment benefit obligations		**(10)**	-
Share of other comprehensive income of associates (net of tax)[a]		**(62)**	(171)
Tax relating to components of other comprehensive income (expense)		**2**	(1)
Other comprehensive income (expense) for the year, net of tax	*(note 26.7)*	**(68)**	(73)
Total comprehensive income (expense) for the year		**(757)**	121
Attributable to: Owners of the Parent		**(775)**	90
Minority interests	*(note 26.5)*	**18**	31

(a): The €62 million expense recorded under this item related chiefly to the EADS group and included a €43 million negative impact of actuarial gains and losses on pension benefit obligations and a €30 million negative effect of fair value remeasurements of currency hedging instruments.
In 2010, €165 million of the €171 million expense recorded under this item was due to the negative impact arising from fair value remeasurements of EADS' currency hedging instruments.

• Consolidated statement of cash flows

(in millions of euros)		**2011**	2010
Profit (loss) for the year		**(689)**	194
Income tax expense		**105**	67
Finance costs, net		**95**	82
Profit (loss) before finance costs and tax		**(489)**	343
Depreciation and amortisation expense		**305**	238
Impairment losses, provision expense and other non-cash items		**565**	98
Gains on disposals of assets		**(17)**	(40)
Dividends received from associates		**35**	17
Income (loss) from associates		**198**	(65)
Changes in working capital		**(170)**	81
Cash flows from operations		**427**	672
Interest paid		**(103)**	(87)
Interest received		**16**	20
Income taxes paid		**(83)**	(74)
Net cash provided by operating activities	*(A)*	**257**	531
Cash used in investing activities			
Purchases of intangible assets and property, plant and equipment		**(253)**	(228)
Purchases of investments		**(66)**	(50)
Cash acquired through acquisitions		**2**	17
Purchases of other non-current assets		**(35)**	(25)
Total cash used in investing activities	*(B)*	**(352)**	(286)
Cash from investing activities			
Proceeds from disposals of non-current assets			
Intangible assets and property, plant and equipment		**26**	10
Investments		**779**	78
Cash transferred on disposals		**22**	1
Decrease in other non-current assets		**13**	15
Total cash from investing activities	*(C)*	**840**	104
Decrease (increase) in short-term investments	*(D)*	**21**	(29)
Net cash provided by (used in) investing activities	*(E) = (B) +(C) +(D)*	**509**	(211)
Total cash provided by operating and investing activities	*(F) = (A) +(E)*	**766**	320
Capital transactions			
Proceeds from capital increase by the Parent		**-**	-
Minority interests' share in capital increases by subsidiaries		**-**	3
(Acquisitions) disposals of treasury shares		**(3)**	5
Acquisitions (disposals) of minority interests		**(21)**	(24)
Dividends paid to owners of the Parent (*)		**(167)**	(167)
Dividends paid to minority shareholders of subsidiaries		**(28)**	(33)
Financing transactions			
Increase in debt		**553**	92
Decrease in debt		**(1,104)**	(133)
Net cash used in financing activities	*(G)*	**(770)**	(257)
Other movements			
Effect on cash of changes in exchange rates		**(8)**	32
Effect on cash of reclassification of net cash as assets held for sale and associated liabilitiess		**99**	(99)
Effect on cash of other movements		**(4)**	(4)
Total other movements	*(H)*	**87**	(71)
Change in cash and cash equivalents	*(I) = (F) +(G) +(H)*	**83**	(8)
Cash and cash equivalents at beginning of the year		**511**	519
Cash and cash equivalents at end of the year	*(note 25)*	**594**	511

(*) Including the portion of profit for the year paid to the general partners.

• Consolidated balance sheet

ASSETS *(in millions of euros)*		**31 Dec. 2011**	31 Dec. 2010
Intangible assets	*(note 17)*	**746**	846
Goodwill	*(note 16)*	**1,837**	2,583
Property, plant and equipment	*(note 18)*	**712**	625
Investments in associates	*(note 19)*	**1,771**	2,054
Other non-current assets	*(note 20)*	**147**	112
Deferred tax assets	*(note 14)*	**184**	167
Total non-current assets		**5,397**	6,387
Inventories	*(note 21)*	**542**	523
Trade receivables	*(note 22)*	**1,276**	1,189
Other current assets	*(note 23)*	**963**	983
Short-term investments	*(note 24)*	**83**	106
Cash and cash equivalents	*(note 25)*	**654**	616
Total current assets		**3,518**	3,417
Assets held for sale	*(note 32)*	**13**	1,097
Total assets		**8,928**	10,901

• Consolidated balance sheet

EQUITY AND LIABILITIES *(in millions of euros)*		**31 Dec. 2011**	31 Dec. 2010
Share capital		**800**	800
Reserves		**2,856**	2,923
Profit (loss) attributable to owners of the Parent		**(707)**	163
Equity attributable to owners of the Parent		**2,949**	3,886
Minority interests	*(note 26.5)*	**75**	132
Total equity		**3,024**	4,018
Provisions for pensions and other post-employment benefit obligations	*(note 27)*	**101**	101
Non-current provisions for contingencies and losses	*(note 27)*	**162**	170
Non-current debt	*(note 28)*	**1,843**	1,953
Other non-current liabilities	*(note 31)*	**147**	219
Deferred tax liabilities	*(note 14)*	**143**	126
Total non-current liabilities		**2,396**	2,569
Current provisions for contingencies and losses	*(note 27)*	**317**	342
Current debt	*(note 28)*	**163**	541
Trade payables		**1,613**	1,618
Other current liabilities	*(note 31)*	**1,415**	1,414
Total current liabilities		**3,508**	3,915
Liabilities associated with assets held for sale	*(note 32)*	**-**	399
Total equity and liabilities		**8,928**	10,901

• Consolidated statement of changes in equity

(in millions of euros)	Share capital	Share premiums	Other reserves	Treasury shares	Translation reserve	Valuation reserve	**Equity attributable to owners of the Parent**	Minority interests	**Total equity**
At 1 January 2010	**800**	**888**	**2,560**	**(210)**	**(129)**	**49**	**3,958**	**124**	**4,082**
Profit for the year			163				**163**	31	**194**
Other comprehensive income (expense) for the year [a]			(5)		97	(171)	**(79)**	6	**(73)**
Total comprehensive income (expense) for the year			**158**		**97**	**(171)**	**84**	**37**	**121**
Dividends paid			(167)				**(167)**	(33)	**(200)**
Minority interests' share in capital increases							**0**	3	**3**
Changes in treasury shares				6			**6**		**6**
Share-based payments			10				**10**		**10**
Effect of transactions with minority interests			(5)				**(5)**		**(5)**
Changes in consolidation scope and other							**0**	1	**1**
At 31 December 2010	**800**	**888**	**2,556**	**(204)**	**(32)**	**(122)**	**3,886**	**132**	**4,018**
Profit (loss) for the year			(707)				**(707)**	18	**(689)**
Other comprehensive income (expense) for the year [a]			(50)		(3)	(12)	**(65)**	(3)	**(68)**
Total comprehensive income (expense) for the year			**(757)**		**(3)**	**(12)**	**(772)**	**15**	**(757)**
Dividends paid			(167)				**(167)**	(28)	**(195)**
Parent company capital reduction [b]		(8)	(6)	14			**0**		**0**
Minority interests' share in capital increases							**0**		**0**
Changes in treasury shares				(3)			**(3)**		**(3)**
Share-based payments			15				**15**		**15**
Effect of transactions with minority interests			(10)				**(10)**	(1)	**(11)**
Changes in consolidation scope and other							**0**	(43)	**(43)**
At 31 December 2011	**800**	**880**	**1,631**	**(193)**	**(35)**	**(134)**	**2,949**	**75**	**3,024**

(a) See note 26.7 to the consolidated financial statements.
(b) Capital reduction carried out by cancelling treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(All figures are expressed in millions of euros)

NOTE 1 ACCOUNTING PRINCIPLES

In application of European Commission Regulation (EC) 1606/2002 of 19 July 2002, the consolidated financial statements of the Lagardère group have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB).

All IFRS standards and interpretations of the International Financial Reporting Interpretation Committee (IFRIC) endorsed by the European Union at 31 December 2011 have been applied. They can be viewed on the European Commission website at: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

The following revised standards, amendments and interpretations became mandatory from 1 January 2011:

Revised IAS 24 – Related Party Disclosures;

Amendments to IAS 32 – Classification of Rights Issues;

Annual improvements to IFRS (published May 2010);

IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments.

Application of these revised standards, amendments and interpretations did not have a material impact on the consolidated financial statements for the year ended 31 December 2011. In addition, the Group did not elect to early adopt the amendments to IFRS 7, Disclosures – Transfers of Financial Assets, which was endorsed by the European Union at 31 December 2011 but will only become mandatory subsequent to 2011.

The standards, amendments and interpretations published by the IASB not yet endorsed by the European Union at 31 December 2011 were as follows:

Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income;

Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets;

Amendments to IAS 19 – Post-employment benefits;

Amendments to IFRS 1 – Severe hyperinflation;

IFRS 9 – Financial Instruments (which will gradually replace IAS 39);

IFRS 10 – Consolidated Financial Statements;

IFRS 11 – Joint Arrangements;

IFRS 12 – Disclosure of Interests in Other Entities;

Consequential amendments to IAS 27 and IAS 28 following the issue of IFRS 10, 11 and 12;

IFRS 13 – Fair Value Measurement.

The Group does not expect application of these standards, amendments and interpretations to have a material impact on its financial statements.

MEASUREMENT PRINCIPLES

The financial statements have been prepared using the historical cost method, except for certain financial assets and liabilities which have been measured at fair value where applicable under IFRS.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of estimates and assumptions to determine the value of assets and liabilities and contingent amounts at the year-end, as well as the value of income and expenses for the year.

Management reviews these estimates and assumptions at regular intervals, based on past experience and various other factors considered as reasonable, which form the basis of its assessment of the carrying amount of assets and liabilities. Actual amounts may differ from these estimates due to changes in assumptions or circumstances.

NOTE 2 SCOPE AND METHODS OF CONSOLIDATION

2.1 SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Parent company as well as those of entities controlled by the Parent company (subsidiaries), jointly-controlled entities (joint ventures) and entities in which the Group exercises significant influence over their management and financial policy decisions (associates). Significant influence is presumed to exist when the Group holds, directly or indirectly, 20% or more of the entity's capital. The methods used to consolidate these different types of entities are described below.

2.2 CONSOLIDATION METHODS

The consolidation methods used are as follows:

- **Full consolidation** – All subsidiaries controlled by Lagardère are fully consolidated. Control is the power to govern the financial and operating policies of an entity. The full consolidation method consists of combining the financial statements of the Parent and its subsidiaries line by line and recognising minority interests in the net assets of each subsidiary on a separate line in equity.
- **Equity method** – Joint ventures and associates are accounted for by the equity method. Under this method, the investment is initially recognised at cost and is adjusted thereafter for the post-acquisition change in the Group's share of the entity's net assets.

A list of consolidated companies is provided in note 38.

2.3 CLOSING DATES

The financial statements of all consolidated subsidiaries were closed at 31 December.

2.4 TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

The financial statements of foreign subsidiaries are translated into euros as follows:

- Balance sheet items are translated using official year-end exchange rates.
- Income statement items are translated using average exchange rates for the year.

The resulting exchange differences are recognised as a separate component of equity, under "Translation reserve".

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are considered as assets and liabilities of the subsidiary concerned. They are therefore measured in the subsidiary's functional currency and translated at the year-end exchange rate. When a foreign subsidiary is sold, cumulative exchange differences recognised in equity are reclassified into profit.

2.5 INTRA-GROUP BALANCES AND TRANSACTIONS

Intra-group balances and transactions are eliminated on consolidation. Impairment losses deducted from the carrying amount of investments in and receivables from consolidated companies are cancelled by adjusting equity, and movements for the year are neutralised in the income statement.

NOTE 3 ACCOUNTING PRINCIPLES AND VALUATION METHODS

3.1 NET SALES

Revenue from sales of goods and services is recognised when title is transferred to the buyer or the service is rendered.

Purchases and sales corresponding to exchanges of goods or services of a similar nature and value are eliminated on consolidation and do not therefore appear in the income statement.

Revenues from Magazine sales (Magazine Publishing) and Partbook sales (Lagardère Publishing) are stated net of distribution fees.

For sales of advertising space, national press distribution (Curtis, subsidiary of Lagardère Services) and sports rights contracts when Group entities act as agents only, revenues consist solely of the fees received.

3.2 OPERATING LEASES

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

3.3 PERFORMANCE INDICATORS USED BY THE GROUP

The Group uses as its main performance indicator recurring operating profit before associates, which is calculated as follows:

Profit before finance costs and tax

Excluding:

- Gains (losses) on disposals of assets
- Impairment losses on goodwill, property, plant and equipment and intangible assets
- Restructuring costs
- Items related to business combinations:
  - Acquisition-related expenses
  - Gains and losses resulting from acquisition price adjustments
  - Amortisation of acquisition-related intangible assets

= Recurring operating profit

Less:

- Income (loss) from associates before amortisation of acquisition-related intangible assets and impairment losses

= Recurring operating profit before associates

Profit before finance costs and tax includes amortisation of certain intangible assets with finite useful lives, which resulted from allocation of the acquisition price of the business combinations. The Group neutralises the effects of these items when calculating recurring operating profit and recurring operating profit before associates, so that book amortisation with no effect on cash generated by the businesses acquired is eliminated from the measurement of performance.

Application from 1 January 2010 of the revised versions of IFRS 3 and IAS 27 on business combinations resulted in the recognition in the income statement of the following items that were previously charged to goodwill: acquisition-related expenses and changes in liabilities corresponding to earn-out clauses when such changes occur more than 12 months after the acquisition date. These items are excluded from the calculation of recurring operating profit.

The reconciliation of recurring operating profit or loss before associates to profit or loss before finance costs and tax for 2011 and 2010 is presented in note 5.1.

3.4 TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

In the balance sheet, foreign currency receivables and payables are translated into euros at the year-end exchange rate. The resulting exchange differences are recognised in profit, except for those related to long-term financing of the Group's net investment in foreign operations, which are recognised directly in equity.

3.5 SHARE-BASED PAYMENTS

Stock purchase options and free shares have been granted to certain members of management and employees of the Group. In accordance with IFRS 2 "Share Based Payment", an expense is recognised in payroll costs representing the benefit granted to beneficiaries as of the grant date, and a matching entry is recognised directly in equity. IFRS 2 applies to stock options and free shares granted from 7 November 2002 and not yet vested at 1 January 2005. The fair value of the share-based payment is calculated using a binomial model for stock options and a Black & Scholes type model for free share grants, taking into account the plan's features (exercise price and period), market factors at the grant date (risk-free interest rate, share price, volatility, projected dividends) and behavioural assumptions relating to beneficiaries.

This expense is recorded over the vesting period (two years for Lagardère SCA's plans) and may be adjusted during that period if beneficiaries leave the Group or if options or share grants are forfeited. It is not adjusted to reflect subsequent movements in the share price.

3.6 FINANCIAL INCOME AND EXPENSES

These items correspond to interest expenses on borrowings and income from the investment of available cash. They also include gains and losses on derivative instruments related to borrowings, short-term investments, and cash and cash equivalents.

3.7 DEFERRED TAXES

Deferred taxes are recognised for temporary differences between the carrying amount of assets and liabilities and their tax base. In accordance with the liability method, they are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Adjustments to deferred taxes for changes in tax rates are recognised in profit for the period in which the change is announced. In accordance with IAS 12 "Income Taxes", deferred tax assets and liabilities are not discounted.

At the level of each tax entity (company or tax group), deferred tax assets arising from deductible temporary differences, tax credits and tax loss carryforwards are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised. As a general rule, the amount of deferred tax assets recognised by tax entities that have tax loss carryforwards is capped at the equivalent of the estimated amount of taxes payable for the next three years, as determined based on the earnings forecasts contained in the budgets drawn up at the end of each year.

For investments in associates, when the difference between the carrying amount of the investment and the tax base corresponds to the associate's cumulative undistributed profits from the acquisition date, the related deferred tax is calculated at the tax rate that will be paid by the Group when the profits are distributed.

Deferred taxes are recognised as income or an expense and included in profit for the year, except to the extent that they arise from a transaction which is recognised directly in equity, in which case they are credited or charged to equity.

3.8 BUSINESS COMBINATIONS AND GOODWILL

Since 1 January 2010, business combinations have been recorded in compliance with the revised versions of IFRS 3 and IAS 27.

Goodwill generally corresponds to the excess of the cost of an acquisition over the acquisition-date fair value of the acquirer's interest in the net identifiable assets acquired and liabilities assumed. This is defined as the "partial goodwill" method, as minority interests are measured based on their share in the assets and liabilities of the acquired entity.

However, it is also possible to measure minority interests at fair value, which results in the recognition of goodwill on minority interests as well as goodwill on the portion acquired by the majority shareholder. This is known as the "full goodwill" method. In accordance with IFRS 3, the Group can opt to use either the partial or full goodwill method on a transaction by transaction basis for each business combination.

If the acquirer's interest in the net fair value of the identifiable assets and liabilities exceeds the price paid for the business combination, the excess is recognised immediately in profit.

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 fair value may be impaired. The method used to test goodwill for impairment is described in note 3.10 below.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the disposal gain or loss.

Goodwill related to entities accounted for by the equity method is included in the carrying amount of the investment.

3.9 INTANGIBLE ASSETS

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. They are amortised over their probable useful life. Intangible assets with an indefinite useful life are not amortised but are tested regularly for impairment in the same way as goodwill (see note 3.10).

No development costs are incurred in the Group's Media business that meet the capitalisation criteria under IFRS.

3.10 IMPAIRMENT TESTS

The carrying amount of property, plant and equipment and intangible assets is reviewed at regular intervals to determine whether there is any indication that their value may be impaired. One such indication is evidence that an asset’s economic performance is or will be worse than expected. If such an indication exists, the recoverable amount of the asset is estimated and compared with its carrying amount. The recoverable amount of goodwill and intangible assets with an indefinite useful life is estimated at each balance sheet date, irrespective of whether there is any indication of impairment. When the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised on goodwill are irreversible.

If it is not possible or relevant to estimate the recoverable amount of an individual asset, the estimate is performed at the level of the cash-generating unit to which the asset belongs.

Recoverable amount corresponds to the higher of:

- value in use calculated using the discounted cash flows method, applied to the individual asset or to the cash-generating unit to which the asset belongs;
- fair value calculated using the market comparables method or a method based on the price of recent transactions involving similar assets.

Cash flow projections are based on the most recent business plans and forecasts, generally covering a period of three years. Cash flow projections beyond that period are estimated using a growth rate that reflects the average long-term growth rate observed in the industry. This process involves the use of key assumptions and judgements to determine trends in the markets in which the Group operates, and actual future cash flows may differ from the estimates used to calculate value in use.

The discount rates used are after-tax rates determined separately for each business, applied to cash flows after tax.

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 IFRS” to measure items of property, plant and equipment at their fair value at the IFRS transition date (1 January 2004). Furthermore, as Group assets do not qualify for capitalisation of borrowing costs under

IAS 23 (revised) which applies to assets requiring a long period of preparation before they can be used or sold, borrowing costs are directly charged to the income statement.

Depreciation is calculated by the straight-line method over the estimated useful lives of the assets. The ranges of useful lives applied to the main categories of property, plant and equipment are as follows:

Buildings	6 to 50 years
Machinery and equipment	3 to 20 years
Other equipment, furniture, fixtures and fittings	2 to 10 years

The depreciable amount corresponds to the cost of the asset less any residual value at the end of its useful life. With the exception of the Group's headquarters building, property, plant and equipment are generally considered as having no residual value.

FINANCE LEASES

All material finance leases are accounted for as purchases of assets financed by debt. Leases are classified as finance leases if they transfer to the Group substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

The leased assets are depreciated on a basis that is consistent with the policy for owned assets, over the asset's useful life or over the lease term if this is shorter.

INVESTMENT PROPERTY

Investment property is recorded at cost less any accumulated depreciation and impairment losses.

3.12 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. The carrying amount of inventories does not include any borrowing costs, as they do not meet the requirements for capitalisation under IAS 23 (revised) (see note 3.11).

3.13 FINANCIAL ASSETS

INVESTMENTS IN NON-CONSOLIDATED COMPANIES

Investments in non-consolidated companies are initially recognised at cost. Based on the criteria set out in IAS 39, all investments in non-consolidated companies are classified as available-for-sale investments.

At each year-end, shares traded in an active market or for which other sufficiently reliable price information exists are measured at fair value. Shares that do not fulfil these criteria are measured using the cost method.

Where it is possible to measure the fair value of these investments, and their fair value exceeds their carrying amount, the gain arising from remeasurement at fair value is recognised in equity.

When there is objective evidence that an investment in a non-consolidated company is impaired, an impairment loss is recognised as follows:

- In the income statement if the impairment is considered permanent, with any subsequent gains recognised in equity. The permanence of the impairment is assessed on a case-by-case basis, with reference to the significance or duration of the decline in the shares' value compared with their acquisition price.
- In equity if the impairment is considered reversible.

When the investment is sold, the cumulative gains or losses recognised directly in equity are reclassified into profit or loss.

LOANS AND RECEIVABLES

Loans and receivables are measured at amortised cost, calculated using the effective interest method. Any impairment losses, corresponding to the difference between the carrying amount and recoverable amount, are recognised in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

- cash and demand deposits;
- deposits and loans with maturities of less than three months;
- marketable securities, such as money market funds, that are not exposed to a material risk of changes in value and are readily convertible into known amounts of cash; they are recognised at fair value through profit or loss.

Shares, bonds, deposits and loans with maturities of more than three months are excluded from cash and cash equivalents and reported in the balance sheet under "Short-term investments".

3.14 FINANCIAL LIABILITIES

Financial liabilities comprise borrowings, trade payables and other liabilities. They are measured at amortised cost using the effective interest method.

Specific measurement rules apply to financial liabilities hedged by derivative instruments. These rules are described in note 3.16.

3.15 PUT OPTIONS GRANTED TO MINORITY SHAREHOLDERS

In its Media activities, the Group has granted put options to the minority shareholders of certain fully-consolidated subsidiaries for the sale of their investments on defined terms. For some of these options, the exercise price was not fixed at the outset, and will be determined based on independent valuations.

In compliance with IAS 32, the put options are recognised in debt at their estimated present value.

In the income statement, consolidated profit for the year is presented in two separate lines: profit attributable to owners of the Parent and profit attributable to minority interests, based on the legal rights effectively held.

For put options granted prior to 1 January 2010 – the effective date of IFRS 3 (revised) relating to business combinations – any change in the estimated amount of the debt is recognised as an adjustment to goodwill. For put options granted after 1 January 2010, changes in the value of the debt are recorded in equity.

3.16 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge currency and interest rate risks. These instruments are initially recognised at cost, in "Other current assets" or "Other current liabilities", and are subsequently measured at fair value through profit or loss.

However, certain derivative instruments are qualified as fair value hedges (mainly of currency and interest rate risks on debt) or cash flow hedges (of future sales and purchases).

These instruments qualify for hedge accounting if the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship;
- the hedge is expected to be highly effective and its effectiveness can be reliably measured from its inception.

The accounting impacts of applying hedge accounting are as follows:

- Fair value hedges

  Derivative instruments and hedged items are measured at fair value. Changes in the fair values of the derivative instrument and the hedged item are recognised in profit or loss on a symmetrical basis. When the hedge is effective, the change in the fair value of the derivative instrument offsets an opposite change in the fair value of the hedged item.
- Cash flow hedges

  The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit or loss.

The cumulative gains and losses recognised in equity are reclassified into profit or loss when the hedged transaction takes place.

3.17 TREASURY SHARES

Lagardère SCA shares held by the Company or by other Group entities are deducted from consolidated equity. When treasury shares are sold outside the Group, the after-tax gain or loss is also recognised directly in equity.

3.18 PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group recognises provisions to cover the present value of its obligations for benefits payable to employees at the time of their retirement and after retirement, when the plans concerned qualify as defined benefit plans. For defined contribution plans, the Group's obligation consists solely of payment of premiums or contributions to external organisations, and these premiums and contributions are charged to expenses as incurred.

The defined benefit plans to which the Group subscribes are principally pension plans outside France, while in France they cover end-of-career bonuses paid to employees upon their retirement.

The present value of obligations is calculated by the projected unit credit method, under which each period of service gives rise to an additional unit of benefit entitlement. The method takes into account parameters such as:

- expected salary increases;
- employee turnover;
- mortality rates;
- a financial discount rate, and the expected rate of return on plan assets where applicable.

These calculations are performed in full at least every three years, and updated annually, unless a more in-depth review is required due to exceptional events such as substantial modifications in the terms of the plan, or in the categories of employees covered.

Since 1 January 2007, the Group has applied the option allowed by IAS 19 (revised) under which actuarial gains and losses arising from changes in the assumptions used in measuring obligations can be recognised directly in equity.

3.19 PROVISIONS FOR CONTINGENCIES AND LOSSES

A provision is recognised when (i) the Group has a present obligation as a result of a past event, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and (iii) a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision corresponds to the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Restructuring provisions are recorded when the Group has a detailed formal plan and has announced details of the plan to the persons concerned.

3.20 ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

An asset or group of assets and directly associated liabilities is considered to be held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale and its sale must be highly probable. Such assets or groups of assets held for sale are stated at the lower of their carrying amount and estimated sale price, less costs to sell. Assets held for sale and the associated liabilities are respectively presented on specific lines in the consolidated balance sheet.

NOTE 4 MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

LAGARDÈRE ACTIVE

Sale of the International Magazine Publishing business

Lagardère SCA and Hearst Corporation announced on 31 December 2010 that they had signed an agreement opening exclusive negotiations for the sale of the Lagardère group's International Magazine Publishing business. As a result of this agreement, on 31 January 2011 Hearst Corporation made Lagardère SCA a firm offer to buy the operations of this business in 15 countries.

Apart from the joint venture held with Marie-Claire in China – which was sold on 1 February 2012 – all of the Group's International Magazine Publishing operations were divested during 2011 as follows:

- The operations in the following 13 countries were sold on 31 May 2011: the United States, Italy, Spain, Japan, the Netherlands, Hong Kong, Mexico, Taiwan, Canada, Germany, Russia, Ukraine and the Czech Republic. All of these assets were sold to Hearst Corporation, except for those in the Czech Republic which were sold to a local partner that wished to exercise its pre-emptive right.
- The operations in the United Kingdom were sold on 29 July 2011.
- The operations in China (excluding the joint venture with Marie-Claire) were sold on 5 December 2011.

All of these divested operations were deconsolidated as from their respective sale dates. In the 2011 consolidated financial statements they contributed an aggregate €366 million to net sales and €39 million to recurring operating profit before associates. The total sale price amounted to €648 million, of which €34 million corresponded to deconsolidation of the liabilities associated with the sold assets. The aggregate pre-tax disposal gain, net of transaction costs and after goodwill adjustments, came to €0.4 million.

Sale of the Radio business in Russia

On 23 December 2011 the Group sold its Radio business in Russia (Europa Media Group) to several private Russian investors. The sale price totalled €123 million, including €6 million in cash transferred. This business was deconsolidated at the year-end and its sale gave rise to a €0.2 million capital gain. In 2011 it generated €47 million in net sales and €10 million in recurring operating profit before associates.

The other main changes in the scope of consolidation in 2011 – which did not have a material impact on the consolidated financial statements – were as follows:

LAGARDÈRE SERVICES

Full consolidation of the following:

- retail businesses in Bulgaria and Singapore, from 1 January 2011;
- food service businesses in the Czech Republic (acquisition of Coffeeheaven), from 1 March 2011;
- Travel Retail businesses in New Zealand (acquisition of sales outlets in airports), from 1 April 2011;
- the company Euro-Excellence (a Canada-based distribution and import company specialised in fine food), from 1 July 2011;
- Travel Retail businesses in China (sales outlets in airports, underground and railway stations), from 1 July 2011.

Acquisition of the 49% interest held by minority shareholders in the Australian airport retail specialist, Purely Group.

Formation on 1 August 2011 of Relay@ADP – an equity-accounted joint venture held with Aéroports de Paris that operates newsagents and souvenir shops in Paris airports.

LAGARDÈRE PUBLISHING

Acquisition of an additional 40% stake in Editions Albert René, which owns – and now fully controls – all the rights related to the Asterix works.

Sale and deconsolidation on 1 December 2011 of BSSL (Education division).

LAGARDÈRE ACTIVE

Sale of Lagardère's 34% interest in *Le Monde Interactif* (Lemonde.fr website). This company, which was previously accounted for by the equity method, was deconsolidated as from 30 November 2011.

NOTE 5 SEGMENT INFORMATION

Lagardère's main businesses are carried out through Lagardère Media, which comprises the following divisions (business segments):

- Lagardère Publishing: publication of works in the General Literature, Education, Illustrated Books and Partworks markets.
- Lagardère Active, which comprises:
  - Audiovisual and Digital businesses including special interest television channels, Audiovisual Production and Distribution, Radio, and Advertising Sales Brokerage;
  - Press activities, principally mainstream Magazine Publishing.
- Lagardère Services: Press Distribution and Retailing in cultural, entertainment and consumer products.
- Lagardère Unlimited, which specialises in sport and entertainment: distribution of sports media rights, marketing of sports rights and associated products; production, organisation and management of events; stadium and sports venue management consulting; representation of celebrities, management of sports training academies.

At 31 December 2011 the Group also held:

- A 7.50% investment in the EADS group which manufactures commercial aircraft, civil and military helicopters, commercial launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics, and provides a full range of services associated with these products.
- A 20% interest in the Canal+ France group which is no longer included within the scope of Lagardère Media.

In addition to the above business divisions, the Group has a "corporate" reporting unit ("Other Activities") used primarily to report the effect of financing obtained by the Group, the net operating costs of Group holding companies, and the activities of Matra Manufacturing & Services (whose revenues are reported under "Other income from ordinary activities").

Transactions between business divisions are generally carried out on arm's length terms.

5.1 INFORMATION BY BUSINESS SEGMENT

• 2011 income statement

	Lagardère Publishing	Lagardère Active	Lagardère Services	Lagardère Unlimited	Lagardère Media	Other Activities(*)	Total
Net sales	2,072	1,454	3,724	454	**7,704**	-	**7,704**
Inter-segment sales	(34)	(13)	-	-	**(47)**	-	**(47)**
Consolidated net sales	**2,038**	**1,441**	**3,724**	**454**	**7,657**	**-**	**7,657**
Recurring operating profit (loss) before associates	**221**	**95**	**105**	**(6)**	**414**	**(12)**	**402**
Income from associates before impairment losses and amortisation of acquisition-related intangible assets	1	21	9	1	**33**	79	**112**
Recurring operating profit	**222**	**116**	**114**	**(5)**	**447**	**67**	**514**
Restructuring costs	(1)	(16)	(14)	(10)	**(41)**	-	**(41)**
Gains (losses) on disposals of assets	(4)	22	-	-	**18**	(1)	**17**
Impairment losses (**):							
Fully consolidated companies	(3)	(27)	(5)	(550)	**(585)**	-	**(585)**
Companies accounted for by the equity method	-	-	-	-	**-**	(310)	**(310)**
Amortisation of acquisition-related intangible assets and expenses (***)	(1)	-	(9)	(74)	**(84)**	-	**(84)**
Profit (loss) before finance costs and tax (*)	**213**	**95**	**86**	**(639)**	**(245)**	**(244)**	**(489)**
Finance costs, net	-	(27)	(2)	(15)	**(44)**	(51)	**(95)**
Profit (loss) before tax (*)	**213**	**68**	**84**	**(654)**	**(289)**	**(295)**	**(584)**
Items included in recurring operating profit							
Depreciation and amortisation of intangible assets and property, plant and equipment	(24)	(21)	(60)	(112)	**(217)**	(7)	**(224)**
Cost of stock option plans	(3)	(4)	(2)	(1)	**(10)**	(4)	**(14)**

(*) Including EADS: €79 million (net income from associates) and Canal+ France: a negative €310 million (impairment losses on associates).
(**) Impairment losses on goodwill, property, plant and equipment and intangible assets.
(***) Including acquisition-related expenses: €2 million.

• 2010 income statement

	Lagardère Publishing	Lagardère Active	Lagardère Services	Lagardère Unlimited	Lagardère Media	Other Activities[*]	Total
Net sales	2,199	1,855	3,580	396	**8,030**	-	**8,030**
Inter-segment sales	(34)	(29)	(1)	-	**(64)**	-	**(64)**
Consolidated net sales	**2,165**	**1,826**	**3,579**	**396**	**7,966**	**-**	**7,966**
Recurring operating profit (loss) before associates	**250**	**85**	**105**	**28**	**468**	**(6)**	**462**
Income from associates before impairment losses and amortisation of acquisition-related intangible assets	3	12	7	-	**22**	43	**65**
Recurring operating profit	**253**	**97**	**112**	**28**	**490**	**37**	**527**
Restructuring costs	(3)	(22)	(7)	(8)	**(40)**	(50)	**(90)**
Gains (losses) on disposals of assets	(12)	50	-	-	**38**	2	**40**
Impairment losses [**]:							
Fully consolidated companies	(3)	(5)	(3)	(89)	**(100)**	-	**(100)**
Companies accounted for by the equity method	-	-	-	-	**-**	-	**-**
Amortisation of acquisition-related intangible assets and expenses [***]	(1)	-	(6)	(27)	**(34)**	-	**(34)**
Profit (loss) before finance costs and tax [*]	**234**	**120**	**96**	**(96)**	**354**	**(11)**	**343**
Finance costs, net	(2)	(29)	(3)	(12)	**(46)**	(36)	**(82)**
Profit (loss) before tax [*]	**232**	**91**	**93**	**(108)**	**308**	**(47)**	**261**
Items included in recurring operating profit							
Depreciation and amortisation of intangible assets and property, plant and equipment	(24)	(28)	(56)	(86)	**(194)**	(12)	**(206)**
Cost of stock option plans	(2)	(3)	(1)	-	**(6)**	(2)	**(8)**

(*) Including EADS: €43 million (net income from associates) and a nil contribution from Canal+ France.
(**) Impairment losses on goodwill, property, plant and equipment and intangible assets.
(***) Including acquisition-related expenses: €2 million.

• 2011 statement of cash flows

	Lagardère Publishing	Lagardère Active	Lagardère Services	Lagardère Unlimited	Lagardère Media	Other Activities and eliminations	Total
Cash flows from operations	186	54	116	86	**442**	(15)	**427**
Interest paid and received, income taxes paid	(56)	(75)	(30)	(30)	**(191)**	21	**(170)**
Net cash provided by (used in) operating activities	**130**	**(21)**	**86**	**56**	**251**	**6**	**257**
Cash used in investing activities	(45)	(33)	(106)	(151)	**(335)**	(17)	**(352)**
– Purchases of intangible assets and property, plant and equipment	*(29)*	*(15)*	*(80)*	*(113)*	***(237)***	*(16)*	***(253)***
– Purchases of investments	*(16)*	*(18)*	*(26)*	*(38)*	***(98)***	*(1)*	***(99)***
Proceeds from disposals of non-current assets	(5)	816	19	10	**840**	-	**840**
– Intangible assets and property, plant and equipment	-	*2*	*19*	*5*	***26***	-	***26***
– Investments	*(5)*	*814*	-	*5*	***814***	-	***814***
(Increase) decrease in short-term investments	-	-	21	-	**21**	-	**21**
Net cash provided by (used in) investing activities	**(50)**	**783**	**(66)**	**(141)**	**526**	**(17)**	**509**
Total cash provided by (used in) operating and investing activities	**80**	**762**	**20**	**(85)**	**777**	**(11)**	**766**

• Balance sheet at 31 December 2011

	Lagardère Publishing	Lagardère Active	Lagardère Services	Lagardère Unlimited	Lagardère Media	Other Activities and eliminations	Total
Segment assets	2,149	1,749	1,159	1,032	**6,089**	317	**6,406**
Investments in associates	18	259	15	5	**297**	1,474	**1,771**
Segment liabilities	(1,139)	(1,136)	(987)	(639)	**(3,901)**	4	**(3,897)**
Capital employed	**1,028**	**872**	**187**	**398**	**2,485**	**1,795**	**4,280**
Assets held for sale and associated liabilities							**13**
Net debt							**(1,269)**
Equity							**3,024**

• 2010 statement of cash flows

	Lagardère Publishing	Lagardère Active	Lagardère Services	Lagardère Unlimited	Lagardère Media	Other Activities and eliminations	Total
Cash flows from operations	303	144	168	89	**704**	(32)	**672**
Interest paid and received, income taxes paid	(87)	(60)	(23)	(18)	**(188)**	47	**(141)**
Net cash provided by operating activities	**216**	**84**	**145**	**71**	**516**	**15**	**531**
Cash used in investing activities	(24)	(31)	(75)	(140)	**(270)**	(16)	**(286)**
– Purchases of intangible assets and property, plant and equipment	*(20)*	*(18)*	*(69)*	*(107)*	***(214)***	*(14)*	***(228)***
– Purchases of investments	*(4)*	*(13)*	*(6)*	*(33)*	***(56)***	*(2)*	***(58)***
Proceeds from disposals of non-current assets	6	51	10	7	**74**	30	**104**
– Intangible assets and property, plant and equipment	-	3	5	2	**10**	-	**10**
– Investments	6	48	5	5	**64**	30	**94**
(Increase) decrease in short-term investments	-	-	(29)	-	**(29)**	-	**(29)**
Net cash provided by (used in) investing activities	**(18)**	**20**	**(94)**	**(133)**	**(225)**	**14**	**(211)**
Total cash provided by (used in) operating and investing activities	**198**	**104**	**51**	**(62)**	**291**	**29**	**320**

• Balance sheet at 31 December 2010

	Lagardère Publishing	Lagardère Active	Lagardère Services	Lagardère Unlimited	Lagardère Media	Other Activities and eliminations	Total
Segment assets	2,101	1,973	1,080	1,600	**6,754**	273	**7,027**
Investments in associates	18	249	4	5	**276**	1,778	**2,054**
Segment liabilities	(1,174)	(1,189)	(962)	(638)	**(3,963)**	(26)	**(3,989)**
Capital employed	**945**	**1,033**	**122**	**967**	**3,067**	**2,025**	**5,092**
Assets held for sale and associated liabilities							**698**
Net debt							**(1,772)**
Equity							**4,018**

5.2 INFORMATION BY GEOGRAPHICAL SEGMENT

• Net sales

	2011	2010
France	2,754	2,741
European Union (excl. France)	2,748	2,887
Other European countries	619	664
USA and Canada	807	971
Middle East	36	31
Asia-Pacific	573	527
Other (Africa, Latin America)	120	145
Total	**7,657**	7,966

• Segment assets

	31 Dec. 2011	31 Dec. 2010
France	3,149	3,749
European Union (excl. France)	1,759	1,760
Other European countries	243	323
USA and Canada	765	696
Middle East	-	-
Asia-Pacific	453	458
Other (Africa, Latin America)	37	41
Total	**6,406**	7,027

• Purchases of intangible assets and property, plant and equipment

	2011	2010
France	66	64
European Union (excl. France)	100	84
Other European countries	25	33
USA and Canada	11	10
Asia-Pacific	50	35
Other (Africa, Latin America)	1	2
Total	**253**	228

NOTE 6 NET SALES

Consolidated net sales contracted 3.9% in 2011 on a reported basis but increased 0.2% based on a comparable group structure and exchange rates (like-for-like).

Like-for-like net sales were calculated by adjusting:

- 2011 net sales to exclude companies consolidated for the first time during the year, and 2010 net sales to exclude companies divested in 2011.
- 2011 and 2010 net sales based on 2011 exchange rates.

Net sales break down as follows:

	2011	2010
Sales of goods and services	**6,770**	6,842
Advertising revenue	**858**	1,102
Barter transactions	**29**	22
Total	**7,657**	7,966

NOTE 7 EMPLOYEE DATA

7.1 AVERAGE NUMBER OF EMPLOYEES

The average number of employees of fully consolidated companies breaks down as follows by division:

	2011	2010
Lagardère Publishing	**7,326**	7,459
Lagardère Active	**7,870**	10,246
Lagardère Services	**10,187**	9,472
Lagardère Unlimited	**1,110**	1,035 (*)
Lagardère Media	**26,493**	28,212
Other Activities	**251**	298 (*)
Total	**26,744**	28,510

(*) From 1 January 2011, Lagardère Paris Racing Ressources is no longer shown in Other Activities and is included in Lagardère Unlimited. Data for 2010 have been restated to reflect this reorganisation.

7.2 PAYROLL COSTS

	2011	2010
Wages and salaries	**1,281**	1,339
Payroll taxes	**305**	305
Share-based payments	**14**	8
Total	**1,600**	1,652

7.3 SHARE-BASED PAYMENTS

STOCK OPTION PLANS

In past years up to and including 2006, the Managing Partners granted stock options on Lagardère SCA shares to certain members of management and employees of the Group under shareholder-approved plans. The main features of the stock option plans outstanding at 1 January 2011 are presented in note 26.2.

In accordance with the principles described in note 3.5 "Share-based payments", the options granted are measured at fair value at the grant date. Under the plans' terms and conditions, stock options vest after a two-year period and lapse ten years after their grant date.

Details of outstanding stock options and movements in 2010 and 2011 are presented below:

	Number of options	Weighted average exercise price (in euros)
Options outstanding at 31 December 2009	**5,791,141**	**54.29**
Options forfeited	(34,558)	54.51
Options exercised	-	-
Options outstanding at 31 December 2010	**5,756,583**	**54.29**
Options forfeited	(53,261)	53.97
Options exercised	-	-
Options outstanding at 31 December 2011	**5,703,322**	**54.29**
Including: options exercisable	*5,703,322*	*54.29*

The stock options outstanding at 31 December 2011 were exercisable at prices ranging between €51.45 and €56.97 and their average term to maturity was 3.55 years.

SHARE GRANT PLANS

In 2009, 2010 and 2011 the Group set up plans to award free shares to employees and the Co-Managing Partners. The number of shares awarded under these plans was as follows:

- 1 October 2009 and 31 December 2009 plans: 571,525 shares;
- 17 December 2010 plan: 634,950 shares;
- 15 July 2011 and 29 December 2011 plans: 650,000 shares.

For Group employees these three plans do not include any performance conditions and the shares vest after a two-year period, provided the beneficiaries have remained in the Group's employment throughout that time. For beneficiaries who are not residents in France for tax purposes, the shares vest at the end of a four-year period provided that the beneficiaries have remained in the Group's employment for two years.

For the Co-Managing Partners, final allocation of the shares is conditional on:

- the beneficiaries remaining with the Group until at least 1 April 2014, 2013 and 2012 under the 2011, 2010 and 2009 plans respectively;
- achievement of objectives based on criteria internal to the Group (consolidated recurring operating profit and net cash flows from operating activities), with the number of shares allocated reduced accordingly if these objectives are not met.

ASSUMPTIONS USED TO CALCULATE FAIR VALUE

The assumptions underlying the plans for which an expense was recognised in the 2011 and 2010 financial statements were as follows:

	Free shares				
	29 Dec. 2011 Plan	15 July 2011 Plan	17 Dec. 2010 Plan	31 Dec. 2009 Plan	1 Oct.2009 Plan
Share price at grant date (€)	19.71	27.53	29.30	28.41	31.58
Expected dividend	Between 6.6% and 6.8%	Between 6.6% and 6.8%	Between 4.5% and 4.7%	4.6%	4%

Share-based payment expense recognised by fully consolidated companies amounted to €14 million in 2011 and €8 million in 2010.

NOTE 8 RESTRUCTURING COSTS

Restructuring costs for 2011 totalled €41 million. They were incurred as part of the Group's cost-cutting and streamlining plans and mainly concerned Lagardère Active (€16 million), Lagardère Services (€14 million) and Lagardère Unlimited (€10 million).

In 2010 restructuring costs amounted to €90 million, of which €49 million corresponded to a non-recurring cost for the Group's contractually agreed contribution to financing the Presstalis recovery plan, and the remainder was spread across all of the Group's divisions and entities.

All of the measures contained in the Presstalis recovery plan were implemented in late 2010 and the first half of 2011, particularly the financial measures aimed at strengthening Presstalis' equity as provided for in the framework agreement of 27 May 2010 signed by Lagardère, the publisher cooperatives and Presstalis, under the aegis of the French authorities. Consequently, and in accordance with the governance reform set out in said framework agreement, at the end of the first half of 2011 Lagardère sold its 49% interest in Presstalis and Transports Presse to the publisher cooperatives for a token price of €1. At the same time, Lagardère relinquished all general management and administrative positions it held in these companies, retaining only its position as a publisher within the cooperatives. A provision was set aside in the 2010 consolidated financial statements for the financial consequences of these transactions and there was no impact on 2011 results.

NOTE 9 GAINS (LOSSES) ON DISPOSALS OF ASSETS

In 2011 this item represented a net gain of €17 million and mainly included:

- a €16 million gain on the sale of the Group's 34% stake in Le Monde Interactif;
- an €8 million gain on the sale of property assets held by Lagardère Services;
- a €6 million loss on the sale of BSSL (Publishing division).

The disposal of the International Magazine Publishing business and the Group's radio business in Russia – described in note 4 above – generated a small aggregate gain, net of transaction costs.

In 2010 net disposal gains totalled €40 million and primarily included:

- gains on the sale of the Group's 49% stake in MediaKiosk to Presstalis (+€19 million) as well as the divestment of the DTT channel Virgin 17 (+€53 million) and Arlis (+€6 million);
- losses on the sales of Le Monde SA shares (-€33 million) and the Brazilian subsidiary Escala Educacional (-€11 million).

NOTE 10 IMPAIRMENT LOSSES ON GOODWILL AND INTANGIBLE ASSETS

The impairment losses recorded in 2011 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 exercised are similar and are managed on a combined basis.

The following table sets out the number of CGUs per business division that were tested for impairment at 31 December 2011 and the carrying amounts of the assets allocated to each CGU:

	Number of CGUs		Carrying amount of goodwill (*)		Carrying amount of intangible assets with indefinite useful lives		Total carrying amount oftested assets	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Publishing	**14**	14	**865**	851	**39**	39	**904**	890
Active	**31**	32	**587**	722	**208**	210	**795**	932
– Press	**7**	8	**311**	322	**166**	166	**477**	488
– Audiovisual	**21**	21	**181**	277	**42**	44	**223**	321
– Digital	**3**	3	**95**	123	**-**	-	**95**	123
Services	**5**	5	**177**	176	**3**	4	**180**	180
Unlimited	**1**	1	**163**	712	**8**	-	**171**	712
Other Activities	**1**	1	**45**	122	**-**	-	**45**	122
Total	**53**	**54**	**1,837**	**2,583**	**258**	**253**	**2,095**	**2,836**

(*) Details concerning the main items of goodwill are provided in note 16.

ASSUMPTIONS USED FOR ESTIMATING THE VALUE OF FUTURE CASH FLOWS

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 key assumptions used for the forecasts contained in the budgets 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; cost of paper.
- Services: passenger volumes by platform (airports, railway stations, etc.); lease payments for retail outlets; press market trends.
- Unlimited: performance conditions for contracts in progress based on the advertising environment and the sporting context specific to each event; ability to renew current contracts or win new ones and the related profit margins.

The cash flows are discounted using an after-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 2011 and 2010:

	Discount rate		Perpetuity growth rate	
	2011	2010	**2011**	2010
Publishing	**7.29%**	9.00%	**2.00%**	2.00%
Active – Press – Audiovisual – Digital (*)	 **7.86%** **8.99%** **8.99%**	 10.83% 7.15% 7.15%	 **1.50%** **1.50%** **3.00%**	 1.50% 1.50% 3.00%
Services	**9.65%**	9.11%	**2.00%**	2.00%
Unlimited – Europe / United States – Asia	 **9.30%** **9.30%**	 7.15% 7.15%	 **2.00%** **3.50%**	 2.50% 3.50%

(*) For these operations specific growth rates ranging between 5% and 7.50% were applied for the first few years after the period covered in the budget.

Discount rates used 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 were reviewed and updated at the end of 2011 in order to take account of changes in the competitive environment and market participants. This led to certain components of the basket whose business models were not judged to be sufficiently correlated to the Group's being eliminated, and to new components being added. A specific sample for Lagardère Unlimited was also created.

RECOGNISED IMPAIRMENT LOSSES

In 2011, impairment losses recognised on goodwill and intangible assets held by consolidated companies amounted to €585 million and broke down as follows:

- Lagardère Unlimited for €550 million, as a result of the increase in the discount rate related to the worsening economic and stock market environment, and to the downwards revision of estimated future cash flows reflecting the impact of the loss of certain contracts and the inclusion in the calculation of lower-than-expected margins;
- €27 million for the digital operations of Lagardère Active (€19 million for Doctissimo and €8 million for Nextidea);
- €5 million for Lagardère Services and €3 million for Lagardère Publishing.

In 2010, the Group recognised €100 million in impairment losses, of which €87 million related to Lagardère Unlimited.

SENSITIVITY CALCULATIONS

The potential effects on impairment losses recorded in 2011 of increases or decreases in the discount rates and growth rates applied are shown below:

• Publishing (Increase) decrease in impairment losses

(in millions of euros)	Discount rate				
Perpetuity growth rate	-1%	-0.5%	0%	+0.5%	+1%
-1 %	-	-	(1)	(22)	(51)
-0.5 %	-	-	-	(1)	(26)
0 %	-	-	0	-	(1)
+0.5 %	-	-	-	-	(1)
+1 %	-	-	-	-	-

• Active (Increase) decrease in impairment losses

(in millions of euros)	Discount rate				
Perpetuity growth rate	-1%	-0.5%	0%	+0.5%	+1%
-1 %	7	(1)	(8)	(44)	(77)
-0.5 %	12	3	(4)	(16)	(52)
0 %	19	9	0	(7)	(24)
+0.5 %	22	15	5	(3)	(10)
+1 %	24	22	11	2	(6)

• Services (Increase) decrease in impairment losses

(in millions of euros)	Discount rate				
Perpetuity growth rate	-1%	-0.5%	0%	+0.5%	+1%
-1 %	-	(3)	(8)	(13)	(18)
-0.5 %	-	-	(3)	(9)	(14)
0 %	-	-	0	(4)	(10)
+0.5 %	-	-	-	-	(5)
+1 %	-	-	-	-	-

• Unlimited (Increase) decrease in impairment losses

(in millions of euros)	Discount rate				
Perpetuity growth rate	-1%	-0.5%	0%	+0.5%	+1%
-1 %	36	1	(29)	(55)	(79)
-0.5 %	55	17	(15)	(44)	(69)
0 %	78	36	0	(31)	(59)
+0.5 %	106	58	18	(17)	(47)
+1 %	139	84	39	0	(33)

For Lagardère Unlimited, a 5% increase or decrease in future cash flows would have a positive or negative impact of around €30 million on the recoverable amount of the assets concerned.

The sensitivity analysis for all of the four divisions combined is as follows:

• Total (Increase) decrease in impairment losses

(in millions of euros)	Discount rate				
Perpetuity growth rate	-1%	-0.5%	0%	+0.5%	+1%
-1 %	43	(3)	(46)	(134)	(225)
-0.5 %	68	21	(23)	(69)	(162)
0 %	97	45	0	(43)	(93)
+0.5 %	128	73	23	(20)	(62)
+1 %	163	106	50	2	(39)

NOTE 11 OTHER OPERATING EXPENSES

	2011	2010
Write-downs of assets	(38)	(57)
Exchange losses	(2)	(1)
Financial expenses other than interest	(3)	(3)
Provisions for contingencies and losses	-	(7)
Other expenses	(19)	(21)
Total	**(62)**	(89)

Write-downs of assets totalled €38 million in 2011 (€57 million in 2010) and principally related to advances paid to writers by Lagardère Publishing.

NOTE 12 OTHER OPERATING INCOME

	2011	2010
Exchange gains	-	-
Provisions for contingencies and losses	26	-
Other income	21	24
Total	**47**	24

NOTE 13 FINANCIAL INCOME AND EXPENSES

Financial income and expenses break down as follows:

	2011	2010
Interest income on loans	12	8
Investment income and gains on sales of marketable securities	9	13
Financial income	**21**	21
Interest expense on borrowings	(112)	(100)
Other financial expenses	(4)	(3)
Financial expenses	**(116)**	(103)
Total	**(95)**	(82)

NOTE 14 INCOME TAX EXPENSE

14.1 ANALYSIS OF INCOME TAX EXPENSE

Income tax expense breaks down as follows:

	2011	2010
Current taxes	(98)	(78)
Deferred taxes	(7)	11
Total	**(105)**	(67)

14.2 TAX PROOF

The following table reconciles income tax expense reported in the income statement to the theoretical income tax expense for 2011 and 2010:

	2011	2010
Profit (loss) before tax	(584)	261
Income (loss) from associates	(198)	65
Profit (loss) before tax and income from associates	(386)	196
Theoretical tax expense [1]	139	(67)
Effect on theoretical tax expense of:		
Profit taxed (losses deducted) at reduced rates	(1)	-
Tax loss carryforwards used in the year [2]	6	12
Tax loss carryforwards arising during the year [2]	(4)	(8)
Differences in tax rates applied to foreign subsidiaries' earnings	1	11
Limitation on deferred taxes	(13)	-
Tax credits and similar	1	2
Impairment losses on goodwill and other intangible assets	(211)	(34)
Permanent differences	(23)	17
Effective tax expense	(105)	(67)

(1) Calculated at the French standard rate (36.10% in 2011 and 34.43% in 2010).
(2) Tax losses for which no deferred tax assets were recognised.

14.3 DEFERRED TAXES RECOGNISED IN THE BALANCE SHEET

Deferred taxes recognised at 31 December 2011 and 2010 concerned the following assets and liabilities:

	31 Dec. 2011	31 Dec. 2010
Intangible assets	(69)	(78)
Property, plant and equipment	(39)	(38)
Non-current financial assets	(43)	(44)
Inventories	15	24
Provisions for pension benefit obligations	24	17
Other provisions	153	163
Other working capital items	129	110
Temporary differences (gross amount)	170	154
Provision for write-down of deferred tax assets	(148)	(140)
Temporary differences (net amount)	22	14
Tax loss carryforwards	19	27
Tax credits	-	-
Net deferred tax assets	41	41
Deferred tax assets	184	167
Deferred tax liabilities	(143)	(126)

14.4 CHANGES IN DEFERRED TAXES

	2011	2010
Net deferred tax assets (liabilities) at 1 January	**41**	(54)
Income tax benefit (expense) recognised in the income statement	**(7)**	11
Deferred tax recognised directly in equity	**2**	(1)
Reclassifications as assets held for sale and associated liabilities	**-**	89
Effect of change in consolidation scope and exchange rates	**5**	(4)
Net deferred tax assets (liabilities) at 31 December	**41**	41

Deferred taxes recognised directly in equity can be analysed as follows:

	31 Dec. 2011	31 Dec. 2010
Available-for-sale investments	**-**	-
Cash flow hedges	**-**	1
Actuarial gains and losses on pensions and other post-employment benefit obligations	**7**	4
Total	**7**	5

NOTE 15 EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

Earnings per share is calculated by dividing profit attributable to owners of the Parent by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. Changes in the number of shares as a result of employees exercising their stock options (movements throughout the year) are included using the average of opening and closing balances for the year.

DILUTED EARNINGS PER SHARE

The only dilutive ordinary shares are (i) unexercised employee stock options which are not covered by hedging contracts and whose exercise prices are lower than the average quoted price of the Lagardère SCA share over the reference period ("in-the-money" options), and (ii) free shares, when it is probable that they will vest at the vesting date set in the plan (specific case of free shares specific to performance conditions).

	2011	2010
Profit (loss) for the year attributable to owners of the Parent (in millions of euros)	**(707)**	163
Number of shares making up the share capital at 31 December	**131,133,286**	131,133,286
Treasury shares	**(3,772,698)**	(4,098,948)
Number of shares outstanding at 31 December	**127,360,588**	127,034,338
Average number of shares outstanding during the period	**127,197,463**	126,964,338
Basic earnings (loss) per share attributable to owners of the Parent (in euros)	**(5.56)**	1.29
Dilutive stock options and free shares:		
Stock options	**-**	-
Free shares	**-** (*)	1,206,475
Average number of shares including dilutive stock options and free shares	**127,197,463**	128,170,813
Diluted earnings (loss) per share attributable to owners of the Parent (in euros)	**(5.56)**	1.27

(*) At 31 December 2011, a total of 1,334,950 free shares to be awarded are treated as being non-dilutive as their inclusion in the calculation would lead to a reduction in earnings (loss) per share.

NOTE 16 GOODWILL

	2011	2010
At 1 January	**2,583**	2,810
Cost	***3,053***	*3,219*
Accumulated impairment losses	***(470)***	*(409)*
Acquisitions	**16**	50
Reclassification as assets held for sale	**-**	(219)
Goodwill written off following disposal or deconsolidation	**(98)** (*)	(16)
Impairment losses	**(584)** (**)	(89) (**)
Translation adjustments	**14**	54
Other movements	**(94)** (***)	(7)
At 31 December	**1,837**	2,583
Cost	***2,891***	*3,053*
Accumulated impairment losses	***(1,054)***	*(470)*

(*) Sale of the radio business in Russia in 2011.
(**) Of which €550 million and €87 million related to Lagardère Unlimited in 2011 and 2010 respectively.
(***) Including €77 million reclassified to the property portfolio held by Compagnie Immobilière Europa.

Net goodwill in the balance sheet concerns the following companies:

	31 Dec. 2011	31 Dec. 2010
Publishing	**865**	**851**
Editis group	**238**	238
Hachette Book Group USA	**227**	220
HL UK group	**166**	161
Hatier group	**84**	84
Little, Brown Book Group	**53**	51
Hachette Livre España group	**27**	27
Orion group	**28**	27
Pika Edition	**14**	14
Éditions Albert René	**11**	11
Octopus group	**7**	7
Other – Publishing	**10**	11
Active	**587**	**722**
Press	***311***	***322***
Lagardère Active	**217**	236
Société de Presse Féminine	**46**	40
FINEV (Psychologies Magazine group)	**16**	16
Hachette Filipacchi Presse (Charles Massin)	**14**	14
Other – Press	**18**	16
Audiovisual	***181***	***277***
Lagardère Active Broadcast	**70**	70
Russian radio operations	**-**	98
LARI Poland	**40**	41
Lagardère Active TV	**31**	31
Other – Audiovisual	**40**	37
Digital	***95***	***123***
Doctissimo	**71**	90
Newsweb	**16**	17
Nextidea	**8**	16
Services	**177**	**176**
Payot Naville Distribution group	**40**	40
Newslink	**32**	31
Curtis Circulation	**20**	20
Aelia CZ	**17**	17
Lapker group	**13**	15
Other – Services	**55**	53
Unlimited	**163**	**712**
Other Activities	**45**	**122**
Lagardère [1]	**45**	45
Compagnie Immobilière Europa [2]	**-**	77
Total	**1,837**	**2,583**

(1) Goodwill on Matra Hachette shares purchased prior to the business combination.
(2) Goodwill related to Compagnie Immobilière Europa was reclassified to property, plant and equipment in 2011 to be included in this entity's property portfolio.

NOTE 17 INTANGIBLE ASSETS

• Cost

	Intangible assets with indefinite useful lives		Intangible assets with finite useful lives		
	Publication titles	Other	Sports rights	Other	Total
At 1 January 2010	**1,161**	**130**	**957**	**436**	**2,684**
Acquisitions	-	-	42	18	60
Changes in scope of consolidation	4	-	6	10	20
Reclassification as assets held for sale	(1,046)	-	-	(30)	(1,076)
Disposals	-	-	(45)	(6)	(51)
Reclassifications	-	-	(34)	6	(28)
Translation adjustments	59	-	27	13	99
At 31 December 2010	**178**	**130**	**953**	**447**	**1,708**
Acquisitions	-	8	73	24	105
Changes in scope of consolidation	-	-	-	13	13
Disposals	-	-	(90)	(8)	(98)
Reclassifications	(1)	(2)	(42)	(6)	(51)
Translation adjustments	-	-	7	1	8
At 31 December 2011	**177**	**136**	**901**	**471**	**1,685**

• Amortisation and impairment losses

	Intangible assets with indefinite useful lives		Intangible assets with finite useful lives		
	Publication titles	Other	Sports rights	Other	Total
At 1 January 2010	**(522)**	**(40)**	**(412)**	**(324)**	**(1,298)**
Amortisation	-	-	(110)	(28)	(138)
Impairment losses	(7)	-	-	-	(7)
Changes in scope of consolidation	-	-	-	3	3
Reclassification as assets held for sale	557	-	-	26	583
Disposals	-	-	45	5	50
Reclassifications	-	-	10	(6)	4
Translation adjustments	(43)	-	(8)	(8)	(59)
At 31 December 2010	**(15)**	**(40)**	**(475)**	**(332)**	**(862)**
Amortisation	-	-	(179)	(26)	(205)
Impairment losses	-	(1)	-	-	(1)
Changes in scope of consolidation	-	-	-	(8)	(8)
Disposals	-	-	85	7	92
Reclassifications	1	-	39	11	51
Translation adjustments	-	-	(7)	1	(6)
At 31 December 2011	**(14)**	**(41)**	**(537)**	**(347)**	**(939)**

• Carrying amounts

At 31 December 2010	**163**	**90**	**478**	**115**	**846**
At 31 December 2011	**163**	**95**	**364**	**124**	**746**

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down as follows by category:

• 2011 - Cost

	At 1 January 2011	Acquisitions	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustments	At 31 December 2011
Land	151	-	-	-	85 (*)	-	236
Buildings	500	16	(5)	(13)	(23)	1	476
Machinery and equipment	430	40	-	(24)	(4)	-	442
Other	518	53	(4)	(62)	1	(6)	500
Assets under construction	16	12	-	(1)	(10)	-	17
Total	**1,615**	**121**	**(9)**	**(100)**	**49**	**(5)**	**1,671**

(*) Of which €77 million transferred from goodwill and included in the property portfolio held by Compagnie Immobilière Europa.

• 2011 - Depreciation and impairment losses

	At 1 January 2011	Depreciation	Impairment losses	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustments	At 31 December 2011
Land	(3)	-	-	-	-	-	-	(3)
Buildings	(290)	(24)	-	2	10	27	(3)	(278)
Machinery and equipment	(327)	(35)	-	-	20	9	-	(333)
Other	(370)	(41)	-	4	57	2	3	(345)
Assets under construction	-	-	-	-	-	-	-	-
Total	**(990)**	**(100)**	**0**	**6**	**87**	**38**	**0**	**(959)**
Carrying amounts	**625**	**21**	**0**	**(3)**	**(13)**	**87 (*)**	**(5)**	**712**

(*) Of which €77 million transferred from goodwill and included in the property portfolio held by Compagnie Immobilière Europa.

• 2010 - Cost

	At 1 January 2010	Acquisitions	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustments	At 31 December 2010
Land	149	1	-	-	-	1	151
Buildings	474	17	-	(10)	2	17	500
Machinery and equipment	427	31	(1)	(27)	(7)	7	430
Other	520	41	(1)	(21)	(41)	20	518
Assets under construction	13	13	-	(1)	(9)	-	16
Total	**1,583**	**103**	**(2)**	**(59)**	**(55) (*)**	**45**	**1,615**

(*) Including €53 million reclassified as assets held for sale.

• 2010 - Depreciation and impairment losses

	At 1 January 2010	Depreciation	Impairment losses	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustments	At 31 December 2010
Land	(3)	-	-	-	-	-	-	(3)
Buildings	(255)	(24)	(1)	-	8	(7)	(11)	(290)
Machinery and equipment	(323)	(34)	(2)	1	24	12	(5)	(327)
Other	(367)	(43)	(1)	1	19	34	(13)	(370)
Assets under construction	-	-	-	-	-	-	-	-
Total	**(948)**	**(101)**	**(4)**	**2**	**51**	**40 (*)**	**(29)**	**(990)**
Carrying amounts	**635**	**2**	**(4)**	**0**	**(8)**	**(15)**	**16**	**625**

(*) Including €40 million reclassified as assets held for sale.

INVESTMENT PROPERTY

Balance sheet assets include a property complex whose carrying amount at 31 December 2011 was €80 million, versus €68 million at 31 December 2010. No rental income was received in relation to this property in 2010 as renovation works were carried out during that year. In 2011 a total of €2 million in rental income was received.
The property's market value at 31 December 2011 was estimated at between €115 million and €130 million, compared with €100 million one year earlier. The year-on-year increase reflects the refurbishment works carried out and the fact that the building was once again occupied as from 2011.

The Group also owns two property complexes outside France whose carrying amount was €40 million at end-2011, which approximates their market value. Rental income received on these properties in 2011 amounted to €2 million.

FINANCE LEASES

The Group did not have any finance leases representing material amounts at either 31 December 2011 or 31 December 2010.

NOTE 19 INVESTMENTS IN ASSOCIATES

The Group's main associates are as follows:

	% interest		Balance sheet		Income statement	
	31 Dec. 2011	31 Dec. 2010	31 Dec. 2011	31 Dec. 2010	31 Dec. 2011	31 Dec. 2010
Canal+ France	20%	20%	1,197	1,507	(310)	0
Marie-Claire	42%	42%	125	127	6	3
Amaury group	25%	25%	99	94	7	8
O.E.E. (Because)	25%	25%	16	16	-	-
Editions J'ai lu	35%	35%	15	15	1	2
S.D.A. (Société de Distribution Aéroportuaire)	42%	42%	14	6	9	8
SETC	49%	49%	13	11	2	1
Other			15	7	8	-
Excluding EADS			**1,494**	**1,783**	**(277)**	**22**
EADS	7.5%	7.5%	277	271	79	43
Total			**1,771**	**2,054**	**(198)**	**65**

Condensed financial information for EADS and Canal+ France is presented below:

	31 Dec. 2011		31 Dec. 2010	
(On a 100% basis)	EADS	Canal+ France	EADS	Canal+ France
Balance sheet information				
Total assets	83,216	5,797	77,849	5,517
Total liabilities	79,502	2,370	74,136	2,445
Income statement information				
Net sales	49,128	4,049	45,752	3,956
Profit for the year	1,059	346	580	357

EADS

For the purposes of consolidation, EADS' consolidated financial statements have been restated to neutralise the effects of the adjustments recorded by EADS at the time of the business combinations with Aerospatiale Matra and Dasa. This treatment was applied as a result of the Lagardère group's election not to restate business combinations carried out prior to 1 January 2004 on first-time adoption of IFRS and therefore to recognise these entities' net assets at historical cost. EADS' reported attributable profit of €1,033 million in 2011 and €553 million in 2010.

CANAL+ FRANCE

On 8 April 2010, in accordance with the liquidity contract covering its 20% holding in Canal+ France, Lagardère informed Vivendi that it wished to start the procedure set forth in the shareholder agreement signed on 4 January 2007. The Lagardère group informed Vivendi of the terms and minimum price it would accept for the sale of its investment. Subsequently, on 2 July 2010 Lagardère decided to begin the initial public offering (IPO) process for Canal+ France, in accordance with the aforementioned shareholder agreement.

However, on 16 March 2011 Lagardère announced that it had decided to postpone the IPO of its holding in Canal+ France in view of the scale of the catastrophe in Japan, which caused extreme volatility in the markets, making the environment unfavourable for an IPO.

At 31 December 2011, the process remained on hold but the Group still intends to proceed with the sale, mainly through an IPO, provided there are the right market conditions. Nevertheless, as the Group does not consider that there is a high probability of the sale taking place within twelve months of the 2011 year-end its interest in Canal+ France has not been classified under "Assets held for sale" in the balance sheet.

At 31 December 2011, the value in use of this investment was estimated using the discounted future cash flows method, based on the future cash flows presented in Canal+ France's most recent budget, drawn up in January 2011 as part of the preparatory phase for the IPO. As no updated version of this budget was available, the future cash flow forecasts were adjusted at 31 December 2011 to reflect the impact of facts and circumstances of which the Group was aware at that date.

The discount rate used was 8.79% (compared with 7.15% at end-2010) and corresponds to the market's expected rate of return for a listed company whose financial model is the same as that of Canal+ France, adjusted for an average IPO discount determined based on observable market data for the past two years. The discount rate in 2010 corresponds to the rate applied for impairment tests on the Group's Audiovisual businesses. This rate did not include the relevant market data on benchmark values used for impairment testing at end of 2011. The perpetuity growth rate applied was 1.50%, unchanged from 2010.

Taking into account estimated available cash, the value in use of the Group's investment in Canal+ France represented €1,197 million at 31 December 2011, with the terminal value accounting for 73% of this amount. As the carrying amount recorded in the opening balance sheet for Lagardère's Canal+ France shares was €1,507 million, a €310 million impairment loss was recorded in "Income (loss) from associates" to write down the investment to its €1,197 million value in use.

The potential effects on the investment's valuation of increases or decreases in the discount rates and growth rates applied are shown below:

• (Increase) decrease in the impairment loss

(in millions of euros)	Discount rate				
Perpetuity growth rate	-1%	-0.5%	0%	+0.5%	+1%
-1%	25	(48)	(112)	(169)	(220)
-0,5%	95	12	(60)	(123)	(179)
0%	176	82	-	(71)	(134)
+0.5%	272	162	69	(12)	(82)
+1%	385	256	148	56	(24)

In addition, a 5% increase or decrease in future cash flows would result in a corresponding increase or decrease in value in use of approximately €50 million.

NOTE 20 OTHER NON-CURRENT ASSETS

Other non-current assets break down as follows::

• Carrying amount

	31 Dec. 2011	31 Dec. 2010
Investments	**64**	49
Loans and receivables	**83**	63
Total	**147**	112

Investments include the following:

	31 Dec. 2011		31 Dec. 2010	
	Carrying amount	**% interest**	Carrying amount	% interest
Viel et Cie	**22**	**12%**	25	12%
Other	**42**		24	
Total	**64**		49	

The above investments are classified as available-for-sale investments.

Fair value adjustments of available-for-sale investments recognised in equity represented a net loss of €3 million in 2011 compared with a net gain of €5 million in 2010.

Cumulative fair value adjustments at 31 December 2011 amounted to €4 million (€7million at 31 December 2010).

Loans and receivables can be analysed as follows:

• Loans and receivables

	31 Dec. 2011	31 Dec. 2010
Gross amount	**135**	123
Accumulated write-downs	**(52)**	(60)
Carrying amount	**83**	63

• Analysis of write-downs of loans and receivables

	2011	2010
At 1 January	**(60)**	(98)
Write-downs (recognised) reversed in the year	**(1)**	7
Other movements and translation adjustments	**9**	31
At 31 December	**(52)**	(60)

Loans and receivables included in non-current 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. 2011	31 Dec. 2010
Lagardère Publishing	**409**	421
Lagardère Active	**78**	64
Lagardère Services	**280**	266
Lagardère Unlimited	**2**	1
Other Activities (*)	**18**	23
Cost	**787**	775
Accumulated write-downs	**(245)**	(252)
Carrying amount	**542**	523

(*) Spare part inventories of Matra Manufacturing & Services (formerly Matra Automobile): €18 million in 2011 and €22 million in 2010.

• Analysis of write-downs

	2011	2010
At 1 January	**(252)**	(247)
Write-downs (recognised) reversed in the year	**6**	(5)
Other movements and translation adjustments	**1**	-
At 31 December	**(245)**	(252)

NOTE 22 TRADE RECEIVABLES

Trade receivables and their realisable value can be analysed as follows:

	31 Dec. 2011	31 Dec. 2010
Trade receivables	**1,447**	1,359
Accumulated write-downs	**(171)**	(170)
Carrying amount	**1,276**	1,189
Of which:		
– not yet due	***1,009***	*924*
– overdue by up to 6 months	***217***	*221*
– overdue by more than 6 months	***50***	*44*
Total	**1,276**	1,189

• Analysis of write-downs

	2011	2010
At 1 January	**(170)**	(167)
Write-downs (recognised) reversed in the year	**3**	(12)
Other movements and translation adjustments	**(4)**	9
At 31 December	**(171)**	(170)

SECURITISATIONS OF TRADE RECEIVABLES

Certain subsidiaries of Lagardère Active have entered into securitisation contracts with debt securitisation funds. The main characteristics of the programmes are as follows:

- receivables are sold on a no-recourse basis;
- the asset-backed securities issued by the securitisation fund are overcollateralised, with the difference between the carrying amount of the sold receivables and the sale proceeds received from the securitisation fund being held in a deposit account;
- in the case of any bad debts, the loss is deducted from the deposit and is therefore incurred by the seller of the receivables;
- in certain cases, the seller has the option of buying back the sold receivables, particularly those that are classified as doubtful, and recovering the corresponding deposit.

In the consolidated financial statements, the sold receivables continue to be carried in the balance sheet, the deposits paid to the debt securitisation funds are cancelled and a debt is recognised in liabilities.

The amounts involved at 31 December 2011 and 2010 were as follows:

	31 Dec. 2011	31 Dec. 2010
Assets		
Trade receivables	**78**	67
Other receivables (*)	**(12)**	(26)
Liabilities		
Debt	**66**	41

(*) Guarantee deposits.

NOTE 23 OTHER CURRENT ASSETS

Other current assets break down as follows:

	31 Dec. 2011	31 Dec. 2010
Advances paid	**30**	32
Recoverable taxes and payroll taxes	**264**	250
Derivative financial instruments (*)	**12**	15
Receivable from writers	**311**	326
Receivable from suppliers	**89**	102
Loans	**57**	60
Prepaid expenses	**229**	185
Other	**66**	105
Total	**1,058**	1,075
Accumulated write-downs	**(95)**	(92)
Carrying amount	**963**	983

(*) See note 30.1.

• Analysis of write-downs

	2011	2010
At 1 January	**(92)**	(93)
Write-downs recognised in the year	**(44)**	(41)
Other movements and translation adjustments	**41**	42
At 31 December	**(95)**	(92)

NOTE 24 SHORT-TERM INVESTMENTS

Short-term investments solely comprise available-for-sale investments measured at fair value. They can be analysed as follows:

	31 Dec. 2011	31 Dec. 2010
Shares	**25**	27
Bonds	**58**	79
Total	**83**	106

Shares recorded under this item correspond to the Deutsche Telekom shares received in 2006 in exchange for T-Online shares as part of the merger between the two companies.

Cumulative fair value adjustments represented a gain of €1 million at 31 December 2011 and a nil amount at 31 December 2010. These totals include the impacts of write-downs of the Group's investment in Deutsche Telekom – recorded under financial expenses – amounting to €2 million and €7 million in 2011 and 2010 respectively.

NOTE 25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents reported in the cash flow statement were as follows:

	31 Dec. 2011	31 Dec. 2010
Cash and cash equivalents	**654**	616
Short-term bank loans and overdrafts	**(60)**	(105)
Cash and cash equivalents, net	**594**	511

NOTE 26 EQUITY

26.1 SHARE CAPITAL

At 31 December 2011 and 2010, the share capital of Lagardère SCA amounted to €799,913,044.60, represented by 131,133,286 shares with a par value of €6.10 each, all ranking pari passu and fully paid up.

26.2 EMPLOYEE STOCK OPTIONS

In prior years, the Managing Partners granted stock purchase options on Lagardère SCA shares to certain members of management and employees of the Group under shareholder-approved plans. Details of the plans outstanding at 1 January 2011 are presented below.

Plan	Date of AGM	Number of options originally granted	Exercise price (in euros)	Number of beneficiaries	Options exercised in 2011	Options forfeited at end-2011	Options outstanding at end-2011	Exercise period
Purchase options								
18 Dec. 2003	23 May 2000	1,437,250	51.45	445	-	209,744	1,201,185	18 Dec. 2005 to 18 Dec. 2013
20 Nov. 2004	11 May 2004	1,568,750	51.92	481	-	244,061	1,331,798	20 Nov. 2006 to 20 Nov. 2014
21 Nov. 2005	11 May 2004	1,683,844	56.97	495	-	202,605	1,481,239	21 Nov. 2007 to 21 Nov. 2015
14 Dec. 2006	11 May 2004	1,844,700	55.84	451	-	155,600	1,689,100	14 Dec. 2008 to 14 Dec. 2016
							5,703,322	

In addition, plans to award free shares in Lagardère SCA have been set up for certain employees and the Co-Managing Partners of the Group (see note 7).

26.3 TREASURY SHARES

Changes in the number of shares held in treasury over the last two years were as follows:

	2011	2010
Number of shares held at 1 January	**4,098,948**	4,238,948
Purchases of treasury shares	**1,360,078**	1,051,621
Sales of treasury shares	**(1,283,078)**	(1,191,621)
Capital reduction by cancellation of treasury shares	**(403,250)**	-
Number of shares held at 31 December	**3,772,698**	4,098,948

At 31 December 2011 shares held in treasury represented 2.88% of Lagardère SCA's share capital and were allocated for the following purposes:

- 1,599,250 shares for future allocation to employees;
- 2,073,448 shares to be held for future transfers or exchanges in consideration for acquisitions;
- 100,000 shares for market-making purposes.

At end-2011 Lagardère also held rights to purchase 4,289,152 shares from Barclays Bank Plc in the form of call options at the prices stated below, for subsequent resale at the same prices to Group employees who are beneficiaries of the following stock option plans:

Date of Plan	Number of shares under option	Exercise price (in euros)	Expiry date for call options
2003	1,214,132	51.45	18 Dec. 2013
2004	1,360,420	51.92	20 Nov. 2014
2006	1,714,600	55.84	14 Dec. 2012
	4,289,152		

As part of the liquidity contract entered into in 2008 with Crédit Agricole Cheuvreux for the purposes of market-making, during 2011 Lagardère SCA purchased 1,360,078 treasury shares for a total cost of €33 million and sold 1,283,078 treasury shares for a total of €32 million giving rise to a €1.5 million net disposal loss.

In 2010, the Group purchased 1,051,621 treasury shares for a total cost of €30 million and sold 1,191,621 treasury shares for a total of €34 million generating a net gain of €0.7 million.

In 2011, the Group carried out a capital reduction by cancelling 403,250 treasury shares for an amount of €14 million. This occured further to a capital increase by capitalising reserves, for the same number of shares. The new shares created were allocated in October 2011 to employee beneficiaries of the free share plan of 1 October 2009.

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 on cash flow hedges taken to equity;
- cumulative gains and losses on available-for-sale investments taken to equity.

26.5 MINORITY INTERESTS

Minority interests in the net assets and profits of consolidated companies break down as follows:

	Balance sheet		Income statement	
	31 Dec. 2011	31 Dec. 2010	**2011**	2010
Lagardère Publishing	**23**	23	**4**	3
Lagardère Active	**14**	57	**16**	22
Lagardère Services	**32**	30	**11**	9
Lagardère Unlimited	**6**	22	**(13)**	(3)
Total	**75**	132	**18**	31

26.6 CAPITAL MANAGEMENT

LAGARDÈRE SCA SHARE CAPITAL AND SHAREHOLDERS

Lagardère closely monitors its ownership and shareholding structure. As all Lagardère SCA shares are in registered form, information on shareholders and changes in ownership are available to the Company. The proportion of freely traded shares is high, at approximately 90%, with the remaining 9.62% held by Lagardère Capital & Management which is controlled by Arnaud Lagardère, the Group's Managing Partner. This guarantees good stock liquidity.

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.

CONSOLIDATED EQUITY

As described in note 29.1.1, some of Lagardère SCA's bond borrowings and bank loans contain financial ratio covenants. In particular, these require the Group to comply with a minimum level of consolidated equity, or maximum level of debt calculated as a proportion of consolidated equity, or in relation to a performance indicator based on recurring operating profit. Failure to meet these ratio requirements entitles the lenders to require immediate reimbursement of their loans. The ratios are monitored throughout the year by the Cash Management and Financing Department and have always been respected.

As part of its long-term development strategy, the Group optimises its debt/equity ratio. Given the currently low level of debt, external growth can be financed by borrowings. The Group has also applied a share buyback policy in recent years, within limits set by the Annual General Meeting, leading in 2007 and 2008 to the cancellation of shares with an anti-dilutive effect for shareholders.

In 2008 the Group set up a liquidity contract for the purpose of ensuring a liquid market for its shares and stabilising the share price.

26.7 COMPONENTS OF OTHER COMPREHENSIVE INCOME (EXPENSE)

The components of other comprehensive income (expense) can be analysed as follows:

2011	Other reserves	Translation reserve	Valuation reserve	Equity attributable to owners of the Parent	Minority interests	Total equity
Currency translation adjustments		3		**3**	(3)	**0**
Change in fair value of:						
derivative financial instruments			4	**4**		**4**
– unrealised gains and losses recognised directly in equity			*1*	***1***		***1***
– amounts recycled from equity to profit			*3*	***3***		***3***
investments in non-consolidated companies			(2)	**(2)**		**(2)**
– unrealised gains and losses recognised directly in equity			*(2)*	***(2)***		***(2)***
– amounts recycled from equity to profit			-	**-**		**-**
Actuarial gains and losses on pensions and other post-employment benefit obligations	(10)			**(10)**		**(10)**
Share of other comprehensive income of associates (net of tax)	(43)	(6)	(13)	**(62)**		**(62)**
Tax relating to components of other comprehensive income (expense)	3		(1)	**2**		**2**
Other comprehensive income (expense) for the year, net of tax	**(50)**	**(3)**	**(12)**	**(65)**	**(3)**	**(68)**

2010	Other reserves	Translation reserve	Valuation reserve	Equity attributable to owners of the Parent	Minority interests	Total equity
Currency translation adjustments		86		**86**	6	**92**
Change in fair value of:						
derivative financial instruments			(2)	**(2)**		**(2)**
– unrealised gains and losses recognised directly in equity			*(4)*	***(4)***		***(4)***
– amounts recycled from equity to profit			*2*	***2***		***2***
investments in non-consolidated companies			9	**9**		**9**
– unrealised gains and losses recognised directly in equity			*(2)*	***(2)***		***(2)***
– amounts recycled from equity to profit			*11*	***11***		***11***
Actuarial gains and losses on pensions and other post-employment benefit obligations				**0**		**0**
Share of other comprehensive income of associates (net of tax)	(5)	11	(177)	**(171)**		**(171)**
Tax relating to components of other comprehensive income (expense)			(1)	**(1)**		**(1)**
Other comprehensive income (expense) for the year, net of tax	**(5)**	**97**	**(171)**	**(79)**	**6**	**(73)**

Tax relating to components of other comprehensive income (expense) breaks down as follows:

2011	Before tax	Tax	After tax
Currency translation adjustments	0	-	0
Change in fair value of: – derivative financial instruments – investments in non-consolidated companies	 4 (2)	 (1) -	 3 (2)
Actuarial gains and losses on pensions and other post-employment benefit obligations	(10)	3	(7)
Share of other comprehensive income of associates (net of tax)	(62)	-	(62)
Other comprehensive income (expense) for the year	**(70)**	**2**	**(68)**

2010	Before tax	Tax	After tax
Currency translation adjustments	92	-	92
Change in fair value of: – derivative financial instruments – investments in non-consolidated companies	 (2) 9	 1 (2)	 (1) 7
Actuarial gains and losses on pensions and other post-employment benefit obligations	-	-	0
Share of other comprehensive income of associates (net of tax)	(171)	-	(171)
Other comprehensive income (expense) for the year	**(72)**	**(1)**	**(73)**

NOTE 27 PROVISIONS

27.1 PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

In application of the principles set out in note 3.18, provisions are recognised to cover the Group's obligations under defined benefit plans.

The tables below give details of the assumptions used in valuation, and the changes in the benefit obligations and the provisions recognised:

• Change in present value of benefit obligation

	2011	2010
Present value of benefit obligation at beginning of the year	**318**	298
Service cost	**9**	12
Interest cost	**13**	14
Benefits paid	**(18)**	(16)
Effect of settlements and curtailments	**(7)**	(4)
Actuarial (gains) losses	**9**	6
Changes in scope of consolidation	**1**	(13)
Employee contributions	**3**	3
Translation adjustments and other	**7**	18
Present value of benefit obligation at end of the year	**335**	318
Present value of benefit obligation at end of year for funded plans	**260**	248
Present value of benefit obligation at end of year for unfunded plans	**75**	70

• Change in fair value of plan assets

	2011	2010
Fair value of plan assets at beginning of year	**216**	195
Actual return on plan assets	**8**	15
Employer contributions	**17**	14
Benefits paid	**(14)**	(13)
Settlement of obligations	**(3)**	(5)
Changes in scope of consolidation	**-**	(9)
Employee contributions	**3**	3
Translation adjustments and other	**7**	16
Fair value of plan assets at end of year	**234**	216

• Asset allocation at 31 December

	2011	2010
Shares	**29%**	32%
Bonds	**56%**	47%
Real property	**4%**	6%
Money market instruments	**7%**	5%
Other	**4%**	10%

The expected rate of return on plan assets is the weighted average rate, based on the individual expected long-term return for each class of assets in the financing portfolio, and their actual allocation at the measurement date.

• Calculation of net amount recognised as a provision

	2011	2010	2009	2008	2007
Present value of benefit obligation	**335**	318	298	263	303
Fair value of plan assets	**(234)**	(216)	(195)	(168)	(200)
Unrecognised past service cost	**-**	(1)	(1)	(1)	-
Net amount recognised as a provision	**101**	101	102	94	103

• Calculation of net expense for the year

	2011	2010
Service cost	**9**	12
Interest cost	**13**	14
Expected return on plan assets	**(9)**	(9)
Recognition of past service cost	**-**	-
Effect of asset ceiling	**-**	-
Effect of settlements and curtailments	**(3)**	-
Net expense recognised in the income statement	**10**	17

• Actuarial assumptions used to calculate benefit obligations

	2011	2010
Discount rate: weighted average for all countries including: – Eurozone (*) – United Kingdom (*)	**4.14%** **4.50%** **4.70%**	4.59% 4.75% 5.40%
Average expected rate of benefit increase	**2.73%**	2.82%
Average expected rate of salary increase	**2.51%**	2.39%
Expected rate of return on plan assets	**4.06%**	4.49%
Expected rate of healthcare cost inflation		
– initial	**5.00%**	5.00%
– ultimate	**2.00%**	2.00%
– year in which ultimate rate is expected to be reached	**2027**	2027

(*) Discount rates are derived from market rates on high quality corporate bonds (rated AA) with maturities that approximate those of the estimated future payments under the plans. The benchmark index used in 2010 and 2011 was the Iboxx Corporate AA index.

• Experience gains and losses recognised in equity

	2011	2010
1. Difference between actual and expected returns on plan assets		
Gains (losses)	**(1)**	6
Percentage of plan assets at year-end	**-0.44%**	2.62%
2. Experience adjustments		
Losses (gains)	**(2)**	(2)
Percentage of present value of plan liabilities at year-end	**-0.66%**	-0.76%

• Sensitivity to trend rate assumptions (+/-1%) for post retirement medical plans

	2011	2010
Present value of benefit obligation at 31 December	**5**	5
Effect of a 1% increase on defined benefit obligation on expense for the year	 **15** **1**	 14 1
Effect of a 1% decrease on defined benefit obligation on expense for the year	 **(5)** **-**	 (5) -

• Expected employer contribution

	2012	2011
	15	10

• Actuarial gains and losses recognised directly in equity

	2011	2010
Actuarial gains (losses) at 1 January	**(16)**	(16)
Change during the year - in value of benefit obligation - in fair value of plan assets	**(9)** **(1)**	(6) 6
Actuarial gains (losses) at 31 December	**(26)**	(16)
Deferred tax impact	**7**	4
Actuarial gains (losses), net of tax at 31 December	**(19)**	(12)

27.2 PROVISIONS FOR CONTINGENCIES AND LOSSES

Non-current and current provisions for contingencies and losses primarily cover the following:

	31 Dec. 2011	31 Dec. 2010
Losses on long-term contracts and other contracts	**6**	9
Restructuring and withdrawal costs	**75**	84
Claims and litigation	**74**	110
Other contingencies	**324**	309
Total	**479**	512
Including:		
Non-current provisions	***162***	*170*
Current provisions	***317***	*342*
	479	*512*

	At 1 January 2011	Translation adjustment	Changes in scope of consolidation	Charges	Utilisations	Releases of surplus provisions	Reclassifications	**At 31 December 2011**
Losses on long-term contracts and other contracts	9	-	-	6	(1)	(8)	-	**6**
Restructuring and withdrawal costs	84	-	(5)	21	(17)	(8)	-	**75**
Claims and litigation	110	-	(12)	6	(9)	(17)	(4)	**74**
Other contingencies	309	1	4	89	(42)	(42)	5	**324**
Total	**512**	**1**	**(13)**	**122**	**(69)**	**(75)**	**1**	**479**

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.

Provisions for other contingencies mainly concern risks related to financial commitments and subsidiaries.

NOTE 28 DEBT

28.1 BREAKDOWN OF DEBT

Debt breaks down as follows:

	31.12.2011	31.12.2010
Bonds	**1,344**	1,249
Bank loans	**460**	664
Finance lease liabilities	**1**	-
Debt related to put options granted to minority shareholders	**24**	30
Other debt	**14**	10
Non-current debt	**1,843**	1,953
Bonds	**-**	169
Bank loans	**13**	181
Finance lease liabilities	**1**	2
Debt related to put options granted to minority shareholders	**4**	-
Other debt	**145**	189
Current debt	**163**	541
Total debt	**2,006**	2,494

The main movements in debt during 2011 are described below.

A NEW SYNDICATED CREDIT FACILITY

On 26 January 2011, Lagardère SCA signed a new multi-currency syndicated loan for €1,645 million, which replaced the 2005 syndicated loan of €2,200 million due to mature in 2012. The new loan is for a five-year term and bears interest at the Euribor rate (or equivalent for other currencies), plus an initial margin of 0.90%.

ISSUE OF HACHETTE SA BONDS WITH PREFERRED SHARE SUBSCRIPTION WARRANTS (OBSAP)

On 12 January 2011, Hachette SA issued five-year bonds with preferred share subscription warrants for a nominal amount of €100 million and paying interest at the six-month Euribor rate +0.95%. They were fully subscribed by Société Générale. Following this issue, which contributes to financing the business activities of Hachette SA and its subsidiaries, the warrants were separated from the bonds and acquired by certain Lagardère group managers in France and abroad (excluding Lagardère SCA Managing Partners) designated by the Board of Directors of Hachette SA. The sale price of the warrants was set on the basis of an independent expert's report.

The warrants grant their holders the right to subscribe for preferred shares in Hachette SA between 12 January 2014 and 12 January 2018. These preferred shares carry no voting rights but carry a preferred dividend right aimed at offsetting the financial expense resulting from the minority interest indirectly held by Hachette SA in Canal+ France. In the event that this interest is sold, the preferred shares will be converted into ordinary shares based on a conversion ratio that would offset the impacts of the change in ownership interest held in Canal+ France (i.e. the net disposal gain or loss, the financial expense incurred on the interest held, and the dividends paid by Canal+ France). The warrants provide a means for the managers who acquired them to participate in the growth of Lagardère's media industry businesses (excluding its interest in Canal+ France) and to strengthen their involvement in the development of these businesses.

The warrants are subject to a three-year lock-up period as from the issue date. Following this period, Lagardère SCA has undertaken to acquire from the warrant holders, at their request and during specified periods, their warrants or the preferred shares – or ordinary shares if the warrants have been converted – issued on exercise of the warrants. In return, should the warrant holders not exercise their right to sell, they have undertaken to sell to Lagardère SCA, at its request and during specified periods, their warrants or the preferred shares – or ordinary shares if the warrants have been converted – issued on exercise of the warrants. The valuation of the warrants and shares at their time of sale will be performed by an independent valuer. Hachette SA also reserves the right to buy back the warrants under certain conditions between 12 January 2017 and 12 January 2018.

The issue price of the OBSAP is recognised under debt in the consolidated financial statements in an amount of €98.4 million (net of costs) and breaks down into two distinct components as follows:

- the sale price of the warrants acquired by Group managers, representing a total amount of €1.6 million;
- the bond component, which corresponds to the issue price of the OBSAP less the sale price of the warrants, i.e. €96.8 million.

At the end of each reporting period, the warrants are measured at fair value through profit or loss. Fair value is assessed in accordance with the above-described valuation process. It represents the redemption value of the warrants at the end of the three-year lock-up period. The bond component is recognised at amortised cost based on the effective interest rate.

REPAYMENT OF BORROWINGS

During the year Lagardère SCA repaid the following borrowings on their maturity dates:

- 31 January 2011: repayment of the third and final tranche of the 24 January 2001 US Private Placement Notes issue in an amount of €254 million;
- 27 December 2011: repayment of the 2005 structured loan, in an amount of €151 million.

28.2 ANALYSIS OF DEBT BY MATURITY

Debt broke down as follows by maturity at 31 December 2011:

• Consolidated total by maturity

	2012 (*)	2013	2014	2015	2016	Beyond 5 years	**Total**
Bonds	-	256	991	-	97	-	**1,344**
Bank loans	13	-	30	-	430	-	**473**
Finance lease liabilities	1	-	-	-	1	-	**2**
Debt related to put options granted to minority shareholders	4	1	6	8	8	1	**28**
Other debt	145	1	1	-	1	11	**159**
At 31 December 2011	**163**	**258**	**1,028**	**8**	**537**	**12**	**2,006**

(*) Debt due within one year is reported in the balance sheet under "Current debt".

Debt broke down as follows by maturity at 31 December 2010:

	2011 (*)	2012	2013	2014	2015	Beyond 5 years	**Total**
Bonds	169	-	258	991	-	-	**1,418**
Bank loans	181	643	21	-	-	-	**845**
Finance lease liabilities	2	-	-	-	-	-	**2**
Debt related to put options granted to minority shareholders	-	4	12	8	5	1	**30**
Other debt	189	1	1	-	-	8	**199**
At 31 December 2010	**541**	**648**	**292**	**999**	**5**	**9**	**2,494**

(*) Debt due within one year is reported in the balance sheet under "Current debt".

28.3 CHARACTERISTICS OF BONDS AND MAIN BANK LOANS

The following tables provide an analysis of bonds and bank loans:

31 December 2011	Carrying amount	Value of hedging instruments (*)	Total	Currency after hedging	Original interest rate	Interest rate after hedging
24 July 2003 US Private Placement Notes:						
– 10-year notes, for US$38 million	31	3	**34**	EUR	5.18%	6-month Euribor +0.87%
– 10-year notes, for US$116 million	121	(5)	**116**	EUR	4.965%	6-month Euribor +0.88%
10 July 2003 10-year bond issue underwritten by LCL, for €100 million	104	(4)	**100**	EUR	4.75%	3-month Euribor +1.035%
6 October 2009 5-year bond issue, for €1,000 million	991	-	**991**	EUR	5.08%	
12 January 2011 issue of 5-year bonds with preferred share subscription warrants by Hachette SA, for €100 million	97	-	**97**	EUR	6-month Euribor +0.95%	
Bonds	**1,344**	**(6)**	**1,338**			
Drawdown on the 5-year €1,645 million multi-currency syndicated loan set up on 26 January 2011	430	-	**430**	EUR	Euribor (or an equivalent rate for foreign currencies) +0.90%	
Other debt	43	-	**43**			
Bank loans	**473**	**-**	**473**			
Total	**1,817**	**(6)**	**1,811**			

(*) Fair value of derivative instruments designated as hedges of debt.

31 December 2010	Carrying amount	Value of hedging instruments (*)	Total	Currency after hedging	Original interest rate	Interest rate after hedging
24 January 2001 US Private Placement Notes:						
– 10-year notes, for US$225 million	169	85	**254**	EUR	7.49%	Euribor +1.288%
24 July 2003 US Private Placement Notes:						
– 10-year notes, for US$38 million	30	3	**33**	EUR	5.18%	6-month Euribor +0.87%
– 10-year notes, for US$116 million	123	(7)	**116**	EUR	4.965%	6-month Euribor +0.88%
10 July 2003 10-year bond issue underwritten by LCL, for €100 million	105	(5)	**100**	EUR	4.75%	3-month Euribor +1.035%
6 October 2009 5-year bond issue, for €1,000 million	991	-	**991**	EUR	5.08%	
Bonds	**1,418**	**76**	**1,494**			
21 December 2005 6-year structured loan, for €151 million:						
– Tranche A, for €116 million	116	-	**116**	EUR	3-month Euribor +0.575% capped at 4.375%	3-month Euribor +0.40%
– Tranche B, for €35 million	35	-	**35**	EUR	3.85%	3-month Euribor +0.40%
Drawdown on the €2,200 million multi-currency syndicated loan set up on 22 June 2005 and expiring in 2012	612	-	**612**	EUR	1-month Euribor +0.275%	
Other debt	82	-	**82**			
Bank loans	**845**	**-**	**845**			
Total	**2,263**	**76**	**2,339**			

(*) Fair value of derivative instruments designated as hedges of debt.

28.4 ANALYSIS OF DEBT BY CURRENCY

The following table provides a breakdown of current- and non-current debt by currency before and after hedging:

31 December 2011	Before hedging		After hedging	
		%		%
Euro	1,683	84%	1,677	84%
US$	208	10%	208	10%
Swedish kronor	81	4%	81	4%
Czech koruna	13	1%	13	1%
Zloty	6	0%	6	0%
Other	15	1%	15	1%
Total	**2,006**	**100%**	**2,000**	**100%**

NOTE 29 EXPOSURE TO MARKET RISKS (LIQUIDITY, INTEREST RATE, EXCHANGE RATE AND EQUITY RISKS) AND CREDIT RISKS

29.1 MARKET RISKS

29.1.1 EXPOSURE

LIQUIDITY RISKS

Total borrowings include the value of hedging instruments (see note 28.3). The proportion of bond debt rose from 58% to 67% of total borrowings between 31 December 2010 and 31 December 2011.

The liquidity risk is not significant since debt maturing within two years amounted to €421 million at 31 December 2011, whereas cash, cash equivalents and short-term investments totalled €737 million and unused credit facilities €1,277 million.

RISKS ARISING FROM EARLY REPAYMENT COVENANTS INCLUDED IN CERTAIN CONTRACTS

Bond or bank loan agreements may include financial ratio covenants. Most financial ratios establish limits in the form of:
- minimum equity;
- maximum gross debt calculated as a proportion of equity;
- maximum net debt calculated as a proportion of adjusted EBITDA (defined as the sum of recurring operating profit before associates, depreciation, amortisation and impairment and dividends received from associates).

Failure to meet these ratio requirements entitles the lenders to require immediate reimbursement of their loans.

Lagardère SCA is subject to such covenants in respect of:
- bonds issued in July 2003 totalling US$38 million and €116 million;
- the syndicated loan obtained in January 2011 totalling €1,645 million.

The ratios are calculated every six months on the basis of the consolidated financial statements.

At 31 December 2011, all of the above ratio covenants were satisfied.

INTEREST RATE RISKS

The €991 million bond issue maturing in 2014 bears interest at a fixed rate (effective interest rate: 5.08%). Other bond debt and bank loans bear interest at variable rates, either because they were originally issued at variable rates, or because they were converted at the outset from fixed rates to variable rates. The value of derivative hedging instruments corresponding to this conversion is stated in note 28.3.

Cash and cash equivalents totalled €654 million at 31 December 2011. This cash surplus earns interest at variable rates, thus providing natural hedging for the Group's €981 million variable rate borrowings (excluding debt related to put options granted to minority shareholders). The risk of a rise in the cost of borrowings due to an increase in interest rates would therefore essentially concern the variable-rate portion of total borrowings that is not offset by surplus cash, i.e., a total of €327 million. A one point increase in interest rates would result in an annual additional expense of €3.3 million.

EXCHANGE RATE RISKS

The Group's exposure to foreign exchange rate risks on commercial transactions chiefly concerns Lagardère Unlimited. At 31 December 2011, the foreign currency hedges set up by the Group – in the form of direct forward agreements and options – amounted to €75 million (sales) and €145 million (purchases).

In general, normal operating activities are financed through short-term, variable-rate borrowings denominated in the local currency in order to avoid exchange rate risks.

For longer-term borrowings used to finance assets outside France, the Group may occasionally make drawings in foreign currencies on its syndicated loan. At 31 December 2011, amounts drawn were as follows:

US dollars: €205 million;

Swedish kronor: €81million.

Certain borrowings undertaken in US dollars in France (for servicing the US dollar notes issued in 2003) are hedged by forward currency purchase agreements.

2011 consolidated net sales break down as follows between the principal currencies:

Euros	56%
US dollars	8%
Swiss francs	6%
Pounds sterling	5%
Other	25%
Total	100%

Based on accounting data for 2011, the sensitivity of recurring operating profit before associates to a 10% decline in the respective exchange rates for the three main currencies against the euro over a full year, expressed in monetary terms before any adjustments, is as follows:

Currency	Impact on 2011 recurring operating profit before associates
US dollar	€(6) million
Pound sterling	€(4) million
Swiss franc	-

EQUITY RISKS

The Group's principal direct and indirect investments in listed companies are:

Name of company	Number of shares held	Percentage interest at 31 December 2011	Share price at 31 December 2011 (in euros)	Share value at 31 December 2011 (in euros)
Lagardère SCA	3,772,698	2.88%	20.40	76,963,039
EADS	61,113,852	7.50%	24.15	1,475,899,526
Deutsche Telekom (formerly T-Online)	2,836,835	0.07%	8.87	25,162,726
Viel et Cie	8,917,677	11.64%	2.49	22,205,016

Changes in the value of treasury shares directly or indirectly held by Lagardère are taken directly to equity.

As a listed company, EADS is subject to stock market fluctuations. However, in view of the consolidation method applied for the EADS group (see note 19), these fluctuations do not affect the value of this investment in Lagardère's consolidated financial statements.

The Deutsche Telekom shares were received in exchange for T-Online shares in 2006 and are included in "Short-term investments" in an amount of €25 million, i.e. their share price on 31 December 2011.

The investment in Viel et Cie is included in "Other non-current assets" in an amount of €22 million, corresponding to the share price of the shares held on 31 December 2011.

29.1.2 MANAGEMENT

The Group has implemented a policy aimed at reducing market risks by applying authorisation and internal control procedures and by using risk management tools to identify and quantify these risks. Derivatives are used exclusively for non-speculative hedging transactions.

INTEREST RATE RISKS

The Group does not use active interest rate management techniques in relation to any of its financial assets or liabilities.

Cash investments must be in fixed income instruments issued by entities with high quality credit ratings, with maturities appropriate to the planned duration of the investment. The vehicles used for the Group's cash investments are always non-speculative and risk-free. There are no derivatives related to these investments.

29.2 CREDIT AND COUNTERPARTY RISK

Credit and counterparty risk represents the risk of financial loss for the Group in the event of default by a customer or debtor on its contractual obligations. This risk mainly relates to trade receivables.

29.2.1 EXPOSURE

The Group's exposure to credit and counterparty risk arises principally from:

- customer receivables or commitments received in connection with commercial contracts;
- investments of surplus cash or to cover post-employment benefit obligations;
- hedging contracts in which the counterparties are financial institutions.

Customer receivables and commitments received under commercial contracts amounted to €2,395 million at 31 December 2011. The counterparties for most customer receivables are distributors of Group products. Both in and outside France, receivables generally concern local customers and no single customer represents a high percentage of the sales concerned. The main commitments received relate to sports rights marketing contracts.

The proportions of consolidated net sales deriving from business with the Group's largest, five largest and ten largest customers were as follows:

	2011	2010
Largest customer	**2,3%**	1,5%
Five largest customers	**6,3%**	5,1%
Ten largest customers	**9,0%**	8,2%

The Group's short-term investments and cash and cash equivalents amounted to €737 million at 31 December 2011. In addition to bank account balances, the majority of these resources are invested in instruments with first rank banking establishments or government agencies.

Assets managed in connection with post-employment benefits totalled €234 million (including €133 million in the UK and €73 million in Switzerland). A total of 56% of these assets are invested in bonds.

Hedging contracts are primarily entered into to hedge foreign exchange and interest rate risks. Their notional amount was €470 million at 31 December 2011. The economic risk associated with these contracts depends on currency and interest rate fluctuations, and only represents a fraction of this notional amount. The counterparties in these contracts are leading banks.

The Group's counterparties are exposed to risks associated with the general economic environment, and as a result the possibility of default cannot be ruled out. The Group was unable to recover certain receivables in 2011, notably relating to (i) the Publishing division, due to the bankruptcies of Borders in the United States and Red Group in Australia, and (ii) the marketing of sports rights.

29.2.2 MANAGEMENT

Each division is responsible for managing its own credit risks in a decentralised way as appropriate to the specificities of its market and customer base.

For new customers with the potential for large volumes of business with the Group, analyses are carried out and information (such as external credit ratings or bank references) is sought before entering into transactions, and specific guarantees or credit insurance may be arranged as a result. Counterparty-specific credit limits may also be set.

In newly-consolidated activities, measures are taken to progressively introduce monitoring procedures that are appropriate for the types of credit risk faced by the entity concerned.

The Group has set up periodic reporting on counterparty risks to monitor its overall risk exposure to its principal counterparties, the variations in accumulated receivables, and the level of related provisions, and to oversee the measures put in place for managing this type of risk.

The Cash Management and Financing Department is responsible for ensuring that the financial institutions with which the Group does business are of good quality.

NOTE 30 FINANCIAL INSTRUMENTS

30.1 CARRYING AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value consist of the following derivative instruments:

• Fair value of derivative financial instruments

	31 Dec. 2011	31 Dec. 2010
Financial instruments with positive fair values (current assets)	**12**	15
– Financial instruments allocated as hedges of debt	**9**	12
– Currency swaps (effective portion)	**3**	3
Financial instruments with negative fair values (current liabilities)	**(3)**	(92)
– Financial instruments allocated as hedges of debt	**(3)**	(88)
– Currency swaps (effective portion)	**-**	(4)
Total (net)	**9**	(77)

30.2 NOTIONAL AMOUNTS OF DEBT HEDGING CONTRACTS BY MATURITY

At 31 December 2011	2012	2013	2014	2015	2016	Beyond 5 years	**Total**
Value of debt including the effect of hedging instruments	-	250	-	-	-	-	**250**
Fair value of instruments allocated as hedges of debt	-	6	-	-	-	-	**6**
Fair value of debt covered by hedging instruments (carrying amount)	-	256	-	-	-	-	**256**

30.3 FINANCIAL INSTRUMENTS RECOGNISED IN THE BALANCE SHEET

	31 Dec. 2011		Breakdown by category of instrument [1]				
	Carrying amount	Fair value	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Fair value through profit or loss	Derivative financial instruments
Investments in non-consolidated companies	64	64	-	64	-	-	-
Other non-current financial assets	83	83	83	-	-	-	-
Trade receivables	1,276	1,276	1,276	-	-	-	-
Derivative financial instruments	12	12	-	-	-	-	12
Other current financial assets	951	951	951	-	-	-	-
Short-term investments	83	83	-	83	-	-	-
Cash equivalents	130	130	-	-	-	130	-
Cash	524	524	524	-	-	-	-
Assets	**3,123**	**3,123**	**2,834**	**147**		**130**	**12**
Bonds and bank loans	1,817	1,817	-	-	1,561	256	-
Other debt	189	189	-	-	189	-	-
Other non-current financial liabilities	147	147	-	-	147	-	-
Trade payables	1,613	1,613	-	-	1,613	-	-
Derivative financial instruments	3	3	-	-	-	-	3
Other current financial liabilities	1,412	1,412	-	-	1,412	-	-
Liabilities	**5,181**	**5,181**	**-**	**-**	**4,922**	**256**	**3**

(1) There were no reclassifications between categories of financial instruments in 2011.

	31 Dec. 2010		Breakdown by category of instrument [1]				
	Carrying amount	Fair value	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Fair value through profit or loss	Derivative financial instruments
Investments in non-consolidated companies	49	49	-	49	-	-	-
Other non-current financial assets	62	62	62	-	-	-	-
Trade receivables	1,189	1,189	1,189	-	-	-	-
Derivative financial instruments	15	15	-	-	-	-	15
Other current financial assets	968	968	968	-	-	-	-
Short-term investments	106	106	-	106	-	-	-
Cash equivalents	135	135	-	-	-	135	-
Cash	481	481	481	-	-	-	-
Assets	**3,005**	**3,005**	**2,700**	**155**		**135**	**15**
Bonds and bank loans	2,263	2,263	-	-	1,685	578	-
Other debt	231	231	-	-	231	-	-
Other non-current financial liabilities	219	219	-	-	219	-	-
Trade payables	1,618	1,618	-	-	1,618	-	-
Derivative financial instruments	92	92	-	-		-	92
Other current financial liabilities	1,321	1,321	-	-	1,321	-	-
Liabilities	**5,744**	**5,744**	**-**	**-**	**5,074**	**578**	**92**

(1) There were no reclassifications between categories of financial instruments in 2010.

30.4 FINANCIAL INSTRUMENTS - FAIR VALUE HIERARCHY

The revised version of IFRS 7, Financial Instruments – Disclosures, sets out the methods used for determining fair value using a fair value hierarchy which has the following levels:

Level 1: Instrument listed on an active market.

Level 2: Instrument valued using techniques based on observable market data.

Level 3: Instrument valued using techniques that are not based on observable market data.

In addition, certain investments are carried at acquisition cost if the Group does not have sufficiently reliable information for valuation, particularly when there is no active market for an instrument (see note 3.13).

Lagardère's financial instruments are classified as follows under this hierarchy:

31 December 2011	Category of instrument (1)			Fair value hierarchy (2)			Acquisition cost
	Available-for-sale financial assets	Fair value through profit or loss	Derivative financial instruments	Level 1	Level 2	Level 3	
Investments in non-consolidated companies	64			22			42
– Viel et Cie	*22*			*22*			
– Other	*42*						*42*
Derivative financial instruments – Assets			12		12		
Short-term investments	83			83			
– Deutsche Telekom shares	*25*			*25*			
– Bonds	*58*			*58*			
Cash equivalents		130		130			
– Marketable securities		*130*		*130*			
Total financial instruments – Assets	**147**	**130**	**12**	**235**	**12**		**42**
Derivative financial instruments – Liabilities			3		3		
Total financial instruments – Liabilities			**3**		**3**		

(1) There were no reclassifications between categories of financial instruments in 2011.
(2) There were no reclassifications between fair value hierarchy levels in 2011.

31 December 2010	Category of instrument (1)			Fair value hierarchy (2)			Acquisition cost
	Available-for-sale financial assets	Fair value through profit or loss	Derivative financial instruments	Level 1	Level 2	Level 3	
Investments in non-consolidated companies	49			25			24
– Viel et Cie	*25*			*25*			
– Other	*24*						*24*
Derivative financial instruments – Assets			15		15		
Short-term investments	106			106			
– Deutsche Telekom shares	*27*			*27*			
– Bonds	*79*			*79*			
Cash equivalents		135		135			
– Marketable securities		*135*		*135*			
Total financial instruments – Assets	**155**	**135**	**15**	**266**	**15**		**24**
Derivative financial instruments – Liabilities			92		92		
Total financial instruments – Liabilities			**92**		**92**		

(1) There were no reclassifications between categories of financial instruments in 2010.
(2) There were no reclassifications between fair value hierarchy levels in 2010.

NOTE 31 OTHER LIABILITIES

Other liabilities break down as follows:

	31 Dec. 2011	31 Dec. 2010
Due to suppliers of non-current assets	**139**	211
Repayable advances	**-**	-
Other advances and prepayments	**1**	-
Other	**7**	8
Other non-current liabilities	**147**	219
Derivative financial instruments	**3**	92
Accrued taxes and employee benefit expense	**480**	438
Advances and prepayments	**22**	25
Due to writers	**237**	234
Due to customers	**100**	108
Deferred income	**247**	211
Sundry payables	**326**	306
Other current liabilities	**1,415**	1,414
Total	**1,562**	1,633

NOTE 32 ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

At 31 December 2011, the value of Lagardère's interest in the joint venture set up with Marie-Claire in China was classified under "Assets held for sale". This joint venture was the last entity of the International Magazine Publishing business that had not been sold at that date. It was subsequently sold on 1 February 2012.

At 31 December 2010, assets held for sale and associated liabilities corresponded to all of the Group's International Magazine Publishing operations included in the sale agreement signed with Hearst Corporation on 31 January 2011.

NOTE 33 CONTRACTUAL OBLIGATIONS

The tables below summarise Lagardère's contractual obligations. Future payments other than payments related to financial liabilities are reported at non-discounted nominal value.

	Payments expected			Total	
	Within 1 year (*)	In 1 to 5 years	Beyond 5 years	**31 Dec. 2011**	31 Dec. 2010
Bonds and bank loans (net of derivatives)	13	1,804	-	**1,817**	2,263
Other debt	150	27	12	**189**	231
Other non-current financial liabilities	-	130	17	**147**	219
Trade payables	1,607	6	-	**1,613**	1,618
Derivative financial instruments	3	-	-	**3**	92
Other current financial liabilities	1,398	14	-	**1,412**	1,321
Total financial liabilities	**3,171**	**1,981**	**29**	**5,181**	**5,744**
including finance lease obligations	*1*	*1*	-	*2*	*2*
Expected bank interest on debt (*)	60	117	-	**177**	217
Operating leases (**)	219	474	149	**842**	858
Commitments for future capital expenditure	3	21	8	**32**	33
Total contractual obligations	**3,453**	**2,593**	**186**	**6,232**	**8,054**

(*) Variable-rate interest payable has been calculated at the rates in force at 31 December 2011.
(**) Minimum future lease payments under non-cancellable operating leases, including guaranteed minimum payments provided for in retail store concession agreements.

Recurring operating profit included rental expense of €284 million in 2011 (€245 million in 2010).

In addition, at 31 December 2011 entities forming part of Lagardère Unlimited had guaranteed minimum future payments amounting to €1,148 million under long-term contracts for the sale of TV and marketing rights. These payments break down as follows by maturity:

Maturity	2012	2013	2014	2015	2016	Beyond 5 years	Total at 31 Dec. 2011	Total at 31 Dec. 2010
Guaranteed minimum payments under sports rights marketing contracts	162	224	180	143	120	319	1,148	**1,200**

The amounts due under marketing contracts signed by these same entities with broadcasters and partners amounted to €1,119 million at 31 December 2011, breaking down as follows by maturity:

Maturity	2012	2013	2014	2015	2016	Beyond 5 years	Total at 31 Dec. 2011	Total at 31 Dec. 2010
Sports rights marketing contracts signed with broadcasters and partners	367	269	133	123	70	157	1,119	**799**

NOTE 34 OFF-BALANCE SHEET COMMITMENTS

The information below relates to subsidiaries controlled and fully consolidated by Lagardère.

	31 Dec. 2011	31 Dec. 2010
Commitments given in the normal course of business: – guarantees and performance bonds – guarantees given to third parties and non-consolidated companies – other commitments given	 **73** **73** **4**	 70 77 13
Commitments on assets	**-**	-
Commitments to purchase shares (estimated amount, excluding put options granted to minority shareholders of fully consolidated subsidiaries)	**25**	14
Commitments received: – counter-guarantees of commitments given – other commitments received	 **44** **24**	 32 25
Confirmed, unused lines of credit	**1,277**	1,092

CONDITIONAL COMMITMENTS TO SELL SHARES

At 31 December 2011, the Group had given commitments to sell certain of its equity interests, of which the two most significant relate to:

- The 7.5% investment held indirectly in EADS. Lagardère has given a commitment to sell this investment at market value subject to certain events, namely the failure to respect the obligations stipulated in the shareholder agreement, or a change in control over Lagardère or certain of its divisions.
- The 20% investment held in Canal+ France following the agreements signed on 4 January 2007 between Vivendi, Canal+ Group and Lagardère. Vivendi has a drag-along right that could force Lagardère to sell its investment in Canal+ France should Vivendi accept an outside offer for the acquisition of at least 95% of the capital of Canal+ France (subject to prior application of Lagardère's pre-emptive bid right).

CONDITIONAL COMMITMENTS TO PURCHASE SHARES

Two shareholder agreements exist between Lagardère Unlimited and the minority shareholders in World Sport Group. Under the terms of these agreements, Lagardère Unlimited must acquire the shares held by these minority shareholders at market value in certain circumstances.

NOTE 35 LITIGATION

The main disputes and legal proceedings involving the EADS N.V. group and Canal+ France are described in the EADS Registration Documents and the Vivendi Annual Report respectively.

DISPUTE WITH ABN AMRO (TRADING UNDER THE "ROYAL BANK OF SCOTLAND" NAME SINCE 6 FEBRUARY 2010)

On 31 May 2006 ABN AMRO filed an application with the Paris Commercial Court relating to convertible bonds it converted into new shares issued in 1993 and 1994 and share subscription warrants that it exercised for new shares issued in April 1994. The purpose of this application was to claim compensation for the loss that ABN AMRO had allegedly suffered because Lagardère SCA did not adjust the exercise conditions applicable to the bonds and warrants concerned after paying out dividends for 1992, 1993 and 1994 that were partly deducted from a "contribution premium" account.

Following the appeal by Lagardère SCA against the initial decision of 19 June 2007 by the Paris Commercial Court which partly upheld the claims of ABN AMRO, on 25 November 2008 the Paris Court of Appeal (i) ordered Lagardère SCA to compensate ABN AMRO for the loss suffered as a result of the failure to adjust the exercise conditions applicable to the share subscription warrants, and (ii) asked the parties to provide further explanations regarding the admissibility of the claim for compensation lodged in an individual capacity by ABN AMRO on the grounds of the failure to adjust the conversion conditions applicable to the convertible bonds.

ABN AMRO's appeal against this ruling, and Lagardère SCA's cross-appeal arguing that the claims filed by ABN AMRO were inadmissible, primarily under the applicable statute of limitations, were rejected by the Court of Cassation on 8 April 2010.

It now remains for the Paris Court of Appeal to rule on the only outstanding question, i.e., the admissibility of ABN AMRO's claims for compensation for Lagardère's failure to adjust the conversion conditions applicable to the convertible bonds.

ABN AMRO considers that its claims are admissible and has requested the Paris Court of Appeal to order Lagardère SCA to deliver ABN AMRO 99,477 shares or to pay it a sum of approximately €2 million excluding interest representing the value of said shares.

Lagardère SCA has formally contested both the admissibility and the merits of these claims.

By a decision handed down on 13 March 2012, the Paris Court of Appeal found in favour of the arguments put forward by Lagardère SCA and declared the claims of ABM Amro inadmissible, thereby overturning the decision of 19 June 2007. This decision is not definitive and may be appealed.

DISPUTE WITH EDITIONS ODILE JACOB CONCERNING THE VIVENDI UNIVERSAL PUBLISHING AND EDITIS TRANSACTIONS

On 13 September 2010, the General Court of the European Union (EGC) issued two decisions in the dispute between Editions Odile Jacob and the European Commission and Lagardère. The first of these decisions – which was appealed to the European Court of Justice (ECJ) by Editions Odile Jacob – rejected the action filed by Editions Odile Jacob for cancellation of the European Commission's decision of January 2004 approving Lagardère's acquisition of Vivendi Universal Publishing subject to the sale of certain assets (Editis). The second upheld the action filed by Editions Odile Jacob for cancellation of the European Commission's July 2004 approval of Wendel as buyer of Editis. Both the European Commission and Lagardère appealed against this decision to the ECJ. The parties continued to exchange pleadings concerning these appeals throughout the course of 2011 and the hearings took place before the ECJ on 13 December 2011. The ECJ's rulings on the appeals are expected during the first half of 2012.

Meanwhile, following the cancellation ordered in the second above-mentioned decision by the EGC, the European Commission carried out a new review and on 13 May 2011 confirmed its approval of Wendel as the buyer of Editis. The Commission set the effective date of this decision retroactively as 30 July 2004, the date on which its original approval was cancelled. On 5 September 2011 Editions Odile Jacob brought a further action before the EGC to cancel said decision of the European Commission and also made an application for interim measures to suspend the effects of the decision. By way of an order dated 24 November 2011, the President of the EGC rejected the application for interim measures. Meanwhile, Lagardère applied for leave to intervene in the proceedings concerning the merits of the case, which are still ongoing.

In addition, on the grounds of the second above-mentioned decision by the EGC, on 27 October 2010 Editions Odile Jacob filed a petition before the Paris Commercial Court seeking cancellation of Lagardère's sale of Editis to Wendel in 2004 and its subsequent sale by Wendel to the Spanish group Planeta in May 2008. By way of a judgement handed down on 13 December 2011, the Paris Commercial Court rejected the primary claim put forward by Lagardère, Wendel and Planeta that the court did not have the necessary jurisdiction to consider the case and decided to suspend any further decisions until the relevant courts at the European Union level have made their final ruling on the validity of the decisions made by the European Commission to approve the sale of Editis to Wendel.

Lagardère considers it has strong arguments against the claims made by Editions Odile Jacob, both before the European Union courts and the Paris Commercial Court. In all events, Lagardère does not consider itself exposed to significant unfavourable consequences due to these disputes.

INQUIRY BY THE FRENCH FINANCIAL MARKETS AUTHORITY (*AUTORITÉ DES MARCHÉS FINANCIERS* – AMF), CRIMINAL INVESTIGATION AND LEGAL ACTION BY EADS SHAREHOLDERS

Following fluctuations in the EADS share price, particularly the drop observed on 14 June 2006 after EADS' announcement on 13 June 2006 that there would be delays in deliveries of A380 aircraft by its subsidiary Airbus, several lawsuits were filed by EADS shareholders and various inquiries were launched by the competent authorities.

Lagardère SCA (hereafter "Lagardère") is currently aware of the following proceedings (the EADS Registration Document also lists known proceedings and actions against EADS).

a. AMF investigation

On 8 April 2008, the AMF sent Lagardère a statement of objections based on the fact that Lagardère had sold a large portion of its holding in EADS through its 11 April 2006 issue of Mandatory Exchangeable Bonds, redeemable in EADS shares, at a time when the Company could, in the opinion of the AMF investigators, have been in possession of inside information.

This statement of objections marked the start of the phase of the administrative sanction procedure during which both sides may present their arguments in the case.

After a hearing held from 23 to 27 November 2009, the Enforcement Committee rejected all complaints against Lagardère in the statement of objections, putting an end to the administrative proceedings instigated by the AMF.

b. Action against person or persons unknown

Following a complaint by an association of small EADS shareholders and one individual EADS shareholder, a legal investigation for insider trading was initiated.

Searches were conducted as part of this investigation, including on the premises of Lagardère.

The magistrate heading the investigation placed a certain number of current and former EADS and Airbus managers under formal investigation during 2008.

On 29 May 2009, Lagardère, represented by one of its Managing Partners, was heard as a witness in the context of an inquiry carried out by the *Brigade Financière* (financial police) acting upon delegation of the investigating magistrate in charge of the case.

After the first interview of 27 January 2011, the company Lagardère SCA was indicted on suspicion of insider trading.

In the case prepared by the examining magistrates, Lagardère has not noted any documents concerning the company that differ from those presented in the case compiled by the AMF's investigators and submitted to its Enforcement Committee, which concluded that there was no case against Lagardère.

c. Action by Crédit Mutuel group companies against Lagardère and Natixis

On 17 June 2008, some companies of the Crédit Mutuel group brought an action against Lagardère and Natixis before the Paris Commercial Court, asking the court to cancel (i) the issuance of Mandatory Exchangeable Bonds by Lagardère and their subscription by IXIS CIB (whose rights and obligations are now exercised by Natixis) in April 2006, and (ii) the forward sales concluded by the plaintiffs with Natixis.

This action concerned Lagardère's 11 April 2006 issue of Mandatory Exchangeable Bonds, redeemable in EADS shares, subscribed by IXIS CIB and Nexgen.

The companies bringing the action are seeking to have the bond issue contract declared null and void, alleging that Lagardère was in possession of inside information and should therefore have abstained from any operation involving EADS shares. They claim that Lagardère therefore breached a mandatory rule of law which renders the issue incontestably invalid, and argue that if the bond issue is declared null and void, the forward sales will also automatically be null and void.

In a ruling dated 27 January 2010, the Paris Commercial Court held that the claims made by these Crédit Mutuel group companies were not admissible, and dismissed all the proceedings.

The Crédit Mutuel group companies filed an appeal against this ruling on 8 March 2010. On 28 April 2011, the Court of Appeal confirmed the Paris Commercial Court's decision of 27 January 2010 and cleared Lagardère SCA. The appellants have appealed to the Court of Cassation.

CLAIMS ON REPRESENTATIONS AND WARRANTIES GIVEN IN THE SALE BY QUILLET OF DAILY REGIONAL PRESS BUSINESSES

When it sold its daily regional press interests to the Hersant Média group in December 2007, Quillet granted representations and warranties in respect of assets and liabilities. The Hersant Média group has made claims on these representations and warranties several times, but Quillet has in each case considered that the specific claims made were defective and without foundation, and responded to that effect to the Hersant Média group.

STATEMENT OF OBJECTIONS FROM THE FRENCH COMPETITION AUTHORITY CONCERNING YOUTH CHANNELS

On 12 January 2009 Lagardère SCA and Lagardère Active received a statement of objections from the French Competition Authority concerning alleged practices in the pay TV sector. This statement complained of various practices it claimed were used by several companies in this sector, and regarding Lagardère SCA and Lagardère Active it maintained that exclusive rights awarded to the Canal+ group for distribution of the children's and youth channels Canal J, Fille TV (now named June) and TiJi were incompatible with anti-competition laws.

Following a process during which the parties were able to put forward their written statements of case and a hearing held on 7 July 2010, on 16 November 2010, the Competition Authority issued a ruling on the statement of objections made to Lagardère SCA and Lagardère Active, in which:

- it declared vested and non-cancellable the exclusive four-year broadband, satellite and mobile network rights granted to Canal Plus in the agreements notified to and validated by the Minister of the Economy in 2006 when TPS and CanalSatellite merged; and
- it referred the other matters (including extensions of these rights to fibre optic and catch-up TV granted by Lagardère Active after the original agreements) for investigation.

The additional investigation ordered by the Competition Authority in the aforementioned decision has not yet given rise to any new exchanges between Lagardère SCA or Lagardère Active and the Investigation Services of the French Competition Authority.

In addition, France Telecom, also a plaintiff in the case, lodged an appeal against the Paris Court of Appeal's decision on 17 December 2010 which was withdrawn in July 2011. The Court placed this withdrawal on record on 8 December 2011 which formally terminated France Telecom's appeal.

BRAZILIAN ENVIRONMENTAL PROTECTION AUTHORITY

Salvat Do Brasil (SDB) received notification of a breach of regulations from the Brazilian governmental body IBAMA, which is in charge of environmental protection, setting a fine of 39,200,000 Brazilian reals (approximately €15 million) for illegally importing animal species into the country without the required authorisations. This related to an "Insects" collection with free gifts of small blocks of transparent resin containing the insects concerned.

SDB's first appeal (contesting the fine chiefly on the grounds that the "insects" are dead and set in resin and therefore not "animals") was rejected in April 2009. In May 2009, SDB filed a second appeal before the President of IBAMA. Examination of this appeal is still ongoing, but two reports by the IBAMA's technical and legal departments have concluded that no offence had been committed.

Should the decision of the President of IBAMA be unfavourable for SDB, a third appeal would be possible to the CONAMA (Brazil's National Environmental Council).

LITIGATION WITH PHOTOGRAPHERS

A number of disputes are in process with freelance and salaried photographers having worked with the Lagardère Active magazines. Most of these disputes concern returns of archived work, photograpic equipment and lost photographs. At this stage, the financial claims made in connection with these proceedings appear excessive.

WORLD SPORT GROUP/INDIAN PREMIER LEAGUE CONTRACTS

In 2007, the BCCI (Board of Control for Cricket in India) launched a call for tenders to market the rights attached to its new cricket competition, the IPL (Indian Premier League), until 2017. World Sport Group (WSG) – which became a subsidiary of Lagardère Unlimited in May 2008 – was awarded most of these rights in early 2008, with the rest going to an unrelated operator, MSM.

A global reorganisation of the distribution of these rights took place in March 2009 at the initiative of the BCCI. In the course of the negotiations for this reorganisation, WSG entered into an assistance agreement with the other operator, which received a larger share of the rights than in 2008. Under this agreement, MSM undertook to pay WSG a sum of approximately US$82 million over a period of time. Meanwhile, the BCCI engaged WSG to market IPL rights worldwide, excluding the Indian subcontinent, for the period 2009/2017.

In June 2010 (i) the BCCI terminated the 2009/2017 contract to market IPL rights worldwide, excluding the Indian subcontinent, and (ii) the other operator terminated the aforementioned assistance agreement, and demanded immediate reimbursement of the sums already paid (approximately US$25 million) in an action brought before an Indian court. WSG immediately began proceedings in order to preserve its rights. The decisions issued so far, in some cases followed by appeal, essentially concern questions of jurisdiction and/or interim measures.

Concerning the dispute between WSG and the BCCI, in spring 2011 the Indian Supreme Court took a series of interim measures that – without calling into question the marketing already carried out by WSG and without prejudging the substance of the case – temporarily grant the BCCI, under the supervision of the Court, media rights to the IPL outside the Indian subcontinent that are not already marketed by WSG, as well as recovery of the amounts owed by the broadcasters. The proceedings concerning the merits of the case are still ongoing and are expected to last several years.

In the dispute between WSG and MSM the arbitration proceedings launched by WSG in Singapore in accordance with the terminated assistance agreement are currently suspended pending the outcome of an appeal brought by WSG before the Indian Supreme Court against an injunction obtained by MSM in the Indian courts preventing WSG from continuing the arbitration proceedings. In parallel, the principal action on the merits of the case brought by MSM before the Indian courts is still ongoing and could last several years unless the Indian Supreme Court rules that the Singapore arbitration tribunal has the necessary jurisdiction to settle the dispute.

The main risks associated with the above disputes consist of (i) the potential loss of margins or future revenues (in 2011 no revenues from the marketing of IPL rights or the assistance agreement were recognised in the Group's accounts), and/or (ii) the potential repayment of amounts already received from MSM under the assistance agreement (approximately US$25 million – see above).

On 13 October 2010 the BCCI filed a criminal complaint with the Chennai police authorities in India against seven individuals, including the former President of the IPL and four managers of WSG, alleging breaches of the Indian criminal code in connection with the attribution to WSG in March 2009 of certain IPL media rights for the seasons 2009/2017. A police investigation is currently in process.

Lastly, in February 2011, WSG was notified of an investigation by the Indian Competition Authority into different aspects of BCCI's distribution of various rights relating to the IPL.

COMPETITION INVESTIGATIONS IN THE DIGITAL BOOKS MARKET

Lagardère Publishing, as well as a number of other publishers and Apple, are currently the subject of a number of different competition investigations concerning the digital books market, and particularly the sales methods used for these books. The US Department of Justice, the Texas Attorney General and the Connecticut Attorney General launched investigations in 2010 and have been joined by the European Commission since early 2011. An investigation carried out by the Office of Fair Trading in the United Kingdom was closed in December 2011 as its remit now falls within that of the investigations being carried out by the European Commission. On 6 December 2011 the European Commission announced that it had opened a formal investigation.

At this stage of the proceedings, Lagardère Publishing has not received any formal statement of objections. At the same time, no decisions have yet been taken by the relevant competition authorities in the United States concerning the future conduct of the proceedings. In Europe, as the European Commission has pointed out, the opening of a formal investigation in no way prejudices its outcome.

In addition, 29 class actions were launched in the United States in 2011 against several anglosaxon publishers (including Hachette Book Group) and Apple concerning the digital books market. On 9 December 2011 all of these cases were consolidated and will now be handled by the courts in the State of New York. It is likely that the first few months of 2012 will be taken up with procedural issues in this litigation.

At the end of February 2012, a class action was launched in Canada before the jurisdiction of Montreal, on the same basis and against the same parties and their Canadian subsidiaries.

SWISS COMPETITION COMMISSION LAUNCHES INVESTIGATION

Following the rejection of the implementation of fixed book prices in the referendum of 11 March 2012, the Swiss Competition Commission (Comco) has reopened an investigation into imports of French language books by book marketers. The investigation covers all book marketers on the Swiss market, including the Lagardère group, and aims to determine the existence of any anti-competitive practices.

The opening of the investigation does not prejudge its final outcome.

GOVERNMENTAL, LITIGATION OR ARBITRATION PROCEDURES

In the normal course of its business, the Group is involved in a number of other disputes principally related to contractual performance. Adequate provisions are made, where considered necessary, to cover any risks that may arise from general or specific disputes.

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

TAX AUTHORITIES/LAGARDÈRE

A number of the Group's companies have received tax reassessment notices – relating to several different fiscal years – as part of the routine tax audits carried out by the French and foreign tax authorities. Provision has been made to take account of the reassessments accepted by the companies, and also for the amount estimated as the risk corresponding to disputes over challenged reassessments. The Group is not aware of any dispute in process that concerns amounts which could have a significant impact on the consolidated financial statements.

NOTE 36 RELATED PARTY TRANSACTIONS

36.1 MANAGEMENT REMUNERATION

The total gross remuneration attributed to the members of Lagardère SCA's Executive Committee for 2011 (excluding remuneration paid by EADS) amounted to €9.9 million, and €18.0 million including related charges. The figure with charges includes a provision recorded for the supplementary pension plan. The corresponding figures for 2010 were €11.7 million and €19.5 million respectively.

In 2011 and 2010, attendance fees received by members of the Boards of Directors of Group companies (excluding EADS) amounted to €20,900. In 2011, they were awarded 119,000 free shares under share grant plans, compared with 126,000 in 2010.

36.2 RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH LAGARDÈRE CAPITAL & MANAGEMENT (LC&M)

Lagardère Capital & Management – which is controlled and chaired by Arnaud Lagardère, who is also a General and Managing Partner of Lagardère SCA – is the material embodiment of the Group. LC&M provides an array of management resources and skills to both the Group and each of its component parts.

To accomplish its mission, LC&M employs the principal senior managers forming the Group's Executive Committee. The role of the Executive Committee is to assist the Managing Partners in their duties: to develop and ensure the application of the Group's strategy, to lead the Group's development, to take the resulting necessary management decisions and implement them globally at parent company level and in the Group's different business activities. LC&M bears the entire cost of its senior managers' salaries and the related overheads as well as the fees billed by any French and/or international consultants that they may work with.

LC&M carries out its mission within the framework of its agreement with Lagardère Ressources, which is responsible for managing all of the Group's corporate resources. This agreement is described each year in the Statutory Auditors' Report on related party agreements and commitments, in accordance with the requirements of articles L.226-10 and R.226-2 of the French Commercial Code.

Since 2004, the remuneration of Lagardère Capital & Management is equal to the amount of expenses it incurs in carrying out its mission, plus a margin of 10%, capped in absolute value terms at €1 million. These expenses are examined each fiscal year by the Audit Committee which issues an opinion on their changes and developments. After examination by the Audit Committee, this remuneration package was approved by the Supervisory Board on 12 March 2004.

In accordance with the above-described basis of remuneration, in 2011 LC&M invoiced €22.1 million to the Group, compared with €23.3 million for 2010. After deducting expenses (remuneration of Executive Committee members, support costs reimbursed to the Group and outside resource costs), operating profit after tax under the above agreement stood at €0.7 million.

OTHER TRANSACTIONS

The other transactions with related parties in 2011 undertaken in the normal course of business are not considered significant for the Group. They took place under normal market conditions.

NOTE 37 FEES PAID TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

(in thousands of euros)	2011			
	Mazars	%	Ernst & Young et Autres	%
Audit				
Statutory audit, certification, examination of individual and consolidated financial statements	3,470	78.6	3,534	75.6
Lagardère SCA	*165*	*3.8*	*159*	*3.4*
Fully-consolidated subsidiaries	*3,305*	*74.8*	*3,375*	*72.2*
Other procedures and services directly related to the statutory audit	743	16.8	806	17.2
Lagardère SCA	-	-	-	-
Fully-consolidated subsidiaries	*743*	*16.8*	*806*	*17.2*
Sub-total	**4,213**	**95.4**	**4,340**	**92.8**
Non-audit services rendered by network members to fully-consolidated subsidiaries				
Legal, tax, human resources	205	4.6	338	7.2
Other	-	-	-	-
Sub-total	**205**	**4.6**	**338**	**7.2**
Total	**4,418**	**100.0**	**4,678**	**100.0**

(in thousands of euros)	2010			
	Mazars	%	Ernst & Young et Autres	%
Audit				
Statutory audit, certification, examination of individual and consolidated financial statements	3,656	89.2	3,903	88.8
Lagardère SCA	*165*	*4.0*	*169*	*3.9*
Fully-consolidated subsidiaries	*3,491*	*85.2*	*3,734*	*84.9*
Other procedures and services directly related to the statutory audit	207	5.1	222	5.0
Lagardère SCA	-	-	-	-
Fully-consolidated subsidiaries	*207*	*5.1*	*222*	*5.0*
Sub-total	**3,863**	**94.3**	**4,125**	**93.8**
Non-audit services rendered by network members to fully-consolidated subsidiaries				
Legal, tax, human resources	235	5.7	262	6.0
Other	-	-	9	0.2
Sub-total	**235**	**5.7**	**271**	**6.2**
Total	**4,098**	**100.0**	**4,396**	**100.0**

NOTE 38 LIST OF CONSOLIDATED COMPANIES

Fully consolidated companies at 31 December 2011

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
LAGARDÈRE PUBLISHING				
HACHETTE LIVRE	43 quai de Grenelle – 75015 PARIS	602 060 147	100.00	100.00
3 RIVIÈRES	5 rue de Savoie – 75006 PARIS	490 176 328	100.00	100.00
AIQUE GRUPO EDITOR SA	BUENOS AIRES (ARGENTINA)		100.00	100.00
ARMAND COLIN SAS	21 rue du Montparnasse – 75006 PARIS	451 344 162	100.00	100.00
AUDIOLIB	31 rue de Fleurus – 75006 PARIS	499 165 694	45.00	75.00
BIBLIO PARTICIPATIONS	43 quai de Grenelle – 75015 PARIS	377 627 583	100.00	100.00
CALMANN LÉVY	31 rue de Fleurus – 75006 PARIS	572 082 279	83.06	83.06
CENTRE DE TRAITEMENT DES RETOURS	137 route de Corbeil – Lieu-dit Balizy 91160 LONGJUMEAU	381 737 519	100.00	100.00
CHAMBERS HARRAP PUBLISHER	EDINBURGH (UNITED KINGDOM)		100.00	100.00
CYBERTERRE	43 quai de Grenelle – 75015 PARIS	434 661 419	50.00	50.00 [1]
DIFFULIVRE	SAINT SULPICE (SWITZERLAND)		100.00	100.00
DILIBEL	ALLEUR (BELGIUM)		100.00	100.00
DUNOD ÉDITEUR SA	5 rue Laromiguière – 75005 PARIS	316 053 628	100.00	100.00
EDDL	5 rue du Pont de Lodi – 75006 PARIS	403 202 252	99.88	100.00
EDELSA	MADRID (SPAIN)		100.00	100.00
ÉDITIONS ALBERT RENÉ	26 avenue Victor Hugo – 75116 PARIS	950 026 757	100.00	100.00
ÉDITIONS DES DEUX TERRES	5 rue de Savoie – 75006 PARIS	442 678 249	100.00	100.00
ÉDITIONS GRASSET ET FASQUELLE	61 rue des Saints Pères – 75006 PARIS	562 023 705	98.68	98.68
ÉDITIONS JEAN-CLAUDE LATTÈS	17 rue Jacob – 75006 PARIS	682 028 659	100.00	100.00
ÉDITIONS LAROUSSE	21 rue du Montparnasse – 75006 PARIS	451 344 170	100.00	100.00
ÉDITIONS STOCK	31 rue de Fleurus – 75006 PARIS	612 035 659	100.00	100.00
ÉDUCATION MANAGEMENT SA	58 rue Jean Bleuzen – 92170 VANVES	582 057 816	100.00	100.00
FERNAND HAZAN ÉDITEUR	58 rue Jean Bleuzen – 92170 VANVES	562 030 221	99.94	100.00
GIE NORMA	103 avenue des Champs Élysées 75008 PARIS	389 487 562	100.00	100.00
GROUPE HATIER INTERNATIONAL	58 rue Jean Bleuzen – 92170 VANVES	572 079 093	100.00	100.00
GRUPO PATRIA CULTURAL	MEXICO CITY (MEXICO)		100.00	100.00
HL 93	43 quai de Grenelle – 75015 PARIS	390 674 133	99.99	100.00
HL FINANCES	58 rue Jean Bleuzen – 92170 VANVES	384 562 070	99.99	100.00
HACHETTE CANADA	MONTREAL (CANADA)		100.00	100.00
HACHETTE COLLECTIONS	43 quai de Grenelle – 75015 PARIS	395 291 644	100.00	100.00
HACHETTE COLLECTIONS JAPON	TOKYO (JAPAN)		100.00	100.00
HACHETTE COLLECTIONS RUSSIE	MOSCOW (RUSSIA)		99.90	100.00
HACHETTE FASCICOLI	MILAN (ITALY)		100.00	100.00
HACHETTE UK HOLDING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HACHETTE LIVRE USA	NEW YORK (USA)		100.00	100.00
HACHETTE PARTWORKS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
LAROUSSE SA	21 rue du Montparnasse – 75006 PARIS	401 457 213	100.00	100.00

(1) A company in which the Lagardère group exercises control (see note 2.2).

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
LAROUSSE ÉDITORIAL	BARCELONA (SPAIN)		100.00	100.00
LE LIVRE DE PARIS	58 rue Jean Bleuzen – 92170 VANVES	542 042 114	100.00	100.00
LIBRAIRIE ARTHÈME FAYARD	75 rue des Saints Pères – 75006 PARIS	562 136 895	99.94	99.94
LIBRAIRIE GÉNÉRALE FRANÇAISE (LGF)	31 rue de Fleurus – 75006 PARIS	542 086 749	59.99	59.99
MULTIMÉDIA ÉDUCATION RÉFÉRENCE	58 rue Jean Bleuzen – 92170 VANVES	484 213 954	100.00	100.00
MY BOOX	58 rue Jean Bleuzen – 92170 VANVES	519 774 582	100.00	100.00
NUMILOG.COM	21 – 37 rue de Stalingrad – 94110 ARCEUIL	429 979 545	100.00	100.00
PIKA ÉDITION	19 bis rue Pasteur 92100 BOULOGNE-BILLANCOURT	428 902 704	66.67	66.67
SAMAS SA	58 rue Jean Bleuzen – 92170 VANVES	775 663 321	100.00	100.00
WATTS PUBLISHING GROUP LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HATIER GROUP				
LES ÉDITIONS DIDIER	13 rue de l'Odéon – 75006 PARIS	313 042 541	100.00	100.00
LES ÉDITIONS FOUCHER	58 rue Jean Bleuzen – 92170 VANVES	352 559 066	100.00	100.00
LES ÉDITIONS HATIER	8 rue d'Assas – 75006 PARIS	352 585 624	100.00	100.00
LIBRAIRIE PAPETERIE NATIONALE	CASABLANCA (MOROCCO)		100.00	100.00
RAGEOT ÉDITEUR	6 rue d'Assas – 75006 PARIS	572 022 978	100.00	100.00
SCI ASSAS RASPAIL	8 rue d'Assas – 75006 PARIS	315 844 431	100.00	100.00
SCI DU 63 BOULEVARD RASPAIL	63 boulevard Raspail – 75006 PARIS	315 830 034	100.00	100.00
SCI DU 8 – 8 BIS RUE D'ASSAS	8 rue d'Assas – 75006 PARIS	315 844 423	100.00	100.00
HACHETTE LIVRE GROUP (SPAIN)				
HACHETTE LIVRE ESPAÑA SA	MADRID (SPAIN)		100.00	100.00
EDITORIAL SALVAT S.L.	BARCELONA (SPAIN)		100.00	100.00
HACHETTE LATINO AMERICA	MEXICO CITY (MEXICO)		100.00	100.00
PAGSL	BARCELONA (SPAIN)		100.00	100.00
SALVAT EDITORES PORTUGAL	LISBON (PORTUGAL)		100.00	100.00
ANAYA GROUP				
GRUPO ANAYA SA	MADRID (SPAIN)		100.00	100.00
ALGAIDA EDITORES SA	SEVILLE (SPAIN)		100.00	100.00
ALIANZA EDITORIAL SA	MADRID (SPAIN)		99.56	99.56
COMERCIAL GRUPO ANAYA SA	MADRID (SPAIN)		100.00	100.00
EDITORIAL BARCANOVA SA	BARCELONA (SPAIN)		100.00	100.00
EDICIÓNES XERAIS DE GALICIA SA	VIGO (SPAIN)		100.00	100.00
GRUPO EDITORIAL BRUNO S.L.	MADRID (SPAIN)		100.00	100.00
ORION GROUP				
ORION PUBLISHING GROUP LTD	LONDON (UNITED KINGDOM)		100.00	100.00
LITTLE HAMPTON BOOK SERVICE LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HACHETTE UK GROUP				
HACHETTE UK LTD	LONDON (UNITED KINGDOM)		100.00	100.00
ALLIANCE DISTRIBUTION SERVICES PTY LTD	TUGGERA (AUSTRALIA)		100.00	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
BOOKPOINT LTD	ABINGDON (UNITED KINGDOM)		100.00	100.00
HEADLINE BOOK PUBLISHING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HODDER & STOUGHTON LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HACHETTE AUSTRALIA PTY LTD	SYDNEY (AUSTRALIA)		100.00	100.00
HACHETTE BOOK PUBLISHING INDIA	NEW DELHI (INDIA)		100.00	100.00
HACHETTE NEW ZEALAND	AUCKLAND (NEW ZEALAND)		100.00	100.00
PHILIP ALLAN PUBLISHERS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HACHETTE BOOK GROUP				
HACHETTE BOOK GROUP USA	NEW YORK (USA)		100.00	100.00
HACHETTE BOOK GROUP CANADA LTD	TORONTO (CANADA)		100.00	100.00
HACHETTE DIGITAL INC.	NEW YORK (USA)		100.00	100.00
HBG HOLDINGS INC. (DELAWARE)	BOSTON (USA)		100.00	100.00
PUBLISHER'S ADVERTISING LLC	NEW YORK (USA)		100.00	100.00
LITTLE, BROWN BOOK GROUP				
LITTLE, BROWN BOOK GROUP	LONDON (UNITED KINGDOM)		100.00	100.00
PIATKUS BOOKS	LONDON (UNITED KINGDOM)		100.00	100.00
LAROUSSE MEXICO GROUP				
ÉDITIONS LAROUSSE MEXIQUE	MEXICO CITY (MEXICO)		100.00	100.00
ALIANZA ED MEXICANA	MEXICO CITY (MEXICO)		100.00	100.00
OCTOPUS GROUP				
OCTOPUS PUBLISHING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
CONRAN OCTOPUS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
LAGARDÈRE ACTIVE				
LAGARDÈRE ACTIVE	149 – 151 rue Anatole France 92300 LEVALLOIS-PERRET	433 443 124	100.00	100.00
909 PRODUCTION	45 rue de Chabrol – 75010 PARIS	432 861 334	43.39	60.00
ADD-ON (FORMERLY FULL FEEL FACTORY)	45 rue Anatole France 92300 LEVALLOIS-PERRET	482 467 610	100.00	100.00
AMAYA-TECHNISONOR	24 – 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT	542 088 604	99.44	100.00
ANGEL PRODUCTIONS	24 – 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT	384 015 491	72.31	100.00
ANGO PRODUCTION	24 – 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT	391 464 633	99.44	100.00
ATLANTIQUE PRODUCTIONS	24 – 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT	324 873 421	99.44	100.00
AUBES PRODUCTIONS	20 rue Pergolèse – 75016 PARIS	429 138 019	99.44	100.00
CARSON PROD	27 rue Marbeuf – 75008 PARIS	438 557 282	72.72	72.72
CERT	SAAREBRUCK (GERMANY)		99.25	99.81
DEMD PRODUCTIONS	14 rue Pergolèse – 75016 PARIS	377 608 377	99.44	100.00
DOCTISSIMO	149 rue Anatole France 92300 LEVALLOIS-PERRET	562 013 524	100.00	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
ECEP	149 rue Anatole France 92300 LEVALLOIS-PERRET	300 938 826	99.97	100.00
ÉDITIONS MUSICALES FRANÇOIS 1ER	14 rue Pergolèse – 75016 PARIS	381 649 771	99.44	100.00
ÉLECTRON LIBRE PRODUCTIONS	24 – 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT	449 448 372	75.09	75.51
EUROPE 1 IMMOBILIER	26 bis rue François 1er – 75008 PARIS	622 009 959	99.37	100.00
EUROPE 1 TÉLÉCOMPAGNIE	26 bis rue François 1er – 75008 PARIS	542 168 463	99.35	100.00
EUROPE 2 COMMUNICATION	26 bis rue François 1er – 75008 PARIS	339 696 072	99.44	100.00
EUROPE 2 ENTREPRISES	28 rue François 1er – 75008 PARIS	352 819 577	99.44	100.00
EUROPE IMAGES INTERNATIONAL	24 – 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT	339 412 611	99.44	100.00
EUROPE NEWS	26 bis rue François 1er – 75008 PARIS	343 508 750	99.35	100.00
FRANCE-CANADA ÉDITIONS ET PUBLICATIONS	MONTREAL (CANADA)		99.97	100.00
GENAO PRODUCTIONS (FORMELY TIMOON ANIMATION)	4 place de Brazzaville – 75015 PARIS	448 829 275	99.44	100.00
GMT PRODUCTIONS	64 rue du Château 92100 BOULOGNE-BILLANCOURT	342 171 667	99.44	100.00
HACHETTE FILIPACCHI ASSOCIÉS	149 rue Anatole France 92300 LEVALLOIS-PERRET	324 286 319	99.97	100.00
HACHETTE FILIPACCHI FILMS	149 rue Anatole France 92300 LEVALLOIS-PERRET	572 028 959	99.97	100.00
HACHETTE FILIPACCHI PRESSE	149 rue Anatole France 92300 LEVALLOIS-PERRET	582 101 424	99.97	100.00
HACHETTE PREMIÈRE & CIE	25 rue François 1er – 75008 PARIS	334 805 686	99.44	100.00
IMAGE & COMPAGNIE	14 rue Pergolèse – 75016 PARIS	334 027 620	99.44	100.00
INFOBEBES	149 rue Anatole France 92300 LEVALLOIS-PERRET	328 349 519	99.97	99.96
INTERNATIONAL MEDIA HOLDING BV (IMH)	AMSTERDAM (NETHERLANDS)		99.97	100.00
INTERQUOT	23 rue Baudin – 92300 LEVALLOIS-PERRET	439 758 509	50.00	50.00[1]
JADETI	149 rue Anatole France 92300 LEVALLOIS-PERRET	493 205 280	75.00	75.00
JEUNESSE INTERACTIVE	12 rue d'Oradour sur Glane – 75015 PARIS	491 848 222	99.44	100.00
LAGARDÈRE ACTIVE BROADBAND	43 – 45 avenue Victor Hugo 93300 AUBERVILLIERS	343 611 208	100.00	100.00
LAGARDÈRE ACTIVE BROADCAST	57 rue Grimaldi – 98000 MONACO	775 751 779	99.44	99.46
LAGARDÈRE ACTIVE DIGITAL	149 rue Anatole France 92300 LEVALLOIS-PERRET	497 909 051	100.00	100.00
LAGARDERE ACTIVE ENTREPRISES JAPAN (FORMERLY ELLE PARIS)	TOKYO (JAPAN)		99.97	100.00
LAGARDÈRE ACTIVE FINANCES	149 rue Anatole France 92300 LEVALLOIS-PERRET	410 208 136	100.00	100.00
LAGARDÈRE ACTIVE FM	28 rue François 1er – 75008 PARIS	441 942 760	99.44	100.00
LAGARDÈRE ACTIVE TV	28 rue François 1er – 75008 PARIS	334 595 881	99.44	100.00
LAGARDÈRE DIGITAL FRANCE	149 rue Anatole France 92300 LEVALLOIS-PERRET	433 934 312	100.00	100.00
LAGARDÈRE ENTERTAINMENT	24 - 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT	309 001 477	99.44	100.00
LAGARDÈRE GLOBAL ADVERTISING	23 rue Baudin – 92300 LEVALLOIS-PERRET	350 277 059	99.72	99.88

(1) A company in which the Lagardère group exercises control (see note 2.2).

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
LAGARDÈRE IMMOBILIARE ITALIA	MILAN (ITALY)		99.97	100.00
LAGARDERE NEWS (FORMERLY EUROPE 1 INTERACTIVE)	121 avenue Malakoff – 75116 PARIS	415 096 502	99.35	100.00
LAGARDÈRE MEDIA CONSULTING	25 rue François 1er – 75008 PARIS	307 718 320	99.44	100.00
LAGARDÈRE MÉTROPOLES	28 rue François 1er – 75008 PARIS	329 209 993	99.97	100.00
LAGARDÈRE PUBLICITÉ	23 rue Baudin – 92300 LEVALLOIS-PERRET	345 404 040	99.97	100.00
LAGARDÈRE TÉLÉVISION INTERNATIONAL	149 rue Anatole France – 92300 LEVALLOIS	612 039 164	99.44	100.00
LAGARDÈRE THÉMATIQUES	32 rue François 1er – 75008 PARIS	350 787 594	99.44	100.00
LEGION UK	LONDON (UNITED KINGDOM)		100.00	100.00
LÉO VISION	24 – 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT	383 160 942	99.44	100.00
LTI VOSTOK	MOSCOW (RUSSIA)		99.44	100.00
MAXIMAL NEWS TÉLÉVISION	24 – 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT	384 316 907	99.44	100.00
MAXIMAL PRODUCTIONS	24 – 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT	432 608 313	99.44	100.00
MERLIN PRODUCTIONS	32 place Saint-Georges – 75009 PARIS	451 099 402	77.25	77.68
MEZZO	28 rue François 1er – 75008 PARIS	418 141 685	59.67	60.00
MONTREUX PUBLICATIONS	MONTREUX (SWITZERLAND)		50.09	50.10
NEWSWEB	34 avenue Berbard Palissy 92210 SAINT-CLOUD	424 905 172	100.00	100.00
OPTION MEDIA	23 avenue Reille – 75014 PARIS	340 121 045	99.97	100.00
PERFORMANCES	28 rue François 1er – 75008 PARIS	327 655 551	99.44	100.00
PLURIMEDIA (FORMERLY LES AGENCES TV SEAP)	7 – 9 rue de la Bourse – 75002 PARIS	391 817 467	99.97	100.00
PRESSINTER	149 rue Anatole France 92300 LEVALLOIS-PERRET	407 679 026	99.96	100.00
PROMOTION ET SPECTACLES D'EUROPE 1	26 bis rue François 1er – 75008 PARIS	632 042 495	99.35	100.00
PUBLICATIONS FRANCE MONDE	149 rue Anatole France 92300 LEVALLOIS-PERRET	562 113 787	99.94	99.97
PUBLICATIONS GROUPE LOISIRS (PGL)	149 rue Anatole France 92300 LEVALLOIS-PERRET	338 195 720	99.97	100.00
QUILLET SA	149 rue Anatole France 92300 LEVALLOIS-PERRET	542 043 971	99.96	100.00
RÉGIE 1	28 rue François 1er – 75008 PARIS	383 154 663	50.38	51.00
RFM ENTREPRISES	28 rue François 1er – 75008 PARIS	405 188 871	99.44	100.00
RFM RÉSEAU NORD	28 rue François 1er – 75008 PARIS	338 532 419	99.44	100.00
RFM RÉSEAU SUD	28 rue François 1er – 75008 PARIS	382 002 509	99.44	100.00
SOCIÉTÉ DE PRESSE FÉMININE	149 rue Anatole France 92300 LEVALLOIS-PERRET	441 174 554	50.00	50.00(1)
SOCIÉTÉ DE TRAITEMENT DES PRODUITS DE PRESSE (STPP)	10 rue Thierry Le Luron 92300 LEVALLOIS-PERRET	732 053 491	99.97	100.00
SPORT FM	149 – 151 rue Anatole France 92300 LEVALLOIS-PERRET	450 964 937	99.44	100.00
VIRGIN RADIO RÉSEAU NORD	28 rue François 1er – 75008 PARIS	381 127 661	99.44	100.00
VIRGIN RADIO RÉSEAU SUD	28 rue François 1er – 75008 PARIS	339 802 118	99.44	100.00

(1) A company in which the Lagardère group exercises control (see note 2.2).

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
LARI INTERNATIONAL GROUP				
LAGARDÈRE ACTIVE RADIO INTERNATIONAL	28 rue François 1er – 75008 PARIS	388 404 717	99.44	100.00
AD POINT	WARSAW (POLAND)		99.44	100.00
EDI POLOGNE	28 rue François 1er – 75008 PARIS	420 304 180	99.44	100.00
EDI ROMANIA	BUCHAREST (ROMANIA)		99.44	100.00
EUROPA 2 (FORMERLY OKEY RADIO)	BRATISLAVA (SLOVAKIA)		99.44	100.00
EUROPA PLUS FRANCE	26 bis rue François 1er – 75008 PARIS	354 076 176	99.44	100.00
EUROPE 2 PRAGUE	PRAGUE (CZECH REPUBLIC)		99.44	100.00
EUROPE DÉVELOPPEMENT CZECH REPUBLIC	PRAGUE (CZECH REPUBLIC)		99.44	100.00
EURO-RADIO SAAR	SAAREBRUCK (GERMANY)		50.76	51.00
EUROZET	WARSAW (POLAND)		99.44	100.00
EUROZET CONSULTING	WARSAW (POLAND)		99.44	100.00
FORWARD MEDIA	BRATISLAVA (SLOVAKIA)		99.44	100.00
INFINITIV	PRAGUE (CZECH REPUBLIC)		99.44	100.00
LARI DEUTSCHLAND GmbH	SAARBRÜCK (GERMANY)		99.44	100.00
RADIO BONTON	MOSCOW (RUSSIA)		99.44	100.00
RADIO LAS VEGAS	WARSAW (POLAND)		99.44	100.00
RADIO MERCHANDISING COMPANY	PRAGUE (CZECH REPUBLIC)		99.44	100.00
RADIO PLUS POLSKA	WARSAW (POLAND)		79.55	80.00
RADIO PLUS POLSKA CENTRUM	WARSAW (POLAND)		99.44	100.00
RADIO PLUS POLSKA ZACHOD	WARSAW (POLAND)		63.64	80.00
RADIO STACJA	WARSAW (POLAND)		99.44	100.00
RG FREKVENCE 1	PRAGUE (CZECH REPUBLIC)		99.44	100.00
RRM BUCAREST	BUCHAREST (ROMANIA)		99.44	100.00
RRM PRAGUE	PRAGUE (CZECH REPUBLIC)		99.44	100.00
RRM SLOVAKIA	BRATISLAVA (SLOVAKIA)		99.44	100.00
SPOLKA PRODUCENCKA PLUS POLSKA	WARSAW (POLAND)		89.30	100.00
STUDIO ZET	WARSAW (POLAND)		99.44	100.00
NEXTIDEA GROUP				
NEXTIDEA	5 rue Jules Lefebvre – 75009 PARIS	483 962 361	100.00	100.00
NEXTDATA	5 rue Jules Lefebvre – 75009 PARIS	505 282 764	100.00	100.00
NEXTPREMIUM	5 rue Jules Lefebvre – 75009 PARIS	508 760 543	100.00	100.00
PSYCHOLOGIES MAGAZINE GROUP				
GROUPE PSYCHOLOGIES	149 rue Anatole France 92300 LEVALLOIS-PERRET	326 929 528	99.97	100.00
SELMA	149 rue Anatole France 92300 LEVALLOIS-PERRET	483 068 441	99.98	100.00
LAGARDÈRE SERVICES				
LAGARDÈRE SERVICES	2 rue Lord Byron – 75008 PARIS	330 814 732	100.00	100.00
AELIA	114 avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE	380 253 518	84.49	84.49
AELIA CZ	PRAGUE (CZECH REPUBLIC)		92.24	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
AELIA NOUVELLE CALEDONIE	40 rue de l'Alma – 98800 NOUMEA	103 551 800	56.03	66.00
AELIA POLSKA	WARSAW (POLAND)		92.24	100.00
AELIA RETAIL ESPANA	MADRID (SPAIN)		87.59	100.00
AELIA UK	LONDON (UNITED KINGDOM)		84.49	100.00
AÉROBOUTIQUE FRANCE	114 avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE	380 193 938	84.49	100.00
AÉROBOUTIQUE INFLIGHT RETAIL	ZAC du Parc 12 rue Saint-Exupéry 77290 COMPANS	408 053 809	84.49	100.00
AÉROBOUTIQUE INFLIGHT RETAIL ESPAÑA	MADRID (SPAIN)		84.49	100.00
AÉROBOUTIQUE INFLIGHT RETAIL ITALIA	MILAN (ITALY)		84.49	100.00
AÉROBOUTIQUE INFLIGHT RETAIL NEDERLAND	AMSTERDAM (NETHERLANDS)		84.49	100.00
AÉROBOUTIQUE SALES GROUPE	CASABLANCA (MOROCCO)		67.60	80.00
ALVADIS	BRUSSELS (BELGIUM)		100.00	100.00
AMADEO	PRAGUE (CZECH REPUBLIC)		100.00	100.00
AMP	BRUSSELS (BELGIUM)		99.73	100.00
BEST COFFEE	PRAGUE (CZECH REPUBLIC)		100.00	100.00
CURTIS CIRCULATION COMPANY	PENNSAUKEN (USA)		100.00	100.00
DELSTAR	ONTARIO (CANADA)		100.00	100.00
DISTRIDIJLE	MALINES (BELGIUM)		100.00	100.00
DISTRILIM (FORMERLY LPA TRANSPORT)	HASSELT (BELGIUM)		100.00	100.00
DISTRISUD	LIÈGE (BELGIUM)		100.00	100.00
DISTRIWEST NV	REKKEM (BELGIUM)		100.00	100.00
DUTY FREE ASSOCIATES	114 avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE	423 402 312	84.49	100.00
DYNAPRESSE	CAROUGE (SWITZERLAND)		65.00	100.00
EMPIK CAFE	JEROZOLIMSKIE (POLAND)		51.00	51.00
EURODIS	114 avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE	428 705 982	84.49	100.00
EURO-EXCELLENCE INC.	CANDIAC (CANADA)		100.00	100.00
FERS	WIESBADEN (GERMANY)		100.00	100.00
HACHETTE DISTRIBUTION INC.	PENNSAUKEN (USA)		100.00	100.00
HDS BELGIUM	BRUSSELS (BELGIUM)		100.00	100.00
HDS CANADA	MONTREAL (CANADA)		100.00	100.00
HDS DEUTSCHLAND	HUERTH HERMUELHEIM (GERMANY)		100.00	100.00
HDS EINZELHANDEL	DIETZENBACH (GERMANY)		100.00	100.00
HDS INMEDIO ROMANIA	BUCHAREST (ROMANIA)		100.00	100.00
HDS POLSKA	WARSAW (POLAND)		100.00	100.00
HDS RETAIL CZ	PRAGUE (CZECH REPUBLIC)		100.00	100.00
HDS RETAIL NORTH AMERICA	NEW YORK (USA)		100.00	100.00
HORESA	CAROUGE (SWITZERLAND)		65.00	100.00
IBD	OSTENDE (BELGIUM)		100.00	100.00
IN CELEBRATION OF GOLF HOUSTON LLC	NEW YORK (USA)		100.00	100.00
LAGARDERE SERVICES ASIA PACIFIC	SYDNEY (AUSTRALIA)		100.00	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
LAGARDERE SERVICES BELGIUM	BRUSSELS (BELGIUM)		100.00	100.00
LAGARDERE SERVICES BULGARIA	SOFIA (BULGARIA)		100.00	100.00
LAGARDERE SERVICES DISTRIBUTION	2 rue Lord Byron – 75008 PARIS	451 344 220	100.00	100.00
LAGARDERE SERVICES HONG KONG	HONG KONG (CHINA)		100.00	100.00
LAGARDERE SERVICES NEW ZEALAND	AUCKLAND (NEW ZEALAND)		100.00	100.00
LAGARDERE SERVICES SINGAPORE	SINGAPORE (SINGAPORE)		100.00	100.00
MEDICOM SANTÉ	126 rue Jules Guesde 92300 LEVALLOIS-PERRET	451 199 947	51.00	51.00
M. TRAFIK	PRAGUE (CZECH REPUBLIC)		100.00	100.00
MUSIC RAILWAY	55 rue Deguingand 92300 LEVALLOIS-PERRET	414 434 431	100.00	100.00
NAVILLE	CAROUGE (SWITZERLAND)		65.00	100.00
NEW GIFT SHOPS INTERNATIONAL LLC	ONTARIO (CANADA)		100.00	100.00
NEW GIFT SHOPS INTERNATIONAL ST.MAARTEN	TORONTO (CANADA)		100.00	100.00
NEW GIFT SHOPS INTERNATIONAL VAIL LLC	TORONTO (CANADA)		100.00	100.00
NEWSLINK	SYDNEY (AUSTRALIA)		100.00	100.00
OLF	FRIBOURG (SWITZERLAND)		65.00	100.00
PAYOT NAVILLE DISTRIBUTION	FRIBOURG (SWITZERLAND)		65.00	65.00
PAYOT SA	LAUSANNE (SWITZERLAND)		65.00	100.00
PRESSE IMPORT SA	CORMINBOEUF (SWITZERLAND)		65.00	100.00
PRESS RELAY AT NEWARK LLC	NEW YORK (USA)		63.00	63.00
PRESS RELAY LOGAN	NEW YORK (USA)		87.00	87.00
PRESS RELAY/RMD- DELTA	NEW YORK (USA)		83.00	83.00
PRESS RELAY WASHINGTON NATIONAL	NEW YORK (USA)		90.00	90.00
PRESS-SHOP ALG	BRUSSELS (BELGIUM)		81.74	81.75
RELAY FRANCE	126 rue Jules Guesde 92300 LEVALLOIS-PERRET	542 095 336	100.00	100.00
SCSC	126 rue Jules Guesde 92300 LEVALLOIS-PERRET	431 960 004	100.00	100.00
SOCIETE GASTRONOMIE ET CONFISERIES	55 rue Deguingand 92300 LEVALLOIS-PERRET	509 535 795	100.00	100.00
TEXAS TERRITORIES HOUSTON LLC	NEW YORK (USA)		100.00	100.00
THE PURELY GROUP PTY LTD	SYDNEY (AUSTRALIA)		100.00	100.00
TWB ACQUISITION CO INC	TORONTO (CANADA)		100.00	100.00
SGEL GROUP				
SOCIEDAD GENERAL ESPANOLA DE LIBRERIA (SGEL)	MADRID (SPAIN)		100.00	100.00
FREEACTION	MADRID (SPAIN)		100.00	100.00
GRANA	MADRID (SPAIN)		100.00	100.00
MARKEDIS	MADRID (SPAIN)		100.00	100.00
SIGMA	MADRID (SPAIN)		100.00	100.00
TOPCODI	MADRID (SPAIN)		100.00	100.00
ZENDIS	MADRID (SPAIN)		100.00	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
LAGARDERE SERVICES CHINA GROUP				
LAGARDERE SERVICES CHINA	SHANGHAI (CHINA)		100.00	100.00
LAGARDERE SERVICES CHINA KUNMING	KUNMING (CHINA)		100.00	100.00
LAGARDERE SERVICES CHINA XIAMEN	XIAMEN (CHINA)		100.00	100.00
LAPKER GROUP				
LAPKER	BUDAPEST (HUNGARY)		80.41	80.41
BUVIHIR	BUDAPEST (HUNGARY)		80.41	100.00
HIRKER	BUDAPEST (HUNGARY)		80.41	100.00
LAGARDÈRE UNLIMITED				
LAGARDÈRE UNLIMITED SAS	16 – 18 Rue du Dôme 92100 BOULOGNE-BILLANCOURT	453 759 078	100.00	100.00
LAGARDERE UNLIMITED FINANCE SAS	16 – 18 Rue du Dôme 92100 BOULOGNE-BILLANCOURT	519 085 658	100.00	100.00
LONA	16 – 18 Rue du Dôme 92100 BOULOGNE-BILLANCOURT	491 036 273	100.00	100.00
SPORTFIVE GROUP				
SPORTFIVE SAS	16 – 18 Rue du Dôme 92100 BOULOGNE-BILLANCOURT	873 803 456	100.00	100.00
FOOTBALL FRANCE PROMOTION SAS	16 – 18 Rue du Dôme 92100 BOULOGNE-BILLANCOURT	324 592 674	100.00	100.00
INTERNATIONAL SPORTS MEDIA PTY LTD	MELBOURNE (AUSTRALIA)		100.00	100.00
ISPR GmbH	HAMBURG (GERMANY)		100.00	100.00
JOHO SERVICE BV	AMSTERDAM (NETHERLANDS)		100.00	100.00
LAGARDERE UNLIMITED STADIUM SOLUTIONS SAS (FORMERLY SPORTFIVE TENNIS)	16 – 18 Rue du Dôme 92100 BOULOGNE-BILLANCOURT	321 500 803	100.00	100.00
MEDIA FOOT BELGIQUE SRL	BRUSSELS (BELGIUM)		100.00	100.00
MULTIMEDIA GLOBAL FINANCE SA	LUXEMBOURG (LUXEMBOURG)		100.00	100.00
S5 ASIA SDN.BHD	KUALA LUMPUR (MALAYSIA)		100.00	100.00
SOCIÉTÉ D'EXPLOITATION DE DROITS SPORTIFS SAS (S.E.D.S.)	16 – 18 Rue du Dôme 92100 BOULOGNE-BILLANCOURT	349 658 336	100.00	100.00
SPORTFIVE GmbH	HAMBURG (GERMANY)		100.00	100.00
SPORTFIVE GmbH & CO. KG	HAMBURG (GERMANY)		100.00	100.00
SPORTFIVE FINANCIAL SERVICES GmbH	HAMBURG (GERMANY)		100.00	100.00
SPORTFIVE IBERIA SL	BARCELONA (SPAIN)		100.00	100.00
SPORTFIVE INTERMEDIATE GmbH	HAMBURG (GERMANY)		100.00	100.00
SPORTFIVE INTERNATIONAL SA	GENEVA (SWITZERLAND)		100.00	100.00
SPORTFIVE ITALY	TURIN (ITALY)		100.00	100.00
SPORTFIVE LTD	HERZELIYA PITUACH (ISRAEL)		100.00	100.00
SPORTFIVE MARKETING ESPORTIVO LtdA	RIO DE JANEIRO (BRAZIL)		100.00	100.00
SPORTFIVE MEDIA SOLUTIONS SAS	16 – 18 Rue du Dôme 92100 BOULOGNE-BILLANCOURT	350 857 686	100.00	100.00
SPORTFIVE POLAND SP ZOO	WARSAW (POLAND)		100.00	100.00
SPORTFIVE SINGAPORE PTE LTD	SINGAPORE (SINGAPORE)		100.00	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
SPORTFIVE UK LTD	LONDON (UNITED KINGDOM)		100.00	100.00
SPORTFIVE VERWALTUNGS GmbH	HAMBURG (GERMANY)		100.00	100.00
THE SPORTS PROMOTERS GmbH	HAMBURG (GERMANY)		100.00	100.00
PR EVENT GROUP				
PR EVENT I SVERIGE AB	GOTEBORG (SWEDEN)		100.00	100.00
PR EVENT I GOTEBORG AB	GOTEBORG (SWEDEN)		100.00	100.00
PR EVENT I BASTAD AB	GOTEBORG (SWEDEN)		100.00	100.00
IEC IN SPORTS GROUP				
IEC INVESTMENTS AB	STOCKHOLM (SWEDEN)		100.00	100.00
IEC HOLDING AB	STOCKHOLM (SWEDEN)		100.00	100.00
IEC IN SPORTS AB	STOCKHOLM (SWEDEN)		100.00	100.00
IEC IN SPORTS SARL	LAUSANNE (SWITZERLAND)		100.00	100.00
SPORTS INVESTMENT COMPANY GROUP				
SPORTS INVESTMENT COMPANY LLC	WILMINGTON (USA)		100.00	100.00
BLACKWAVE SPORTS GROUP LLC	NEW YORK (USA)		100.00	100.00
BLACKWAVE SPORTS INVESTMENT COMPANY	NEW YORK (USA)		100.00	100.00
BLUE ENTERTAINMENT SPORTS & TELEVISION (BEST)	NEW YORK (USA)		100.00	100.00
DYNASTY SPORTS GROUP LLC (CA)	BEVERLY HILLS (USA)		100.00	100.00
DYNASTY SPORTS GROUP LLC (FL)	BEVERLY HILLS (USA)		100.00	100.00
GAME SEVEN SPORTS MEDIA LLC	LEXINGTON (USA)		100.00	100.00
SPORTS MEDIA ADVISORS LLC	WASHINGTON (USA)		100.00	100.00
TEAM CHAMPIONSHIPS INTERNATIONAL LLC	DENVER (USA)		100.00	100.00
TENNIS ADVISORS LLC	WASHINGTON (USA)		100.00	100.00
WORLWIDE FOOTBALL LLC	JERICHO (USA)		100.00	100.00
UPSOLUT GROUP				
EVENTERPRISE GmbH	HAMBURG (GERMANY)		51.00	51.00
UPSOLUT EVENT GmbH	HAMBURG (GERMANY)		100.00	100.00
UPSOLUT MERCHANDISING GmbH & CO KG	HAMBURG (GERMANY)		51.00	51.00
UPSOLUT SPORT AG	HAMBURG (GERMANY)		100.00	100.00
UPSOLUT SPORTS UK	LONDON (UNITED KINGDOM)		100.00	100.00
UPSOLUT VERWALTUNGS	HAMBURG (GERMANY)		51.00	100.00
LAGARDERE UNLIMITED INC GROUP				
LAGARDERE UNLIMITED INC	WILMINGTON (USA)		100.00	100.00
LAGARDERE UNLIMITED LLC	WILMINGTON (USA)		100.00	100.00
HORS SPORT GROUP				
LAGARDERE UNLIMITED LIVE ENTERTAINMENT	16 – 18 Rue du Dôme 92100 BOULOGNE-BILLANCOURT	441 268 380	100.00	100.00
LAGARDERE UNLIMITED TALENTS FRANCE	16 – 18 Rue du Dôme 92100 BOULOGNE-BILLANCOURT	402 345 425	100.00	100.00
LAGARDERE UNLIMITED TALENTS UK LIMITED	LONDON (UNITED KINGDOM)		100.00	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
LAGARDÈRE PARIS RACING RESSOURCES	5 rue Éblé – 75007 PARIS	433 565 819	100.00	100.00
MARQUES FOLIES BERGERE	16 – 18 Rue du Dôme 92100 BOULOGNE-BILLANCOURT	509 763 611	51.00	51.00
SOCIETE D'EXPLOITATION DES FOLIES BERGERES	16 – 18 Rue du Dôme 92100 BOULOGNE-BILLANCOURT	509 763 694	90.00	90.00
WORLD SPORT GROUP				
WORLD SPORT GROUP INVESTMENTS LTD	TORTOLA (BRITISH VIRGIN ISLANDS)		78.60	78.60
WORLD SPORT GROUP HOLDINGS LTD	TORTOLA (BRITISH VIRGIN ISLANDS)		70.74	90.00
WORLD SPORT FOOTBALL LTD	HONG KONG (HONG KONG)		70.74	100.00
WORLD SPORT GROUP BEIJING LTD	BEIJING (CHINA)		70.74	100.00
WORLD SPORT GROUP INDIA LTD	MUMBAI (INDIA)		70.74	100.00
WORLD SPORT GROUP LTD	HONG KONG (HONG KONG)		70.74	100.00
WORLD SPORT GROUP MAURITIUS LTD	PORT LOUIS (MAURITIUS)		70.74	100.00
WORLD SPORT GROUP PTE LTD	SINGAPORE (SINGAPORE)		70.74	100.00
WORLD SPORT GROUP PTY LTD	BROOKVALE (AUSTRALIA)		70.74	100.00
OTHER ACTIVITIES				
LAGARDÈRE SCA	4 rue de Presbourg – 75116 PARIS	320 366 446	100.00	100.00
AXELIS	11 rue Pierre Rigaud – 94200 IVRY-SUR-SEINE	451 344 238	100.00	100.00
COMPAGNIE IMMOBILIÈRE EUROPA	149 rue Anatole France 92300 LEVALLOIS-PERRET	407 662 329	99.98	100.00
DARIADE	42 rue Washington – 75008 PARIS	400 231 072	100.00	100.00
DÉSIRADE	42 rue Washington – 75008 PARIS	402 345 268	100.00	100.00
ÉCRINVEST 4	42 rue Washington – 75008 PARIS	434 211 793	100.00	100.00
ÉDIFINANCE PARTICIPATIONS	42 rue Washington – 75008 PARIS	440 143 741	100.00	100.00
FINANCIÈRE DE PICHAT ET CIE	6 rue Laurent Pichat – 75008 PARIS	320 366 453	100.00	100.00
HACHETTE SA	4 rue de Presbourg – 75008 PARIS	402 345 128	100.00	100.00
HÉLIOS	42 rue Washington – 75008 PARIS	433 436 870	100.00	100.00
HOLPA	42 rue Washington – 75008 PARIS	572 011 526	100.00	100.00
LAGARDÈRE FINANCE	42 rue Washington – 75008 PARIS	409 882 883	100.00	100.00
LAGARDÈRE HOLDING TV	42 rue Washington – 75008 PARIS	428 705 537	100.00	100.00
LAGARDÈRE NORTH AMERICA, INC.	NEW YORK (USA)		100.00	100.00
LAGARDÈRE PARTICIPATIONS	4 rue de Presbourg – 75116 PARIS	303 600 902	100.00	100.00
LAGARDÈRE RESSOURCES	42 rue Washington – 75008 PARIS	348 991 167	100.00	100.00
LAGARDÈRE UK	LONDON (UNITED KINGDOM)		100.00	100.00
MNC	42 rue Washington – 75008 PARIS	345 078 927	100.00	100.00
MP 65	42 rue Washington – 75008 PARIS	348 971 854	99.42	100.00
MATRA MANUFACTURING & SERVICES- DEP	4 rue de Presbourg – 75116 PARIS	318 353 661	100.00	100.00
PROMOTEC 5000 SL	MADRID (SPAIN)		100.00	100.00
SOFRIMO	42 rue Washington – 75008 PARIS	569 803 687	100.00	100.00
SOFRIMO IBERIA	MADRID (SPAIN)		100.00	100.00
SOPREDIS	5 place des Marseillais 94220 CHARENTON-LE-PONT	602 020 455	100.00	100.00
TEAM LAGARDÈRE	42 rue Washington – 75008 PARIS	482 741 725	100.00	100.00

Companies consolidated using the equity method at 31 December 2011

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
LAGARDÈRE PUBLISHING				
BOOKISH	WILMINGTON (USA)		33.33	33.33
ÉDITIONS J'AI LU	87 quai Panhard et Levassor – 75013 PARIS	582 039 673	35.33	35.33
HARLEQUIN SA	83 – 85 boulevard Vincent Auriol 75013 PARIS	318 671 591	50.00	50.00 [1]
LIGHTNING SOURCE	1 avenue Gutenberg – 78910 MAUREPAS	515 014 785	50.00	50.00 [1]
LAGARDÈRE ACTIVE				
BAYARD HACHETTE ROUTAGE (BHR)	Parc de Pontillat – 77340 PONTAULT-COMBAULT	326 966 660	49.97	50.00 [1]
CELLFISH MEDIA LLC	NEW YORK (USA)		56.18	25.00
DISNEY HACHETTE PRESSE	10 rue Thierry Le Luron 92300 LEVALLOIS-PERRET	380 254 763	49.99	50.00 [1]
ÉDITIONS PHILIPPE AMAURY	25 avenue Michelet – 93400 SAINT-OUEN	552 102 121	24.99	25.00
EUROPE RÉGIES OUEST	16 avenue Henry Fréville – 35200 RENNES	410 666 150	48.60	49.00
GULLI	12 rue d'Oradour sur Glane – 75015 PARIS	480 937 184	65.63	50.00 [1]
HACHETTE MARIE CLAIRE CHINE	BEIJING (CHINA)		49.00	49.00
HOLDING E PROUVOST	149 rue Anatole France 92300 LEVALLOIS-PERRET	383 953 601	41.99	42.00
OEE LTD (BECAUSE)	LONDON (UNITED KINGDOM)		25.23	25.37
PUBLIFA	12 rue Ampère – 75017 PARIS	429 556 640	49.99	50.00 [1]
S.E.T.C.	48 - 50 boulevard Senard 92210 SAINT-CLOUD	378 558 779	49.29	49.31
LARI INTERNATIONAL GROUP				
107.8 ANTENNE AC GmbH	WÜRSELEN (GERMANY)		22.33	50.00 [1]
107.8 ANTENNE AC GmbH & CO. KG	WÜRSELEN (GERMANY)		22.33	50.00 [1]
ACCELERATION MEDIA	CAPE TOWN (SOUTH AFRICA)		49.72	50.00 [1]
MAX LOYD	PRAGUE (CZECH REPUBLIC)		33.81	34.00
RADIO 21	BUCHAREST (ROMANIA)		19.89	20.00
RADMARK	RIVOGNA (SOUTH AFRICA)		29.83	50.00 [1]
LAGARDÈRE SERVICES				
C-STORE	55 rue Deguingand 92300 LEVALLOIS-PERRET	505 387 795	50.00	50.00 [1]
HUNGARO PRESSE	BUDAPEST (HUNGARY)		50.00	50.00 [1]
LOGAIR	4 place de Londres 95700 ROISSY-EN-FRANCE	443 014 527	42.25	50.00 [1]
RELAY @ ADP	55 rue Deguingand 92300 LEVALLOIS-PERRET	533 970 950	49.84	50.00
SOCIÉTÉ DE DISTRIBUTION AÉROPORTUAIRE	114 avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE	552 016 628	42.20	50.00 [1]
LAGARDÈRE UNLIMITED				
SADDLEBROOK INTERNATIONAL	WESLEY CHAPEL (USA)		30.00	30.00

(1) Jointly controlled company (see note 2.2).

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
SPORTFIVE GROUP				
HSV-UFA STADIONMANAGEMENT & VERWALTUNGS	HAMBURG (GERMANY)		25.50	25.50
JUNIPER GROUP GmbH	BERLIN (GERMANY)		25.50	25.50
STADION FRANKFURT MANAGEMENT GmbH	FRANKFURT (GERMANY)		50.00	50.00(1)
STADION FRANKFURT MANAGEMENT PAYMENT GmbH	FRANKFURT (GERMANY)		50.00	50.00(1)
ZACHEL AG	BERLIN (GERMANY)		30.00	30.00

OTHER ACTIVITIES				
CANAL+ FRANCE	1 place du Spectacle – 92130 ISSY-LES-MOULINEAUX	421 345 695	20.00	20.00
EADS GROUP (EADS and its subsidiaries)	AMSTERDAM (NETHERLANDS)		7.50	(2)
GLOBAL CAR SERVICES	42 rue Washington – 75008 PARIS	304 233 406	50.00	50.00(1)
SOGEADE	42 rue Washington – 75008 PARIS	401 959 994	33.33	33.33

(1) Jointly controlled company (see note 2.2).
(2) Control as defined in the shareholders' agreement between Lagardère, Daimler and the French State.

NOTE 39 CONSOLIDATED FINANCIAL STATEMENTS FOR 2010 AND 2009

In application of article 28 of the European Commission regulation no. 809/2004, the documents listed below are incorporated by reference in this Reference Document:

- the consolidated financial statements and the related audit report on pages 124 to 270 of the French Reference Document for 2010, filed with the French Financial Markets Authority (*Autorité des Marchés Financiers* – AMF) on 14 April 2011 under registration number D. 11-0296;
- the consolidated financial statements and the related audit report on pages 119 to 254 of the French Reference Document for 2009, filed with the AMF on 24 March 2010 under registration number D. 10-0153.

The non-incorporated parts of the above documents are either irrelevant for investors or covered in another part of this Reference Document.

6.4 ANALYSIS OF THE LAGARDERE SCA PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2011

6.4.1 INCOME STATEMENT

The simplified income statements are as follows:

(in millions of euros)	**2011**	2010
Operating revenues	**13**	8
Operating loss	**(14)**	(16)
Net financial income	**201**	299
Earnings before tax and exceptional items	**187**	283
Net exceptional income	**17**	3
Income tax gain	**93**	88
Net profit	**297**	374

In 2011 the Company reported an operating loss of €14 million, representing a €2 million improvement compared with 2010. The total includes income from fees charged to the Lagardère Media's divisions for the right to use Lagardère-owned brands, as well as expenses in the form of operating costs incurred by the holding company and fees invoiced for services provided to the holding company.

Details of net financial income are as follows:

(in millions of euros)	**2011**	2010
Interest income from marketable securities and other	**-**	-
Net interest income (expense) on loans to/from subsidiaries	**(1)**	3
Interest on borrowings and other financing	**(70)**	(66)
Finance costs, net	**(71)**	(63)
Dividends received or receivable	**356**	364
Net additions to provisions	**(93)**	(1)
Other	**9**	(1)
Net financial income	**201**	299

Net financial income came to €201 million, €98 million lower than in 2010.

Net finance costs edged up by €8 million year on year as a result of higher interest rates.

Dividends received in 2011 totalled €356 million, including €273 million from Hachette SA, €62 million from Lagardère Finance and €20 million from Matra Manufacturing Services. In 2010, dividends received primarily corresponded to a €362 million payment from Désirade (the holding company for Lagardère's investment in EADS).

Net additions to provisions amounted to €93 million in 2011, primarily breaking down as mark-to-market adjustments to treasury shares at the year-end (€48 million) as well as write-downs of the Company's investments in Matra Manufacturing Services (€29 million) and Lagardère Ressources (€17 million).

The "Other" line included in net financial income – which represented net income of €9 million in 2011 – included a €22 million merger premium relating to Sofimatrans (the holding company for Matra's former Transport business) and a €14 million expense for arrangement fees and commissions for the new syndicated loan set up in January 2011.

Exceptional items represented net income of €17 million in 2011, mainly reflecting reversals of provisions for risks.

As in previous years, the €93 million income tax gain recorded in 2011 was generated by tax consolidation, corresponding to taxes paid by subsidiaries in the tax group in excess of the tax due by the whole consolidated tax group. At 31 December 2011, the Lagardère tax group still had a tax loss carry-forward.

6.4.2 BALANCE SHEET AND CASH FLOWS

• Assets

(in millions of euros)	**31 Dec. 2011**	31 Dec. 2010
Fixed assets	**6,635**	6,791
Trade receivables and other	**54**	50
Cash and cash equivalents	**10**	13
Total assets	**6,699**	6,854

• Liabilities and shareholders' equity

(in millions of euros)	**31 Dec. 2011**	31 Dec. 2010
Shareholders' equity	**3,680**	3,557
Provisions for risks and liabilities	**37**	59
Borrowings	**2,940**	3,205
Short-term bank loans	**1**	1
Other liabilities	**41**	32
Total liabilities and shareholders' equity	**6,699**	6,854

Cash provided by operating activities amounted to €351 million for 2011, including €356 million from dividends received during the year.

Investing activities provided net cash of €20 million, essentially reflecting €55 million in loan repayments received from Group subsidiaries, less €32 million that the Company invested in the capital increase carried out by Lagardère Ressources.

Cash used in financing activities amounted to €368 million, resulting from the following:
- €167 million in dividends paid;
- €600 million for the repayment of the 2005 syndicated loan, which was replaced by drawdowns on the new 2011 syndicated loan (€428 million positive cash impact);
- the repayment at term of the last tranche of the 2001 US Private Placement (€254 million negative cash effect) and the 2005 structured loan (€151 million negative cash effect);
- a net €375 million increase in cash investments by subsidiaries, including €350 million for Lagardère Finance and €31 million for Désirade.

Cash and cash equivalents amounted to €9 million at 31 December 2011, €3 million lower than one year earlier.

Net debt – which corresponds to cash and cash equivalents less borrowings – was as follows at 31 December 2011 and 2010:

(in millions of euros)	**31 Dec. 2011**	31 Dec. 2010
Net debt	**(2,931)**	(3,193)

Net debt was scaled back by €262 million in 2011, primarily reflecting the combined impact of:
- €371 million in cash provided by operating and investing activities;
- €167 million in dividends paid by the Company;
- the €59 million in cash transferred to the Company on the merger of Sofimatrans into Lagardère SCA.

Term of payment for trade payables

In application of the French Commercial Code, all of Lagardère SCA's trade payables at 31 December 2011 were due within less than 30 days.

6.5 PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBRE 2011

• Parent Company Balance Sheet at 31 December 2011

ASSETS *(in millions of euros)*	31 Dec. 2011 Gross	31 Dec. 2011 Depreciation, amortisation and provisions	**31 Dec. 2011 Net**	31 Dec. 2010 Net
Tangible assets	-	-	-	-
Long-term investments:				
– Investments in subsidiaries and affiliates	6,363	158	**6,205**	6,255
– Loans and advances to subsidiaries and affiliates	358	-	**358**	410
– Other investment securities	144	72	**72**	126
– Loans	-	-	**-**	-
– Other long-term investments	-	-	**-**	-
Fixed assets	**6,865**	**230**	**6,635**	6,791
Trade receivables	-	-	**-**	-
Other receivables	128	93	**35**	32
Marketable securities	8	-	**8**	11
Cash and cash equivalents	2	-	**2**	2
Prepaid expenses	-	-	**-**	-
Current assets	**138**	**93**	**45**	45
Deferred charges	-	-	**-**	-
Translation adjustment	19	-	**19**	18
Total assets	**7,022**	**323**	**6,699**	6,854

LIABILITIES AND SHAREHOLDERS' EQUITY *(in millions of euros)*	**31 Dec. 2011**	31 Dec. 2010
Share capital	**800**	800
Share and other premiums	**1,055**	1,063
Reserves: – Legal reserve – Tax regulated reserves – Other reserves	 **87** **-** **31**	 87 - 31
Retained earnings	**1,410**	1,202
Net profit for the year	**297**	374
Shareholders' equity	**3,680**	3,557
Provisions for risks and liabilities	**37**	59
Special borrowings	**-**	-
Borrowings: – Bonds – Bank loans – Loans from subsidiaries and affiliates	 **1,264** **440** **1,237**	 1,520 764 922
Trade payables	**6**	3
Other payables	**16**	10
Accrued expenses and deferred income	**-**	-
Translation adjustment	**19**	19
Total liabilities and shareholders' equity	**6,699**	6,854

• Parent Company Income Statement

(in millions of euros)	2011	2010
Operating revenues	**13**	8
Operating expenses	**(27)**	(24)
Operating loss	**(14)**	(16)
Financial income	**389**	378
Financial expenses	**(117)**	(89)
Net (additions to) reversals of provisions	**(71)**	10
Net financial income	**201**	299
Earnings before tax and exceptional items	**187**	283
Net exceptional income	**17**	3
Income tax gain	**93**	88
Net profit	**297**	374

• Parent Company Statement of Cash Flows

(in millions of euros)	2011	2010
Net profit	**297**	374
Depreciation, amortisation and provision expense (reversal)	**74**	(3)
Liquidation surplus	**(22)**	-
Net gain on sale of fixed assets	**2**	1
Changes in working capital	**-**	21
Cash provided by operating activities	**351**	393
Acquisitions of long-term investments	**(137)**	(41)
Proceeds from disposals of long-term investments	**30**	34
Decrease in loans and receivables	**127**	94
Cash provided by investing activities	**20**	87
Cash provided by operating and investing activities	**371**	480
Dividends paid	**(167)**	(167)
Decrease in borrowings and financial liabilities	**(1,004)**	-
Proceeds from new borrowings	**428**	84
Change in Group current accounts	**375**	(368)
Cash used in financing activities	**(368)**	(451)
Translation adjustments	**(6)**	-
Change in cash and cash equivalents	**(3)**	29
Cash and cash equivalents at beginning of the year	**12**	(17)
Cash and cash equivalents at end of the year	**9**	12

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

(All figures are expressed in millions of euros)

PRELIMINARY INFORMATION

Lagardère SCA – the Parent company of the Lagardère group – is a holding company, and as such its balance sheet items principally comprise (i) investments in and loans to subsidiaries and affiliates, and (ii) the Group's financing resources.

ACCOUNTING POLICIES

1 GENERAL INFORMATION

Lagardère SCA's annual financial statements have been prepared in accordance with the accounting methods and principles established by the laws and regulations applicable in France. In particular, they comply with Regulation 99-03 issued by the French Accounting Standards Committee (*Comité de la Réglementation Comptable* – CRC).

All figures in the tables below are expressed in millions of euros.

2 LONG-TERM INVESTMENTS

Investments in subsidiaries and affiliates are stated at acquisition cost or subscription price. Provisions for write-downs are booked to cover any unrealised losses, which are generally estimated on the basis of a review of the past year and outlooks for future years, together with any other relevant information that may contribute to a meaningful valuation.

3 MARKETABLE SECURITIES

Marketable securities are stated at purchase cost using the FIFO method. Provisions for write-downs are booked when the market price or realisable value of the securities at the year-end is lower than their initial acquisition cost.

Gains and losses on disposals of marketable securities are reported net of revenues generated by the same securities on a single line of the income statement, such that the economic benefit of transactions on these securities is directly visible.

4 TRANSACTIONS IN FOREIGN CURRENCIES

Amounts receivable and payable in foreign currencies are translated into euros at year-end rates.

Unrealised exchange gains are deferred in the balance sheet and do not affect the income statement.

All unrealised exchange losses are provided for in full, unless:

- the foreign currency transaction is associated with a parallel transaction intended to hedge the results of any exchange rate fluctuations (forward hedge): in such cases, the provision covers only the unhedged portion of the risk;
- the unrealised gains and losses concern transactions with similar settlement dates: in such cases, a provision is only recognised to the extent of the unrealised net loss.

NOTES TO THE PARENT COMPANY BALANCE SHEET AND INCOME STATEMENT

1 FIXED ASSETS

Movements in the gross value of fixed assets can be analysed as follows:

	1 January 2011	Increase	Decrease	31 December 2011
Tangible assets	**-**	**-**	**-**	**-**
Long-term investments				
Investments in subsidiaries and affiliates and other investment securities	6,525	65	83	6,507
Loans and advances to subsidiaries and affiliates	410	90	142	358
Other long-term investments	-	-	-	-
Total fixed assets	**6,935**	**155**	**225**	**6,865**

Changes in depreciation, amortisation and provisions for write-downs can be analysed as follows:

	1 January 2011	Increase	Decrease	31 December 2011
Long-term investments				
Investments in subsidiaries and affiliates and other investment securities	144	86	-	230
Loans and advances to subsidiaries and affiliates	-	-	-	-
Total	**144**	**86**	**-**	**230**

The increase in depreciation, amortisation and provisions for write-downs recorded in 2011 primarily reflects write-downs of treasury shares and MMS shares (€48 million and €29 million respectively).

2 RECEIVABLES

At 31 December 2011, the maturity of receivables was as follows:

	Gross	Due within one year	Due beyond one year
Long-term receivables	358	1	357
Short-term receivables	128	38	90
Total	**486**	**39**	**447**

3 MARKETABLE SECURITIES

	31 Dec. 2011	31 Dec. 2010
At cost	**8**	11
Provision for write-down	**-**	-
Net book value	**8**	11
Market value	**8**	11
Unrealised gains	**-**	-
Unrealised gains	**-**	**-**

4 CHANGES IN SHAREHOLDERS' EQUITY

Changes in shareholders' equity are analysed below:

	Share capital	Share premium and other reserves	Retained earnings	Net profit for the year	Total
Shareholders' equity at 31 December 2010	800	1,181	1,202	374	3,557
Capital reduction	(2)	(5)	-	-	(7)
Capital increase	2	(2)	-	-	-
Dividends paid [1]	-	-	(167)	-	(167)
Appropriation of net profit for 2010	-	-	374	(374)	-
Net profit for the year	-	-	-	297	297
Shareholders' equity at 31 December 2011	**800**	**1,174**	**1,409**	**297**	**3,680**

(1) Including the portion of net profit paid to the general partners.

At 31 December 2011, the share capital of Lagardère SCA amounted to €799,913,044.60, represented by 131,133,286 shares with a par value of €6.10 each, all in the same class and fully paid.

In 2011, the Group carried out a capital reduction by cancelling 403,250 treasury shares for an amount of €7 million. This occured further to a capital increase by capitalising reserves, for the same number of shares. The newly issued shares were allocated in October 2011 to employee beneficiaries of the free share plan of 1 October 2009.

5 TREASURY SHARES

Changes in the number of treasury shares held by Lagardère SCA break down as follows for 2011:

	2011
Number of shares held at 1 January	**4,098,948**
Purchases of treasury shares	**1,360,078**
Sales of treasury shares	**-**
Treasury shares allocated on exercise of stock options	**-**
Sales of treasury shares under hedging contracts	**(1,283,078)**
Capital reduction by cancellation of treasury shares	**(403,250)**
Number of shares held at 31 December	**3,772,698**

6 BONDS

A ON 24 JANUARY 2001, THE COMPANY ISSUED US$500 MILLION WORTH OF US PRIVATE PLACEMENT NOTES IN THREE TRANCHES:

- a 5-year tranche for US$125 million with a 7.06% coupon, redeemed in 2006;
- a 7-year tranche for US$150 million with a 7.25% coupon, redeemed in 2008;
- a 10-year tranche for US$225 million with a 7.49% coupon, redeemed in 2011;

Each tranche was comprised of notes specific to the amounts subscribed by investors.

This fixed-rate US$ issue was simultaneously hedged through swap agreements entered into with various banks, resulting in an annual average coupon of Euribor +1.288%.

The interest expense for 2011 amounted to €0.5 million.

B ON 10 JULY 2003, THE COMPANY ISSUED €100 MILLION WORTH OF BONDS (100,000 BONDS WITH A FACE VALUE OF €1,000 EACH), WITH THE FOLLOWING CHARACTERISTICS:

- Term: 10 years.
- Maturity: 10 July 2013.

- Following a swap agreement entered into with a bank at the time of issue, Lagardère SCA pays effective interest at 3-month Euribor +1.035%, on a quarterly basis.
- The interest expense for 2011 amounted to €2.4 million.

C ON 24 JULY 2003, THE COMPANY ISSUED US PRIVATE PLACEMENT NOTES FOR US$38 MILLION AND €116 MILLION, IN TWO TRANCHES:

- a US$38 million tranche of "Senior Notes, Series D" with a 5.18% coupon, maturing 24 July 2013;
- a €116 million tranche of "Senior Notes, Series E" with a 4.965% coupon, maturing 24 July 2013.

The US$38 million issue was hedged through a currency and interest rate swap agreement, resulting in a borrowing of €33 million, with half-yearly interest payments at 6-month Euribor +0.87%.

Following an interest rate swap agreement entered into with a bank, Lagardère SCA pays interest half-yearly on the €116 million tranche at 6-month Euribor +0.88%.

The interest expense for 2011 amounted to €3.6 million.

D ON 24 SEPTEMBER 2009, LAGARDÈRE SCA UNDERTOOK A €1 BILLION BOND ISSUE SETTLED ON 6 OCTOBER 2009, WHICH IS REDEEMABLE AT MATURITY ON 5 OCTOBER 2014 AND PAYS INTEREST AT A FIXED RATE OF 4.875%.

All of these bonds were subscribed by institutional investors.

The interest expense for 2011 amounted to €48.8 million.

7 MATURITIES OF LIABILITIES

	31 Dec. 2011	Due within one year	Due between one and five years	Due beyond five years
Bonds	1,264	14	1,250	-
Bank loans	440	1	439	-
Other borrowings	1,237	-	-	1,237
Trade and other payables	22	22	-	-
Total	**2,963**	**37**	**1,689**	**1,237**

8 PROVISIONS

Type of provision	1 Jan. 2011	Additions	Reversals	Reclassifications	31 Dec. 2011
Provisions for risks and liabilities	**59**	**-**	**22 (*)**	**-**	**37**
Provisions for write-downs	**256**	**96**	**22**	**(7)**	**323**
– long-term investments	*144*	*93*	-	*(7) (b)*	*230*
– other	*112*	*3*	*22 (a)*	-	*93*
Total	**315**	**96**	**44**	**(7)**	**360**
Including additions and reversals:					
– relating to financial items		*96*	*26*		
– relating to exceptional items			*18*		

(*) Analysed as follows:
- Utilised provisions: 4
- Surplus provisions: 18
(a) Including a €22 million provision reversal relating to purchase options cancelled during the year. This reversal was offset by a loss in the same amount recorded under financial expenses.
(b) Reclassification of provisions for write-downs of treasury shares to reduce their gross value prior to cancellation.

9 TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES (NET VALUES) – BALANCE SHEET

	Assets		Liabilities
Long-term investments	6,563	Borrowings	1,237
Short-term receivables	22	Trade and other payables	16
Other	1	Other	18

10 TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES – INCOME STATEMENT

	Expenses		Revenues
Interest on loans	10	Income from subsidiaries and affiliates	364
Losses related to subsidiaries	95	Profits related to subsidiaries	4

11 ACCRUED INCOME AND EXPENSES

	Amount		Amount
Amount of accrued income included in the following balance sheet items:		**Amount of accrued expenses included in the following balance sheet items:**	
Long-term investments	1	Borrowings	14
Short-term receivables	-	Trade and other payables	6
Cash and cash equivalents	-		
Total	**1**	**Total**	**20**

12 NET FINANCIAL INCOME

	2011	2010
Financial income	**415**	399
Financial income from investments in subsidiaries and affiliates	**364**	372
Income from other investment securities and long-term receivables	**-**	-
Other interest and similar income	**23**	-
Net income from marketable securities	**-**	-
Reversals of provisions	**26**	22
Foreign exchange gains	**2**	5
Financial expenses	**(214)**	(100)
Interest and similar expenses	**(115)**	(83)
Additions to provisions	**(97)**	(13)
Foreign exchange losses	**(2)**	(4)
Net financial income	**201**	299

13 EXCEPTIONAL ITEMS

	2011	2010
Net loss on disposals of assets and liquidation surplus	**(1)**	-
Net (additions to) reversals of provisions	**18**	3
Other exceptional income and expenses	**-**	-
Net exceptional income	**17**	3

14 INCOME TAX

The €93 million income tax gain for 2011 primarily corresponds to taxes paid by subsidiaries included in the tax consolidation group. At 31 December 2011, the tax group comprising Lagardère SCA and its subsidiaries had a tax loss carryforward of some €482 million.

15 OFF-BALANCE SHEET COMMITMENTS

Commitments given	Amount	Commitments received	Amount
Guarantees given on behalf of subsidiaries to cover contract-related financial commitments	-	Debt waivers with return to profit clauses	1
Rent guarantees given to subsidiaries	3	Confirmed, unused lines of credit	1,206
Guarantees given to third parties	20	Counter-guarantees received from third parties	20
Commitments to deliver shares under employee stock option plans	310		
Bank interest on long-term loans	167		

DERIVATIVES TRANSACTIONS

In order to cover the share purchase plan set up for Group employees, Lagardère SCA holds call options allowing it to purchase from Barclays Plc Lagardère SCA shares to be transferred, for the same price, to employee beneficiaries of the plans.

At 31 December 2011, call option positions were as follows:

- 1,214,132 options at €51.45 for shares under the 2003 Lagardère Plan: €62 million
- 1,360,420 options at €51.92 for shares under the 2004 Lagardère Plan: €71 million
- 1,714,600 options at €55.84 for shares under the 2006 Lagardère Plan: €96 million

Call options were carried at their market value of €0.3 million in the balance sheet at 31 December 2011, leading to the recognition of a €2.5 million write-down during the year, which was recorded under “Net financial income” (compared with a write-down of €4.1 million in 2010).

The 2005 plan was covered by the allocation of 1,599,250 shares directly held by Lagardère SCA.

SHARE GRANT PLANS

In 2009, 2010 and 2011 the Group set up plans to award free shares to employees and the Co-Managing Partners. The number of shares awarded under these plans was as follows:

- 1 October 2009 and 31 December 2009 plans: 571,525 shares;
- 17 December 2010 plan: 634,950 shares;
- 15 July 2011 and 29 December 2011 plans: 650,000 shares.

For Group employees these three plans do not include any performance conditions and the shares vest after a two-year period, provided the beneficiaries have remained in the Group’s employment throughout that time. For beneficiaries who are not residents in France for tax purposes, the shares vest at the end of a four-year period provided that the beneficiaries have remained in the Group’s employment for two years.

For the Co-Managing Partners, final allocation of the shares is conditional on:

- the beneficiaries remaining with the Group until at least 1 April 2014, 2013 and 2012 under the 2011, 2010 and 2009 plans respectively;
- achievement of objectives based on criteria internal to the Group (consolidated recurring operating profit and net cash flows from operating activities), with the number of shares allocated reduced accordingly if these objectives are not met.

On 1 October 2011, 403,250 shares were allocated to French resident employees under the 1 October 2009 share plan (newly issued shares –see note 4 above).

• FII Subsidiaries and affiliates at 31 December 2011

(in thousands of euros)	Capital	Reserves	Share of capital held (%)	
Information on investments with a book value in excess of 1% of Lagardère SCA's share capital or over which it exercises significant influence				
A. Subsidiaries (Lagardère SCA's holding: at least 50%)				
DÉSIRADE (immeuble Monceau - 42 rue Washington - 75008 Paris)	466,933	195,324	100,00	
FINANCIÈRE DE PICHAT & Compagnie (6 rue Laurent Pichat - 75116 Paris)	99,169	35,640	99,25	
HACHETTE SA (4 rue de Presbourg - 75116 Paris)	832,650	438,113	100,00	
HOLPA (immeuble Monceau - 42 rue Washington - 75008 Paris)	536	3,075	100,00	
LAGARDÈRE FINANCE (immeuble Monceau - 42 rue Washington - 75008 Paris)	2,800,000	283,615	100,00	
LAGARDÈRE PARTICIPATIONS (4 rue de Presbourg - 75116 Paris)	15,250	8,008	100,00	
LAGARDÈRE RESSOURCES (immeuble Monceau - 42 rue Washington - 75008 Paris)	10,000	17,897	100,00	
MATRA MANUFACTURING & SERVICES (4 rue de Presbourg - 75116 Paris)	13,528	16,826	100,00	
MNC (immeuble Monceau - 42 rue Washington - 75008 Paris)	89,865	28,155	100,00	
B. Affiliates (Lagardère SCA's holding: 10 to 50%)				
C. Other significant investments (Lagardère SCA's holding: less than 10%)				
Information concerning other subsidiaries and affiliates:				
A. Subsidiaries not included in paragraph A above				
– Other subsidiaries				
B. Affiliates not included in paragraph B above				
– Other affiliates				
C. Investments not included in paragraph C above				
– Other investments				

(*) Provisional net profit (loss).

	Book value of share held		Outstanding loans and advances grated by the Company	Guarantees given by the Company	Net sales for the last fiscal year	Net profit (loss) for the last fiscal year(*)	Dividends received by the Company during the year
	Gross	Net					
	612,312	612,312				15,298	
	165,450	134,509				718	709
	2,163,549	2,163,549			839	(495,264)	272,964
	16,938	3,603				(8)	
	3,080,000	3,080,000				47,660	61,600
	25,444	25,444				(1,026)	
	92,332	15,288			76,914	(11,198)	
	94,035	56,865			25,004	922	20,291
	112,732	112,732				(1,582)	
	502	302					

• Investment portfolio at 31 December 2011

(in thousands of euros)		
I. Investments in subsidiaries and affiliates		
A. Investments in French companies		
Book value over €15,000		6,204,352
Number of shares held:		
122,233,852	Désirade	612,312
6,453,988	Financière de Pichat & Compagnie	134,509
54,597,443	Hachette	2,163,549
107,284	Holpa	3,603
280,000,000	Lagardère Finances	3,080,000
999,989	Lagardère Participations	25,444
1,000,000	Lagardère Ressources	15,288
845,474	Matra Manufacturing & Services	56,865
7,848,480	MNC	112,732
5,000	Sogeade Gérance	50
Book value below €15,000		
Total investments in French companies		**6,204,352**
B. Investments in non-French companies		
Number of shares held:		
325,100	Lagardère UK	252
Book value below €15,000		0
Total investments in non-French companies		**252**
Total investments in subsidiaries and affiliates		**6,204,604**
II. Other long-term investments		
C. Investment funds		
Total investment funds		**0**
D. Treasury shares		**71,432**
Total treasury shares		**71,432**
Total other long-term investments		**71,432**
III. Short-term investments		
A. French securities		
1. Equities and mutual funds		**8,300**
Number of shares or units held:		
374	CAAM Tréso institution	8,300
2. Collective investment funds		0
Number of shares or units held:		
Total short-term investments (book value)		**8,300**

• Lagardère SCA – Five-year financial summary

(Articles R.225-83/R.225-102 of the French Commercial Code [Code de commerce])

		2007	2008	2009	2010	**2011**
I	**Financial position (in euros)**					
a)	Share capital	818,213,044	799,913,045	799,913,045	799,913,045	**799,913,045**
b)	Number of ordinary shares outstanding	134,133,286	131,133,286	131,133,286	131,133,286	**131,133,286**
c)	Maximum number of shares to be issued upon exercise of stock options	-	-	-	-	**-**
d)	Maximum number of shares to be issued upon conversion of bonds	-	-	-	-	**-**
e)	Maximum number of shares to be issued upon exercise of subscription warrants	-	-	-	-	**-**
II	**Results of operations (in thousands of euros)**					
a)	Net sales	12,711	1,551	9,846	8,457	**12,535**
b)	Earnings before tax, depreciation, amortization and provisions	767,000	449,149	156,294	272,386	**257,302**
c)	Income tax	89,271 (1)	76,004 (1)	87,203 (1)	88,017 (1)	**93,037 (1)**
d)	Earnings after tax, depreciation, amortization and provisions	832,655	491,335	298,529	373,527	**297,253**
e)	Total dividends	169,167	164,856	165,142	165,097	**- (2)**
III	**Earnings per share (in euros)**					
a)	Earnings per share after tax but before depreciation, amortization and provisions	6.38	4.00	1.86	2.75	**2.67**
b)	Earnings per share after tax, depreciation, amortization and provisions	6.21	3.75	2.28	2.85	**2.27**
c)	Dividend per share	1.30	1.30	1.30	1.30	**- (2)**
IV	**Staff**					
a)	Average number of employees	-	-	-	-	**-**
b)	Total wages and salaries	-	-	-	-	**-**
c)	Total employee benefit expense	-	-	-	-	**-**

(1) Mainly the tax gain resulting from the tax consolidation.
(2) The Annual General Meeting will be asked to approve the distribution of a dividend of €1,30 per share.

6.6 STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

To the Partners,

In compliance with the assignment entrusted to us by your General Meetings, we hereby report to you, for the financial year ended 31 December 2011, on:

- the audit of the accompanying financial statements of Lagardère SCA;
- the justification of our assessments;
- the specific verifications required by law.

These financial statements have been approved by the Managing Partners. Our role is to express an opinion on these financial statements based on our audit.

I OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit involves performing procedures, by audit sampling and other selective testing methods, to obtain audit evidence about the amounts and disclosures in the annual financial statements. An audit also includes evaluating the appropriateness of accounting principles used, the reasonableness of accounting estimates made by management, and the presentation of the financial statements overall. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the financial position and assets and liabilities as of 31 December 2011 and of the results of operations for the year then ended in accordance with the accounting rules and principles applicable in France.

II JUSTIFICATION OF OUR ASSESSMENTS

Accounting estimates used to prepare the financial statements have been realized in an uncertain environment, related to the public finance crisis of certain Euro-zone countries. This crisis, together with an economic and liquidity crisis make economic forecasts more difficult. In this context and in accordance with the requirements of Article L. 823-9 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

Accounting principles and valuation methods

The Note "Accounting policies" presented in the notes to the financial statements explains the criteria used for the valuation of long-term investments.

As part of our assessments of the accounting principles and methods used by your Company, we verified the appropriateness of the accounting methods used and the reasonableness of estimates made.

These assessments were made in the context of our audit of the annual financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

III SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with the professional standards applicable in France, the specific verifications required by law.

We have no matters to report regarding the fair presentation and the conformity with the financial statements of the information given in the management report by the Managing Partners and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the Commercial Code relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified their consistency with the annual financial statements, or with the data used to prepare these annual financial statements and, where applicable, with the information obtained by the Company from companies controlling your Company or controlled by it. On the basis of this research, we certify the accuracy and fair presentation of this information.

In accordance with the law, we have verified that the management report contains the appropriate disclosures regarding the identity of shareholders.

La Défense and Courbevoie, 28 March 2012

The Statutory Auditors

Ernst & Young et Autres
Jeanne Boillet

Mazars
Bruno Balaire

6.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Partners,

In compliance with the assignment entrusted to us by your General Meetings, we hereby report to you, for the year ended 31 December 2011, on:

- the audit of the accompanying consolidated financial statements of Lagardère S.C.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Managing Partners. Our role is to express an opinion on these consolidated financial statements based on our audit.

I OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the persons and entities that constitute the consolidated Group at 31 December 2011, and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without calling into question the opinion expressed above, we draw your attention to the following matters:

- Note 10 to the consolidated financial statements related to impairment losses on goodwill and intangible fixed assets, especially with regard to Lagardère Unlimited.
- Note 19 which presents the accounting treatment used at 31 December 2011 for the investment in Canal + France

II JUSTIFICATION OF OUR ASSESSMENTS

Accounting estimates used to prepare the financial statements have been realized in an uncertain environment, related to the public finance crisis of certain Euro-zone countries. This crisis, together with an economic and liquidity crisis make economic forecasts more difficult. In this context and in accordance with the requirements of article L. 823-9 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- As specified in Note 3.10 to the consolidated financial statements, at least once a year the Lagardère group performs an impairment test on intangible fixed assets and on goodwill. We have assessed the assumptions used in determining the recoverable value of these assets for the purpose of comparison with their book value. This recoverable value is assessed primarily on the basis of the discounted cash flow forecasts prepared at the end of 2011.

  Regarding the assets of the Unlimited division, the assumptions used by the Managing Partners in determining the cash flow forecasts depend on the conditions in which current contracts will be completed, the ability to renew these contracts or to win new ones as well as the related margin conditions.

  In the context described above, we have not identified any matters likely to call into question the overall reasonable nature of the assumptions made by the Managing Partners in the business plans used for the impairment tests.

- In addition, we have assessed the conditions that led the Managing Partners to impair the investment in Canal + France based on the value in use, which could be different from a transaction value, as described in Note 19 to the consolidated financial statements.
- As specified in Note 3.10 to the consolidated financial statements, these estimates rely on assumptions which are uncertain by nature, and actual results are likely to be sometimes significantly different from the forecasts data used.

  We have assessed the reasonableness of the information included in the notes to the consolidated financial statements, related notably to the discounted cash flow forecasts used.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III SPECIFIC VERIFICATION

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

French language original signed at Paris La Défense and Courbevoie, on 28 March 2012

By the statutory auditors

Ernst & Young et Autres — Mazars
Jeanne Boillet — Bruno Balaire

6.8 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

To the Partners,

In our capacity as Statutory Auditors of your company, we hereby present our report on regulated agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of the agreements and commitments of which we were informed or which may have come to our attention during our assignment, without pronouncing on their utility and merits, or seeking the existence of other agreements and commitments. It is your responsibility, pursuant to Article R. 226-2 of the Commercial Code, to assess the merit of these agreements and commitments with a view to approving them.

We are also required to provide you with the information required under Article R. 226-2 of the Commercial Code in respect of the execution during the past year of any agreements and commitments already approved by the general meeting.

We carried out the work we deemed necessary in light of the professional standards of the Compagnie Nationale des Commissaires aux Comptes applicable to this responsibility. These standards require that we perform procedures to verify that the information given to us is coherent with the underlying documents.

AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE GENERAL MEETING

Agreements and commitments approved during the past year

We have not been informed of any agreement or commitment authorised during the past year to be submitted to the general meeting for approval in accordance with Article L. 226-10 of the Commercial Code.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

Agreements and commitments approved in previous years which were applicable during the period

In application of Article R. 226-2 of the Commercial Code, we have been informed of the following agreements and commitments, already approved by the general meeting during previous years and applicable during the period:

LAGARDÈRE CAPITAL & MANAGEMENT

Service Agreement

Under an agreement signed in 1988 by Lagardère Capital & Management with Matra and Hachette, Lagardère Capital & Management provides a range of resources and skills specific to general strategy, international development, company operations, and management of financial capacity, human potential and corporate image. All top management working at Lagardère Capital & Management are members of the management bodies of the Group and its principal subsidiaries.

Following the various 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 with effect from 1 January 2004 by an amendment approved by the Supervisory Board on 12 March 2004.

At its meeting of 12 March 2004, the Supervisory Board approved an amendment modifying the calculation method for the remuneration payable to Lagardère Capital & Management as of 1 January 2004.

Starting from that date, the remuneration payable by Lagardère Ressources to Lagardère Capital & Management for any given year is equal to the total expenses incurred by Lagardère Capital & Management during that year in execution of the services rendered under the Service Agreement, plus a 10% margin, with an absolute upper limit of €1 million for that margin. For 2011, the amount of this margin is €1 million.

Supplementary pension plan for certain Lagardère Capital & Management employees who are members of Lagardère group's Executive Committee

At its meeting of 14 September 2005, your Supervisory Board approved the introduction of 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 the benchmark remuneration, which cannot exceed 50 times the annual limit defined by the French social security system.

The employees of Lagardère Capital & Management who are members of the Executive Committee are beneficiaries of this plan.

The plan came into effect at 1 July 2005, and benefits vest at the rate of 1.75% of the benchmark remuneration per year of seniority in the Executive Committee, up to a limit of 20 years' seniority. The pension earned under this plan is payable on condition the beneficiary is still with the company at retirement age, or when he takes early retirement. It also remains payable in the event of termination after the age of 55 or invalidity.

For 2011, the amount billed by Lagardère Capital & Management amounted to €22.1 million including an expense of €5.9 million for the supplementary pension plan, compared to €23.3 million including an expense of €5.1 million for the supplementary pension plan in 2010.

La Défense and Courbevoie, 28 March 2012

The Statutory Auditors

Ernst & Young et Autres	Mazars
Jeanne Boillet	Bruno Balaire

CHAPTER 7

Organisation of the Company and the Group – Corporate Governance

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

7.1.1 LEGAL CHARACTERISTICS OF FRENCH PARTNERSHIPS LIMITED BY SHARES

A French partnership limited by shares (*société en commandite par actions* – SCA) has two categories of partners:

- one or more general partners (*associés commandités*), who are indefinitely personally liable for the Company's liabilities;
- limited partners (*associés commanditaires* or shareholders), whose situation is the same as that of shareholders in a joint-stock corporation (*société anonyme*). Their holdings can be sold or otherwise transferred under the same conditions as shares in a joint-stock corporation, and they are liable for the Company's liabilities only to the extent of their contribution to the partnership. They are represented by a Supervisory Board.

A partnership limited by shares is managed by one or more Managing Partners (*Gérants*), who may be individuals or corporate entities. They are selected from amongst the general partners or third parties, but may not be shareholders.

Because of the two categories of partners, collective decisions are taken at two different levels: by the limited partners in general meetings, and by the general partners. Members of the Supervisory Board are appointed only by the limited partners. If a general partner is also a limited partner he cannot take part in the vote.

7.1.2 PRESENTATION OF LAGARDÈRE SCA

The provisions of French law related to partnerships limited by shares, as well as the Company's Articles of Association (see Chapter 8, section 8.2), give Lagardère SCA an up-to-date organisational structure that is wholly in line with current corporate governance requirements as it effectively complies with the two basic principles of establishing a clear distinction between management and control, and closely involving shareholders in the oversight of the Company.

This structure is characterised as follows:

- There is a very clear segregation between the Managing Partners (*Gérants*), who are responsible for running the business, and the Supervisory Board which represents the shareholders and is responsible for overseeing the Company's accounts and management. The Managing Partners cannot be members of the Supervisory Board, and the general partners cannot take part in appointing the members of the Supervisory Board.
- The Supervisory Board is entitled to oppose the general partners' appointment or re-appointment of a Managing Partner, although the final decision thereon is taken by shareholders in an Ordinary General Meeting (see Chapter 8, section 8.2.6). The term of office of a Managing Partner cannot exceed six years but may be renewed.
- The two general partners' unlimited liability to the full extent of their assets is evidence of the proper balance between financial risk, power and responsibility.
- The Supervisory Board is entitled to receive the same information and has the same powers as the Statutory Auditors.
- The Supervisory Board must draw up a report on any proposed increase or reduction in the Company's share capital to be submitted to shareholders for approval.

These arrangements obviate the confusion, for which French joint-stock corporations are criticised, between the role of the Chairman (*Président*) when he also holds the position of Chief Executive Officer (*Directeur Général*) and the role of the Board of Directors of which he is a member.

7.2 GENERAL PARTNERS, MANAGING PARTNERS AND MEMBERS OF THE SUPERVISORY BOARD

7.2.1 GENERAL PARTNERS

Arnaud Lagardère

4 rue de Presbourg – 75116 Paris

Arjil Commanditée-Arco

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

4 rue de Presbourg – 75116 Paris

7.2.2 MANAGING PARTNERS

At 31 December 2011, the Company was managed by two Managing Partners:

- Arnaud Lagardère, and;
- Arjil Commanditée-Arco.

7.2.2.1 ARNAUD LAGARDÈRE

4 rue de Presbourg – 75116 Paris

Born 18 March 1961

Number of Lagardère SCA shares held directly and indirectly (see Chapter 8, section 8.1.8.1): 12,610,893

Arnaud Lagardère was appointed Managing Partner in March 2003 and his appointment was renewed on 11 March 2009 by the Supervisory Board on the recommendation of the general partners, for a period of six years expiring on 11 March 2015.

Arnaud Lagardère also controls and is the Chairman of Lagardère SAS and Lagardère Capital & Management SAS. Arnaud Lagardère and these two companies held a combined 9.62% of Lagardère SCA's share capital at 31 December 2011 (see Chapter 8, section 8.1.8.1).

Arnaud Lagardère holds a DEA higher degree in economics from the University of Paris Dauphine. He was appointed Director and Chief Executive Officer of MMB (which became Lagardère SCA) in 1987, and was Chairman of the US company Grolier Inc. from 1994 to 1998.

A) PRINCIPAL POSITION

Managing Partner of Lagardère SCA

B) OTHER POSITIONS AND APPOINTMENTS HELD IN THE GROUP (AT 31 DECEMBER 2011)

Chairman and Chief Executive Officer, Hachette SA (Lagardère Media)
4 rue de Presbourg – 75116 Paris

Director, Hachette Livre SA
43 quai de Grenelle – 75015 Paris

Chairman of the Supervisory Board, Lagardère Services SAS
2 rue Lord Byron – 75008 Paris

Chairman of the Supervisory Board, Lagardère Active SAS
149-151 rue Anatole France – 92300 Levallois-Perret

Chairman of the Executive Committee, Lagardère Unlimited SAS
16-18 rue du Dôme – 92100 Boulogne Billancourt

Director, Lagardère Ressources SAS
42 rue Washington – 75008 Paris

Chairman, Lagardère Unlimited Inc.
2711 Centerville Road, Suite 400, 19808 Wilmington, USA

Permanent representative, Lagardère Unlimited Inc.
Managing Member, Lagardère Unlimited LLC
4711 Centerville Road, Suite 400, 19808 Wilmington, USA

Chairman, Sports Investment Company LLC
4711 Centerville Road, Suite 400, 19808 Wilmington, USA

Chairman and Director, Sogeade Gérance SAS
42 rue Washington – 75008 Paris

Member of the Board of Directors, European Aeronautic Defence and Space Company – EADS NV
Mendelweg 30, 2333 CS Leiden – the Netherlands

Member of the Board of Directors, EADS Participations BV
Teleportboulevard 140, 1043 EJ Amsterdam
PO BOX 2838, 1000 CV – the Netherlands

Chairman, Fondation Jean-Luc Lagardère
4 rue de Presbourg – 75116 Paris

Chairman, Lagardère Paris Racing Ressources sports association
(not-for-profit organisation)
42 rue Washington – 75008 Paris

Chairman, Lagardère Paris Racing sports association
(not-for-profit organisation)
42 rue Washington – 75008 Paris

Chairman, Lagardère SAS
4 rue de Presbourg – 75116 Paris

Chairman, Lagardère Capital & Management SAS
4 rue de Presbourg – 75116 Paris

Chairman and Chief Executive Officer, Arjil Commanditée-Arco SA
4 rue de Presbourg – 75116 Paris

C) OTHER POSITIONS AND APPOINTMENTS HELD OUTSIDE THE GROUP

None.

D) OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Chairman, Lagardère Active Broadcast *(a Monaco SA)*
57, rue Grimaldi – 98000 Monaco *(until March 2007)*

Member of the Supervisory Board, Lagardère Sports SAS
28, rue François 1er – 75008 Paris *(until April 2007)*

Director, Lagardère Management, Inc.
1633 Broadway, 45th Floor – New York, NY 10019, USA *(until October 2007)*

Chairman of the Board of Directors, Lagardère Active North America, Inc.
1633 Broadway, 20th Floor – New York, NY 10019, USA *(until October 2007)*

Chairman of the Supervisory Board, Hachette Holding SAS
149-151 avenue Anatole France – 92300 Levallois-Perret *(until December 2007)*

Director, France Telecom SA
6 place d'Alleray – 75015 Paris *(until January 2008)*

Member of the Supervisory Board, Virgin Stores SA
16 bld du Général Leclerc – 92115 Clichy *(until February 2008)*

Member of the Supervisory Board, Le Monde SA *(until February 2008)*

Chairman, Lagardère Active Broadband SAS *(until June 2008)*
121 avenue de Malakoff – 75116 Paris

Director, LVMH-Moët Henessy Louis Vuitton SA
22, avenue Montaigne – 75008 Paris *(until May 2009)*

Permanent representative of Lagardère Active Publicité to the Board of Directors, Lagardère Active Radio International SA
28 rue François 1er – 75008 Paris *(until May 2009)*

Member of the Supervisory Board, Daimler AG
Epplestiass 225 – D 70546 Stuttgart – Möhringen, Germany *(until April 2010)*

Chairman, Association des Amis de Paris Jean-Bouin C.A.S.G *(until September 2010)*
(not-for-profit organisation)
121 avenue de Malakoff – 75016 Paris

Chairman of the Supervisory Board, Lagardère Sports SAS *(until May 2011)*
4 rue de Presbourg – 75116 Paris

7.2.2.2 ARJIL COMMANDITEE-ARCO

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

4 rue de Presbourg – 75116 Paris

Represented by Arnaud Lagardère, Philippe Camus and Pierre Leroy, as well as Dominique D'Hinnin and Thierry Funck-Brentano since 10 March 2010.

Arjil Commanditée-Arco was appointed as a Managing Partner of Lagardère SCA on 17 March 1998.

When this appointment was renewed for a further six-year period on 10 March 2010, the Supervisory Board, in application of article 14-2 of the Articles of Association, approved the following persons as the company's legal representatives on proposal of the general partners:

- Arnaud Lagardère, Chairman and Chief Executive Officer;
- Philippe Camus, Deputy Chairman and Chief Operating Officer;
- Pierre Leroy, Deputy Chairman and Chief Operating Officer;
- Dominique D'Hinnin, Chief Operating Officer;
- Thierry Funck-Brentano, Chief Operating Officer.

In their capacity as legal representatives of Arjil Commanditée-Arco, Philippe Camus and Pierre Leroy, and, since 10 March 2010, Dominique D'Hinnin and Thierry Funck-Brentano, are Co-Managing Partners of Lagardère SCA.

Positions held by Arjil Commanditée-Arco in other companies

None.

Positions held by legal representatives of Arjil Commanditée-Arco in other companies

(at 31 December 2011)

ARNAUD LAGARDÈRE (SEE ABOVE)

PHILIPPE CAMUS

4 rue de Presbourg – 75116 Paris

Born 28 June 1948

Number of Lagardère SCA shares held: 10,000

Philippe Camus is a graduate of École Normale Supérieure de Paris (Ulm Paris), and holds an Economics and Finance degree from Institut d'Études Politiques de Paris as well as an agrégation (the highest-level teaching qualification in France) in Physics and Actuarial Science.

He was appointed Chairman of Aerospatiale Matra's Management Board in 1999, and was Chief Executive Officer of EADS between 2000 and 2005.

A) PRINCIPAL POSITION

Co-Managing Partner of Lagardère SCA

B) OTHER POSITIONS AND APPOINTMENTS HELD IN THE GROUP (AT 31 DECEMBER 2011)

Permanent representative of Lagardère SCA to the Board of Directors, Hachette SA

Member of the Supervisory Board, Lagardère Active SAS

Director, Éditions P. Amaury SA

Member of the Supervisory Board, Lagardère Services SAS
Chairman, President and CEO, Lagardère North America, Inc.
Director, Cellfish Media LLC
Director, Lagardère Unlimited Inc.

C) OTHER POSITIONS AND APPOINTMENTS HELD OUTSIDE THE GROUP

Chairman of the Board of Directors, Alcatel-Lucent
Director, member of the Audit Committee and Chairman of the Finance Committee, Schlumberger
Senior Managing Director, Evercore Partners, Inc.
Honorary Chairman, GIFAS

D) OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Member of the Supervisory Board, Hachette Holding SAS (formerly Hachette Filipacchi Médias) *(until December 2007)*
Permanent representative of Lagardère Active to the Board of Directors, Lagardère Active BroadCast (Monaco) *(until December 2007)*
Director, Accor *(until September 2008)*
Director, Crédit Agricole SA *(until May 2009)*

PIERRE LEROY

4 rue de Presbourg – 75116 Paris
Born 8 October 1948
Number of Lagardère SCA shares held: 2,027

Pierre Leroy is a graduate of the École Supérieure de Commerce de Reims business school and holds a degree in law. He has spent his entire career with the Lagardère group.

He was appointed Director and Chief Executive Officer of MMB (which became Lagardère SCA) in 1987, then Chairman and Chief Executive Officer of Lagardère Sociétés in 1988 and Secretary General of the Lagardère group in 1993.

A) PRINCIPAL POSITIONS

Co-Managing Partner of Lagardère SCA
Secretary General of the Lagardère group

B) OTHER POSITIONS AND APPOINTMENTS HELD IN THE GROUP (AT 31 DECEMBER 2011)

Chairman, Lagardère Ressources SAS
Director, Hachette SA (Lagardère Media)
Director, Hachette Livre SA
Member of the Supervisory Board, Lagardère Services SAS
Member of the Supervisory Board, Lagardère Active SAS
Director, Lagardère Active Broadcast (a Monaco company)
Director, Lagardère Entertainment SAS
Chairman, Désirade SAS
Director, Sogeade Gérance SAS
Manager, Financière de Pichat & Compagnie SCA
Chairman, Lagardère Participations SAS
Chairman, Lagardère Expression SAS
Chairman, Dariade SAS
Chairman, Sofrimo SAS
Chairman, Holpa SAS
Permanent representative of Lagardère Participations to the Board of Directors, Galice SA
Director, Ecrinvest 4 SA
Director, Fondation Jean-Luc Lagardère

Chairman and Chief Executive Officer, Lagardère Paris Racing Ressources SASP

Manager, Team Lagardère SNC

Director, Lagardère UK Ltd

Director, Lagardère Capital & Management SAS

C) OTHER POSITIONS AND APPOINTMENTS HELD OUTSIDE THE GROUP

Director, IMEC (Institut Mémoires de l'Édition Contemporaine)

Chairman, Fondation pour la Mémoire de la Création Contemporaine

Member of the Consultative Committee, Sotheby's

Member of the Board of Directors, Association Doucet-Littérature

Chairman of the jury for the "Prix des Prix" literary awards

Member of the judges for the Casanova, Hemmingway and Sade Prizes

Member of the Cercle de la Bibliothèque Nationale de France

D) OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Director of Lagardère Télévision Holdings SA *(until January 2007)*

Chairman of the Supervisory Board, Matra Manufacturing & Services SAS *(until December 2007)*

Member of the Supervisory Board, Hachette Holding SAS *(until December 2007)*

Chairman of the Supervisory Board, Financière de Pichat SAS *(until April 2008)*

Director, Hachette Filipacchi Presse SA *(until June 2008)*

Director, Lagardère SAS *(until June 2008)*

Member of the Supervisory Board, Matra Manufacturing & Services SAS *(until October 2009)*

Member of the Supervisory Board, Arlis SAS *(until January 2010)*

Member of the Supervisory Board, Le Monde SA *(until November 2010)*

Member of the Supervisory Board, Lagardère Sports SAS *(until May 2011)*

Manager, Presstalis (formerly NMPP) *(until June 2011)*

DOMINIQUE D'HINNIN

4 rue de Presbourg – 75116 Paris

Born 4 August 1959

Number of Lagardère SCA shares held: 45,234

Dominique D'Hinnin is an alumnus of the École Normale Supérieure and the École Nationale d'Administration, and is also an Inspecteur des Finances. He joined the Lagardère group in 1990 as a special assistant to Philippe Camus.

He subsequently served as the Group's Internal Audit Manager and then as Chief Financial Officer of Hachette Livre in 1993 before becoming Executive Vice President of Grolier Inc. (Connecticut, USA) in 1994. On his return to France in 1998 Mr. D'Hinnin was appointed as Lagardère SCA's Chief Financial Officer.

A) PRINCIPAL POSITIONS

Co-Managing Partner, Lagardère SCA

Chief Financial Officer, Lagardère group

B) OTHER POSITIONS AND APPOINTMENTS HELD IN THE GROUP

Chairman and Chief Executive Officer, Ecrinvest 4 SA

Director, Hachette SA (Lagardère Media)

Member of the Supervisory Board, Lagardère Active SAS

Permanent representative of Hachette SA to the Board of Directors, Lagardère Active Broadcast (a Monaco SA)

Director, Lagardère Entertainment SAS

Member of the Supervisory Board, Lagardère Services SAS

Director, Hachette Livre SA

Director, Lagardère Ressources SAS

Director, Sogeade Gérance SAS

Member of the Supervisory Board, Financière de Pichat & Cie SCA

Member of the Supervisory Board, Matra Manufacturing & Services SAS

Permanent representative of Hachette Filipacchi Presse to the Board of Directors, Les Éditions P. Amaury SA

Director, Lagardère North America, Inc. (USA)

C) OTHER POSITIONS AND APPOINTMENTS HELD OUTSIDE THE GROUP

Member of the Supervisory Board and member of the Audit Committee, Canal+ France SA

Member of the Board of Directors, European Aeronautic Defence and Space Company – EADS NV

Member of the Board of Directors, EADS Participations BV

Member of the Strategy Board, PricewaterhouseCoopers France

Chairman, Club des Normaliens dans l'Entreprise

Treasurer, Fondation de l'École Normale Supérieure

Chairman, Institut de l'École Normale Supérieure

D) OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Chairman and Chief Executive Officer, Lagardère Télévision Holdings SA *(until January 2007)*

Director, Legion Group SA *(until May 2007)*

Director, Lagardère Management, Inc (USA) *(until October 2007)*

Member of the Supervisory Board, Hachette Holding SAS (formerly Hachette Filipacchi Médias) *(until December 2007)*

Member of the Supervisory Board, Financière de Pichat SAS *(until April 2008)*

Chairman and member of the Supervisory Board, Newsweb SA *(until June 2008)*

Chairman, Eole SAS *(until February 2009)*

Member of the Supervisory Board and Chairman of the Audit Committee, Le Monde SA *(until November 2010)*

Chairman, Club des Trente (an association for the Chief Financial Officers of France's largest listed companies) *(until January 2011)*

Deputy Chairman of the Board of Directors and Chairman of the Audit Committee, Atari SA *(until March 2011)*

Member of the Supervisory Board, Lagardère Sports SAS *(until May 2011)*

Director, Le Monde Interactif SA *(until December 2011)*

THIERRY FUNCK-BRENTANO

4 rue de Presbourg – 75116 Paris

Born 2 May 1947

Number of Lagardère SCA shares held: 25,163

Thierry Funck-Brentano holds a master's degree in management from the University of Paris Dauphine as well as an MBA from Northwestern University (Kellogg) in the United States. He has spent his entire career with the Lagardère group.

A) PRINCIPAL POSITIONS

Co-Managing Partner, Lagardère SCA

Chief Human Relations and Communications Officer, Lagardère group

B) OTHER POSITIONS AND APPOINTMENTS HELD IN THE GROUP

Director, Hachette SA

Permanent representative of Hachette SA to the Board of Directors, Hachette Livre

Member of the Supervisory Board, Lagardère Active SAS

Member of the Supervisory Board, Lagardère Services SAS

Chairman and member of the Executive Committee, Lagardère Unlimited SAS

Director, Lagardère Active Broadcast (a Monaco SA)

Director, Lagardère Ressources SAS
Chairman and Chief Executive Officer, Sopredis SA
Director, Lagardère Capital & Management SAS
Chairman of the Supervisory Board, Matra Manufacturing & Services SAS
Director, Ecrinvest 4 SA
Director, SGEL (Sociedad General Española de Libreria) (Spain)
Director, Fondation Jean-Luc Lagardère
Director, Secretary and Treasurer, Association Lagardère Paris Racing Ressources
Secretary, Association Lagardère Paris Racing

C) OTHER POSITIONS AND APPOINTMENTS HELD OUTSIDE THE GROUP

Director, Université Paris IX Dauphine
Director, Fondation de l'Université Paris IX Dauphine

D) OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Director, Sogeade Gérance SAS *(until October 2007)*
Member of the Supervisory Board, Hachette Holding SAS (formerly Hachette Filipacchi Médias) *(until December 2007)*
Chairman, MP 55 SAS *(until April 2008)*
Director, Matra Participations SA *(until June 2008)*
Chairman, Edifinance Participations SAS *(until March 2009)*
Member of the Supervisory Board, Lagardère Sports SAS *(until May 2011)*
Director, Hachette Filipacchi Presse SA *(until June 2011)*
Manager, Presstalis (formerly NMPP) *(until June 2011)*
Director, Mediakiosk SAS (formerly AAP) *(until November 2011)*

7.2.3 MEMBERS OF THE SUPERVISORY BOARD

• List of members of the Supervisory Board during 2011

		Date of first appointment or renewal	End of current term of office
Chairman of the Board Chairman of the Audit Committee	**Xavier de Sarrau** Independent member of the Board (1)	10 March 2010	2014 OGM (*)
Honorary Chairman of the Board Member of the Audit Committee	**Raymond H. Lévy** Non-independent member of the Board (1)	27 April 2010	2012 OGM (*)
Member of the Board	**Bernard Arnault** Independent member of the Board (1)	27 April 2010	2012 OGM (*)
Member of the Board	**Martine Chêne** Independent member of the Board (1)	29 April 2008	2014 OGM (*)
Member of the Board Member of the Appointments and Remuneration Committee	**Georges Chodron de Courcel** Non-independent member of the Board (1)	2 May 2006	2012 OGM (*)
Member of the Board Member of the Audit Committee Member of the Appointments and Remuneration Committee	**François David** Independent member of the Board (1)	29 April 2008	2014 OGM (*)
Member of the Board Member of the Appointments and Remuneration Committee	**Pierre Lescure** Independent member of the Board (1)	29 April 2008	2014 OGM (*)
Member of the Board	**Jean-Claude Magendie** Independent member of the Board (1)	27 April 2010 (**)	2014 OGM (*)
Member of the Board Member of the Audit Committee	**Christian Marbach** Independent member of the Board (1)	2 May 2006	2012 OGM (*)
Member of the Board Member of the Audit Committee	**Bernard Mirat** Independent member of the Board (1)	2 May 2006	(***)
Member of the Board	**Javier Monzón** Independent member of the Board (1)	29 April 2008	2014 OGM (*)
Member of the Board Member of the Audit Committee	**Amélie Oudéa-Castéra** Non-independent member of the Board (1)	27 April 2010	2012 OGM (*)
Member of the Board Member of the Audit Committee	**Didier Pineau-Valencienne** Independent member of the Board (1)	29 April 2008	2014 OGM (*)
Member of the Board	**François Roussely** Independent member of the Board (1)	27 April 2010	2012 OGM (*)
Member of the Board	**Susan M. Tolson** Independent member of the Board (1)	10 May 2011 (****)	2015 OGM (*)
Member of the Board Member of the Audit Committee	**Patrick Valroff** Independent member of the Board (1)	27 April 2010	2014 OGM (*)
Board Secretary	**Laure Rivière-Doumenc**		

(1) Under the AFEP-MEDEF corporate governance criteria applied by the Supervisory Board (see section 7.4.2 below).
(*) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.
(**) Jean-Claude Magendie's appointment took effect on 1 May 2010.
(***) Bernard Mirat stood down from his position as a member of the Supervisory Board on 30 June 2011.
(****) Susan M. Tolson's appointment took effect on 1 July 2011.

XAVIER DE SARRAU

16 West Halkin Street – SW1 X8JL London, United Kingdom

Born 11 December 1950

Date of appointment: 10 March 2010[1]

End of current term of office: 2014 OGM[2]

Number of Lagardère SCA shares held: 150

Chairman of the Supervisory Board of Lagardère SCA and of its Audit Committee.

Xavier de Sarrau is a graduate of the HEC Business School and holds a doctorate in tax law. He is a lawyer registered with the Bars of Paris and Geneva and is specialised in issues concerning the governance and organisational structure of family-owned companies and private holdings.

Mr. 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 Worldwide Global Management Services, and was also a member of the firm's World Executive Committee.

After founding his own law firm outside France, in 2005 Xavier de Sarrau was one of the founders of the Paris law firm Sarrau Thomas Couderc. In 2008, he left Sarrau Thomas Couderc (which was subsequently renamed STC Partners) and since that date he has not held any interests in the firm.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

In France:

Member of the Supervisory Board, JC Decaux

Member of the Supervisory Board, Bernardaud SA

Member of the Board, FCI Holding SA

Outside France:

Member of the Board, Continental Motors Inns SA (Luxembourg)

Chairman of the Board, Thala SA (Switzerland)

Member of the Board, Dombes SA (Switzerland)

Member of the Board, IRR SA (Switzerland)

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Member of the Supervisory Board, Financière Atlas

Chairman of the Audit Committee and Ethics Committee, JC Decaux

RAYMOND H. LÉVY

40 rue de Garches – 92420 Vaucresson

Born 28 June 1927

Date of appointment: 27 April 2010

End of current term of office: 2012 OGM[2]

Number of Lagardère SCA shares held: 15,230

Member and Honorary Chairman of the Supervisory Board of Lagardère SCA and a member of its Audit Committee.

Raymond H. Lévy is a graduate engineer from Corps des Mines, and has been Deputy Chairman and Chief Executive Officer of Elf Aquitaine, Chairman of Usinor, Chairman of the Board and a Director of Cockerill-Sambre, and Chairman of Régie Nationale des Usines Renault and Consortium de Réalisation.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

Member of the Supervisory Board, Sogeade

Director, Sogeade Gérance

Honorary Chairman, Renault SA

(1) Cooptation by the Supervisory Board on 10 March 2010, ratified by the Annual General Meeting of 27 April 2010.
(2) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Chairman of the Supervisory Board, Sogeade

Director, Renault Finance (Switzerland)

Director, Louis Dreyfus Citrus

BERNARD ARNAULT

22 avenue Montaigne – 75008 Paris

Born 5 March 1949

Date of appointment: 27 April 2010

End of current term of office: 2012 OGM[1]

Number of Lagardère SCA shares held: 150

Bernard Arnault is a graduate of École Polytechnique. He has been Chairman and Chief Executive Officer of Ferret-Savinel, Financière Agache and Christian Dior, and is currently Chairman and Chief Executive Officer of LVMH.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

In France:

Chairman of the Board of Directors, Christian Dior

Chairman, Groupe Arnault SAS

Director, Christian Dior Couture SA

Chairman of the Board of Directors, Société Civile du Cheval Blanc

Chairman of the Board of Directors, Louis Vuitton Foundation for Creation

Member of the Supervisory Board, Financière Jean Goujon SAS

Director, Carrefour SA

Outside France:

Director, LVMH International SA (Belgium)

Director, LVMH – Moët Hennessy Louis Vuitton Japan KK (Japan)

Director, LVMH – Moët Hennessy Louis Vuitton Inc. (USA)

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Member of the Supervisory Board, Métropole Télévision “M6” SA

Director, Raspail Investissements SA

MARTINE CHÊNE

64, rue du Parc – 34980 Saint Gély du Fesc

Born 12 May 1950

Date of appointment: 29 April 2008

End of current term of office: 2014 OGM[1]

Number of Lagardère SCA shares held: 150

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.

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

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

Martine Chêne exercises no positions in any other companies.

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

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

GEORGES CHODRON DE COURCEL

7 bis rue de Monceau – 75008 Paris

Born 20 May 1950

Date of appointment: 2 May 2006

End of current term of office: 2012 OGM[1]

Number of Lagardère SCA shares held: 150

Member of the Appointments and Remuneration Committee of Lagardère SCA

Georges Chodron de Courcel is a graduate engineer of École Centrale des Arts et Manufactures de Paris. He is currently Chief Operating Officer of BNP Paribas.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

In France:

Director, Bouygues SA

Board Advisor (*censeur*), Scor SE

Director, Nexans SA

Director, Alstom SA

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

Chairman, Compagnie d'Investissement de Paris SAS

Chairman, Financière BNP Paribas SAS

Director, Verner Investissements SAS

Board Advisor (*censeur*), Exane SA

Outside France:

Chairman, BNP Paribas (Suisse) SA (Switzerland)

Deputy Chairman, Fortis Bank SA/NV (Belgium)

Director, Erbé SA (Belgium)

Director, GBL - Groupe Bruxelles Lambert (Belgium)

Director, Scor Holding (Switzerland) AG (Switzerland)

Director, Scor Global Life Rückversicherung Schweiz AG (Switzerland)

Director, Scor Switzerland AG (Switzerland)

Director, CNP (Compagnie Nationale à Portefeuille) (Belgium)

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Director, Banca Nazionale del Lavoro (Italy)

Chairman and Director, BNP Paribas UK Holdings Ltd (United Kingdom)

Director, BNP Paribas ZAO (Russia)

Board Advisor (*censeur*), Safran SA

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

FRANÇOIS DAVID

12 cours Michelet – 92800 Puteaux

Born 5 December 1941

Date of appointment: 29 April 2008

End of current term of office: 2014 OGM[1]

Number of Lagardère SCA shares held: 150

Member of the Audit Committee of Lagardère SCA.

Chairman of the Appointments and Remuneration Committee of Lagardère SCA.

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

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

In France:

Chairman of the Board of Directors, Coface Services

Chairman, Centre d'Etudes Financières

Chairman, OR Informatique

Director, Vinci

Director, Rexel

Member of the Supervisory Board, Areva

Member of the Board of Directors, Natixis Coficine

Member of the Supervisory Board, Galatée Films

Member of Conseil de l'Ordre de la Légion d'Honneur

Outside France:

Chairman of the Supervisory Board, Coface Kreditversicherung AG (Germany)

Chairman of the Board of Directors, Coface Assicurazioni (Italy)

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Director, EADS

Chairman, International Credit Insurance & Surety Association (ICISA)

European Adviser, CityGroup

PIERRE LESCURE

38 rue Guynemer – 75006 Paris

Born 2 July 1945

Date of appointment: 29 April 2008

End of current term of office: 2014 OGM[1]

Number of Lagardère SCA shares held: 150

Member of the Appointments and Remuneration Committee of Lagardère SCA.

Pierre Lescure is a journalist who has been Editor in Chief of the television channel France 2, Chairman and Chief Executive Officer of the pay TV channel Canal+, and Chief Executive Officer of Vivendi Universal.

He is currently manager of Théâtre Marigny in Paris.

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

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

In France:

Chairman, AnnaRose Productions SAS

Director, Havas Advertising

Member of the Board of Directors, Thomson SA

Outside France:

Member of the Board of Directors, Kudelski (Switzerland)

Member of the Executive Commission, Prisa TV (Spain) and Digital + (Spain)

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Chairman, Lescure Farrugia Associés

Member of the Supervisory Board, Le Monde SA

JEAN-CLAUDE MAGENDIE

19 rue Raynouard – 75016 Paris

Born 24 May 1945

Date of appointment: 27 April 2010

End of current term of office: 2014 OGM(1)

Number of Lagardère SCA shares held: 150

Jean-Claude Magendie is a former magistrate. He started out as an examining judge (1970-1975) before becoming deputy general secretary to the First President of the Paris Court of Cassation, referendary at the same court, President of the Chamber at Rouen Court of Appeal, then Versailles Court of Appeal, President of the Créteil magistrate's court then the Paris magistrate's court (*tribunal de grande instance de Paris*), and finally First President of the Paris Court of Appeal.

Mr. 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.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

Member of the Scientific Committee of the National Institute of High Studies for Security and Justice

Contributor to Gazette du Palais

Member of the Board of Directors, Lextenso

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

First President of the Paris Court of Appeal

President of the Paris magistrate's court (Tribunal de Grande Instance de Paris)

Member of the Ministerial Remuneration Committee

Chairman, Acojuris (the Agency for International Legal Co-operation)

Chairman, Orientation Committee of the Paris Courts (Établissement Public du Palais de Justice de Paris)

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

CHRISTIAN MARBACH

17 avenue Mirabeau – 78600 Maisons-Laffitte

Born 9 October 1937

Date of appointment: 2 May 2006

End of current term of office: 2012 OGM(1)

Number of Lagardère SCA shares held: 406

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

Member of the Audit Committee of Lagardère SCA.

Christian Marbach is a graduate engineer from Corps des Mines, and a former Chairman of the French innovation agency ANVAR.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

Board Advisor (*censeur*), Sofinnova

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Director, Compagnie Générale de Géophysique-Veritas (C.G.G.)

Director, Erap

Chairman, Oseo-Services (formerly "Agence des PME")

BERNARD MIRAT

91 avenue de La Bourdonnais – 75007 Paris

Born 3 July 1927

Date of appointment: 2 May 2006

End of current term of office: Bernard Mirat stood down from his position on the Supervisory Board on 30 June 2011.

Number of Lagardère SCA shares held (with Mrs Mirat): 2,310

Bernard Mirat was also a member of Lagardère SCA's Audit Committee.

Bernard Mirat is a graduate of Institut d'Études Politiques de Paris and École Nationale d'Administration and holds degrees in literature and law. He was formerly Deputy Secretary General of Compagnie des Agents de Change, and Deputy Chairman and Chief Executive Officer of its successor, Société des Bourses Françaises.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

Mr. Mirat does not hold any positions in any other companies.

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Deputy Chairman of the Supervisory Board, G.T. Finance

Director, Fimalac

Board Advisor (*censeur*), Holding Cholet-Dupont

JAVIER MONZÓN

Avenida De Bruselas, 33-35, 28108 Arroyo de la Vega – Alcobendas, Madrid, Spain

Born 29 March 1956

Date of appointment: 29 April 2008

End of current term of office: 2014 OGM[1]

Number of Lagardère SCA shares held: 150

Having graduated with a degree in economics, Javier Monzón began his career with Caja Madrid where he stayed until 1984 having occupied the post of Corporate Banking Director. He then became Chief Financial Officer and subsequently Executive Vice-Chairman of Telefonica before taking up the position of Chairman at Telefonica International. He has also been a Worldwide Partner at Arthur Andersen and Managing Partner of Corporate Finance Consulting Services in Spain.

Mr. Monzón has been Chairman of the Spanish technology company Indra since its formation in 1993.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

Outside France:

Member of the Board of Directors, ACS Actividades de Construcción y Servicios SA (Spain)

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

Member of the Board of Directors, YPF SA (Argentina)

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

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Permanent representative of Indra Sistemas SA to the Board of Directors of Banco Inversis SA (Spain)

AMÉLIE OUDÉA-CASTÉRA

313 Terrasses de l'Arche – Terrasse 3 – 92727 Nanterre

Born 9 April 1978

Date of appointment: 27 April 2010

End of current term of office: 2012 OGM[1]

Number of Lagardère SCA shares held: 150

Member of the Audit Committee of Lagardère SCA.

A former professional tennis player, Amélie Oudéa-Castéra is a graduate of Institut d'Études Politiques de Paris and ESSEC business school, holds a master's degree in law and attended École Nationale d'Administration. She joined the Axa group in 2008 and now holds the position of Director of Marketing, Brands and Services at Axa France.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

Referendary, National Audit Office (Cour des Comptes)

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Amélie Oudéa-Castéra has not held any other positions or appointments in the last five years.

DIDIER PINEAU-VALENCIENNE

24-32 rue Jean Goujon – 75008 Paris

Born 21 March 1931

Date of appointment: 29 April 2008

End of current term of office: 2014 OGM[1]

Number of Lagardère SCA shares held: 2,850

Member of the Audit Committee of Lagardère SCA.

Didier Pineau-Valencienne is a graduate of HEC Business School in Paris, Tuck School of Business Administration (Dartmouth College) and Harvard Business School. He is a former Chairman and Chief Executive Officer of Schneider SA, of which he is now Honorary Chairman.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

In France:

Chairman of the Investment Committee, Sagard

Director, Fleury Michon

Chairman, Fondation HEC

Honorary Chairman, HEC Association

Director, BIPE Association

Advisor, Centre d'Enseignement Supérieur de la Marine

Outside France:

Member of the Trustees, American University of Paris

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Chairman of the International Consultative Committee, Audencia (formerly ESC Nantes Atlantique)

Executive lecturer, HEC Paris Business School

Member of the Advisory Board, Booz Allen & Hamilton (USA)

Director, Pernod Ricard

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

Director, Wendel Investissement

Chairman, AFEP

Senior Advisor, Crédit Suisse

Director, Swiss Helvetia Fund (USA)

Member of the Board of Overseers, Tuck School of Business Administration, Dartmouth College (USA)

FRANÇOIS ROUSSELY

25 avenue Kléber – 75784 Paris Cedex 16

Born 9 January 1945

Date of appointment: 27 April 2010

End of current term of office: 2012 OGM[1]

Number of Lagardère SCA shares held: 150

François Roussely is a graduate of Institut d'Études Politiques de Paris, the Paris University of Law and Economics, and École Nationale d'Administration. He is an Honorary Conseiller Maître at the French National Audit Office. He began his career in the French Ministry of Finance and Economics and held several prominent positions in the French government and at the Ministry of Defence, before moving to the Ministry of the Interior in 1981 where he served until 1997. He was Chairman and Chief Executive Officer of EDF from 1998 to 2004, and Chief Executive Officer of Crédit Suisse France before taking up the position of Deputy Chairman of Crédit Suisse Europe in 2009.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

Honorary Conseiller Maître, National Audit Office (*Cour des Comptes*)

Deputy Chairman, Credit Suisse Europe

Deputy Chairman, Fondation du Collège de France

Chairman, Budé Committee (Collège de France)

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Chairman and Chief Executive Officer, Crédit Suisse – France

Chairman, Crédit Suisse Banque d'Investissement France

Honorary Chairman, EDF

SUSAN M. TOLSON

41 rue du Faubourg St Honoré – 75008 Paris

Born 7 March 1962

Date of appointment: 10 May 2011

End of current term of office: 2015 OGM[1]

Number of Lagardère SCA shares held: 150

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

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

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

In France:

Member of the Board of Trustees, American University of Paris

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

Honorary Chair, American Friends of The Musée d'Orsay

Honorary Chair, American Women's Group in Paris

Director, Fulbright Commission

Outside France:

Director, America Media, Inc. and the American Cinémathèque

Member of the Los Angeles World Affairs Council, the Paley Center For Media and the Los Angeles Society of Financial Analysis

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Susan M. Tolson has not held any other positions in the last five years.

PATRICK VALROFF

26 rue de Clichy – 75009 Paris

Born 3 January 1949

Date of appointment: 27 April 2010

End of current term of office: 2014 OGM [1]

Number of Lagardère SCA shares held: 150

Patrick Valroff holds a degree in law and is a graduate of Institut d'Études Politiques de Paris and École Nationale d'Administration. He began his career in the French civil service. In 1991 he joined the specialist consumer credit company Sofinco as Deputy Chief Executive Officer. In 2003 he was appointed Head of Specialised Financial Services at Crédit Agricole SA Group, which comprises Sofinco, Finaref, Crédit Agricole Leasing and Eurofactor, and subsequently served as Chairman and CEO of Sofinco. From May 2008 to December 2010, Patrick Valroff was Chief Executive Officer of Crédit Agricole Corporate and Investment Bank.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES

Director, Néovacs

OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Member of the Executive Committee, Crédit Agricole SA

Chairman and Chief Executive Officer, Sofinco

Director, Crédit Agricole Leasing SA

Chairman, Crédit Lift SAS

Permanent representative of Sofinco to the Board of Directors, Creserfi SA

Chairman of the Supervisory Board, Eurofactor SA

Chairman of the Supervisory Board, Finaref

Chairman, Fiat Group Auto Financial Services – FGAFS (SpA)

Legal representative of Sofinco, Manager, SCI du Bois Sauvage

Legal representative of Sofinco, Manager, SCI de la Grande Verrière

Legal representative of Sofinco, Manager, SCI de l'Écoute s'il pleut

Legal representative of Sofinco, Manager, SCI du Petit Bois

Legal representative of Sofinco, Manager, SCI du Rond Point

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

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

7.2.4.1 DECLARATION OF NON-CONVICTION AND COMPETENCE

To the best of Lagardère SCA's knowledge:

- No member of the Supervisory Board or Managing Partner has been convicted of fraud in the last five years;
- No member of the Supervisory Board or Managing Partner has been associated with any bankruptcy, receivership or liquidation proceedings in the last five years;
- No member of the Supervisory Board or Managing Partner has been subject to charges or official public sanction by statutory or regulatory authorities (including designated professional bodies);
- No member of the Supervisory Board or Managing Partner has been barred by a court from acting as a member of a governing, management or supervisory body or participating in a company's business management or governance in the last five years.

7.2.4.2 CONTRACTS BETWEEN A MEMBER OF THE SUPERVISORY BOARD OR MANAGING PARTNER AND LAGARDÈRE SCA OR ANY OF ITS SUBSIDIARIES

To the best of Lagardère SCA's knowledge, no member of the Supervisory Board or Managing Partner has entered into a service contract with Lagardère SCA or any of its subsidiaries, with the exception of the service agreement signed between Lagardère Ressources and LC&M (a company almost entirely owned by Arnaud Lagardère). For more information on this agreement, see section 7.5.1 below and the Statutory Auditors' report on related party agreements and commitments in Chapter 6, section 6.8.

7.2.4.3 CONFLICTS OF 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 between the duties of the members of the Supervisory Board or the Managing Partners to Lagardère SCA and their personal interests, or between those duties and any other responsibilities they may hold.

7.2.4.4 RESTRICTIONS ON THE SALE BY MEMBERS OF THE SUPERVISORY BOARD OR MANAGING PARTNERS OF THEIR INVESTMENT 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 investment in the Company's share capital within a certain period of time, except for the rules for trading in Lagardère SCA shares set forth in the internal rules of the Supervisory Board (see section 7.4.2);
- No restriction has been accepted by the Managing Partners concerning the sale of their investment in the Company's share capital within a certain period of time, except for:
  - the rules for trading in Lagardère SCA shares defined in the laws in force or the "Charter on trading in Lagardère SCA shares by Group employees";
  - the holding period set by the Supervisory Board since 2008 for free share allocations (see the Special Report of the Managing Partners in section 7.3.5).

7.3 REMUNERATION AND BENEFITS

7.3.1 MANAGING PARTNERS AND MEMBERS OF THE EXECUTIVE COMMITTEE

At 31 December 2011, the members of the Executive Committee were as follows:

Arnaud Lagardère,	General and Managing Partner	MANAGING PARTNERS
Philippe Camus,	Co-Managing Partner	MANAGING PARTNERS
Pierre Leroy,	Co-Managing Partner, Secretary General	MANAGING PARTNERS
Dominique D'Hinnin,	Co-Managing Partner, Chief Financial Officer	MANAGING PARTNERS
Thierry Funck-Brentano,	Co-Managing Partner, Chief Human Relations and Communications Officer	MANAGING PARTNERS
Ramzi Khiroun,	Spokesman for the Managing Partners, Chief External Relations Officer	

Members of the Executive Committee:

- receive immediate and deferred remuneration (retirement benefits);
- may be granted share subscription or purchase options and/or allocated free shares.

Remuneration paid to the members of the Executive Committee for their positions in the Lagardère group (excluding EADS) is entirely borne by their employer, Lagardère Capital & Management (LC&M) and accounts for most of the management fees charged by LC&M to Lagardère Ressources (see section 7.5.1). Arnaud Lagardère and Dominique D'Hinnin also receive remuneration from EADS for the duties they perform in their capacity as members of the Board of Directors of EADS. This remuneration is reported in the following tables but is not taken into account in the comments in section 7.3.1.1.

7.3.1.1 COMPONENTS OF REMUNERATION

A) SALARIES

Salaries consist of a fixed portion and a variable portion and may be supplemented by special bonuses.

The fixed portion is paid in 12 equal monthly instalments over the year.

The variable portion is determined on the basis of rules defined in 2003 which have been consistently applied since that date. Each year, it comprises the following items, based on reference amounts determined for each individual:

- A qualitative component, taking into account each person's contribution to the development of the Group, changes in value added, the quality of management, the relevance of its organisation, the motivation of its teams and attention paid to social and environmental issues.
- A group performance-related component based on two inputs of equal importance in relation to the individual reference amount:
  - the percentage differential between the midpoint of the forecast rise in recurring operating profit before associates of companies in the Media segment – as announced to the market at the beginning of the year – and the actual rise in that recurring operating profit figure for the year concerned, at constant exchange rates;
  - the percentage differential between net cash from operating activities as forecast in the budget for the year, and net cash from operating activities stated in the consolidated cash flow statement for the year concerned.

  A further criterion related to the intrinsic change in recurring operating profit before associates as defined above was added in 2011. This factor will be applied directly to the result of the two above-mentioned criteria if, and only if, that result is negative. For 2011, the relevant input-based formula results in the application of a factor of 0.25 to the reference amounts.

The variable portion of remuneration is determined by applying criteria to the reference amounts, given that the qualitative component and the input-based, performance-related component are the same for Executive Committee members as a whole.

Since the variable portion of salary can only be calculated after the year-end, it is paid during the following year.

B) PENSIONS

A supplementary pension plan was set up by LC&M on 1 July 2005 for members of the Executive Committee who are also executive officers or salaried employees of LC&M.

The beneficiaries of this plan acquire supplementary pension entitlements equivalent to 1.75% of the benchmark remuneration per year of seniority, up to a limit of 20 years' seniority. The income replacement rate of the supplementary pension is capped at 35% of the benchmark remuneration.

The benchmark remuneration corresponds to the average gross annual remuneration received over the last five years (fixed + variable up to a maximum of 100% of the fixed portion), and cannot exceed 50 times the annual ceiling used to calculate social security contributions.

The plan is a conditional benefit plan, and the pension will only be payable if the beneficiary is still with the company at retirement age, except in the event of termination after the age of 55, early retirement or invalidity.

After the beneficiary's death, 60% of the pension is transferable to the surviving spouse.

C) TERMINATION BENEFITS

Neither LC&M nor any other Group company has undertaken any commitment or given any promise to grant termination benefits to the Managing Partners or other members of the Executive Committee.

D) OTHER COMPONENTS

- Travel and entertainment expenses incurred by the Managing Partners or members of the Executive Committee in the course of their duties are borne by the Group.
- Benefits in kind generally take the form of use of a company car for personal purposes.
- Attendance fees may be paid for Board of Directors' meetings at companies in which the Lagardère group has interests.

7.3.1.2 REMUNERATION AND BENEFITS OF MEMBERS OF THE EXECUTIVE COMMITTEE

A) GROSS REMUNERATION PAID

	2009	2010	**2011**
"Lagardère"	(1)	(2)	**(3)**
Fixed salary and benefits in kind	6,576,920	6,147,246	**6,893,901**
Special bonuses		1,204,000	
Variable portion of salary (in respect of the previous year)	2,565,983	3,626,623	**4,250,475**
Attendance fees	20,425	20,900	**20,900**
Total	9,163,328	10,998,769	**11,165,276**
"EADS"	(4)	(4)	**(4)**
Fixed salary	220,000	220,000	**220,000**
Variable portion of salary (in respect of the previous year)	-	-	**-**
Attendance fees	60,000	110,000	**75,000**
Total	280,000	330,000	**295,000**

(1) Messrs Lagardère, Camus, Leroy, D'Hinnin, Gut and Funck-Brentano (full-time), Mr. Molinié (until 30 June) and Mr. Khiroun (from 1 October).
(2) Messrs Lagardère, Camus, Leroy, D'Hinnin, Funck-Brentano and Khiroun (full-time) and Mr. Gut (until 30 June).
(3) Messrs Lagardère, Camus, Leroy, D'Hinnin, Funck-Brentano and Khiroun (full-time).
(4) Messrs Lagardère and D'Hinnin in their capacity as members of the Board of Directors.

The "Lagardère" variable portion of salary to be paid in 2012 for 2011 represents €3,047,000. Members of EADS' Board of Directors are no longer paid a variable component.

B) SHARE SUBSCRIPTION AND PURCHASE OPTIONS

Date of plan	AGM authorisation	Number of options originally granted	Exercise price	Number of beneficiaries	Options exercised in 2011	Options forfeited at end-2011	Options outstanding at end-2011(*)	Exercise period
Options to subscribe for newly-issued shares								
None.								
Options to purchase existing shares								
Plans expired								
19 Dec. 2001	23 May 2000	185,000	€46.48	7	0	0	0	19 Dec. 2003 to 19 Dec. 2008
19 Dec. 2002	23 May 2000	185,000	€51.45	7	0	0	0	19 Dec. 2004 to 19 Dec. 2009
Plans in force								
18 Dec. 2003	23 May 2000	178,000	€51.45	6	0	0	179,976(*)	18 Dec. 2005 to 18 Dec. 2013
20 Nov. 2004	11 May 2004	178,000	€51.92	6	0	0	179,991(*)	20 Nov. 2006 to 20 Nov. 2014
20 Nov. 2005	11 May 2004	240,000	€56.97	6	0	0	240,000	21 Nov. 2007 to 21 Nov. 2015
14 Dec. 2006	11 May 2004	242,000	€55.84	6	0	0	242,000	14 Dec. 2008 to 14 Dec. 2016

(*) After adjustment in 2005.

C) FREE SHARE ALLOCATION RIGHTS

Date of plan	AGM authorisation	Number of rights granted	Number of beneficiaries	Number of shares vested in 2011	Number of shares cancelled in 2011	Number of shares outstanding at end-2011	Vesting date
Plan expired in 2009 (This plan's conditions were not fulfilled and the rights have lapsed.)							
28 Dec. 2007	27 April 2007	107,000	7	0	0	0(*)	29 Dec. 2009
Plan in force							
1 Oct. 2009	31 Dec. 2009	126,000	6	0	0	126,000	2 Oct. 2011(**) 1 April 2012(**)
17 Dec. 2010		126,000	5	0	0	126,000	17 Dec. 2012 1 April 2013(***)
29 Dec. 2011		119,000	5	0	0	119,000	30 Dec. 2013 31 April 2014(****)

(*) No shares vested under this plan as the stock market performance condition was not met at 29 December 2009.
(**) 2 October 2013 for beneficiaries who are not resident in France for tax purposes and 1 April 2014 for Managing Partners who are not resident in France for tax purposes.
(***) 17 December 2014 for beneficiaries who are not resident in France for tax purposes and 1 April 2015 for Managing Partners who are not resident in France for tax purposes.
(****) 1 April 2016 for Managing Partners who are not resident in France for tax purposes.

7.3.1.3 REMUNERATION AND BENEFITS OF THE MANAGING PARTNERS

• Mr. Arnaud Lagardère

Summary of remuneration and benefits						
	2009		2010		**2011**	
	Amounts receivable	Amounts received	Amounts receivable	Amounts received	**Amounts receivable**	**Amounts received**
"Lagardère"						
Fixed salary	1,140,729	1,140,729	1,140,729	1,140,729	**1,140,729**	**1,140,729**
Variable portion of salary	1,044,480	534,072[1]	1,366,800	1,044,480[1]	**804,000**	**1,366,800**
Special bonuses	-	-	-	-	**-**	**-**
Attendance fees	7,125	6,650	7,000	7,125	**7,000**	**6,840**
Benefits in kind	12,764	12,764	12,764	12,764	**14,698**	**14,698**
Total	2,205,098	1,694,215	2,527,293	2,205,098	**1,966,427**	**2,529,067**
"EADS"						
Fixed salary	100,000	100,000	100,000	100,000	**100,000**	**100,000**
Variable portion of salary	-	-	-	-	**-**	**-**
Attendance fees	10,000	10,000	20,000	20,000	**30,000**	**30,000**
Total	110,000	110,000	120,000	120,000	**130,000**	**130,000**

(1) Amounts paid for the previous year. Since the variable portion of salary can only be calculated after the year-end, it is paid during the following year.

Since his appointment as Managing Partner in 2003, Arnaud Lagardère has not been granted any stock options or granted any free shares.

- Stock options granted during the year: None.
- Stock options exercised during the year: None.
- Performance shares granted during the year: None.
- Performance shares that vested during the year: None.

Total remuneration and benefits received and stock options and performance shares granted			
	2009	2010	**2011**
Remuneration and benefits receivable for the year (details in previous table)	2,315,098	2,647,293	**2,096,427**
Value of stock options granted during the year	N/A	N/A	**N/A**
Value of performance shares granted during the year	N/A	N/A	**N/A**
Total	2,315,098	2,647,293	**2,096,427**

• Mr. Philippe Camus

Summary of remuneration and benefits						
	2009		2010		**2011**	
	Amounts receivable	Amounts received	Amounts receivable	Amounts received	**Amounts receivable**	**Amounts received**
Fixed salary	1,088,000	1,088,000	1,088,000	1,088,000	**1,148,000**	**1,148,000**
Variable portion of salary	378,480	274,647 (1)	444,050	378,480 (1)	**307,500**	**444,050 (1)**
Special bonuses	-	-	166,000	166,000	**-**	**-**
Attendance fees	-	-	-	-	**-**	**-**
Benefits in kind	-	-	-	-	**-**	**-**
Total	1,466,480	1,362,647	1,698,050	1,632,480	**1,455,500**	**1,592,050**

(1) Amounts paid for the previous year. Since the variable portion of salary can only be calculated after the year-end, it is paid during the following year. Amounts shown above do not include the exchange rate effect caused by the fact that most of Mr. Camus' remuneration is paid in US dollars by Lagardère North America and is reinvoiced to Lagardère Capital & Management.

Rights to performance shares granted in 2011						
Date of AGM authorisation	Date of plan	Number of shares allocated in 2011	Value under IFRS 2	Vesting date	End of lock-up period	Performance conditions
28 April 2009	29 Dec. 2011	26,000	352,560	1 April 2016	1 April 2016	(1)

(1) Based on changes in recurring operating profit before associates of the Media segment for 2012 and 2013 and net cash from operations for 2012 and 2013.

The shares granted under this plan are subject to a number of vesting conditions described in the Special Report of the Managing Partners presented in section 7.3.5.

- Number of stock options granted during the year: None.
- Number of stock options exercised during the year: None.
- Performance shares granted during the year: 26,000
- Performance shares that vested during the year: None.

On 28 December 2007, Philippe Camus was granted rights to receive 20,000 free shares of Lagardère SCA, valued at €579,000. As the stock market performance condition attached to this allocation had not been met at 29 December 2009 the shares did not vest at end-2009 and were therefore forfeited.

Total remuneration and benefits received and stock options and performance shares granted			
	2009	2010	**2011**
Remuneration and benefits receivable for the year (details in previous table)	1,466,480	1,698,050	**1,455,500**
Value of stock options granted during the year	N/A	N/A	**N/A**
Value of performance shares granted during the year	572,000	656,270	**352,560**
Total	2,038,480	2,354,320	**1,808,060**

• Mr. Pierre Leroy

Summary of remuneration and benefits						
	2009		2010		**2011**	
	Amounts receivable	Amounts received	Amounts receivable	Amounts received	**Amounts receivable**	**Amounts received**
Fixed salary	1,062,000	1,062,000	1,062,000	1,062,000	**1,474,000**	**1,474,000**
Variable portion of salary	808,800	614,895 [1]	725,250	808,800 [1]	**489,500**	**725,250**
Special bonuses	-	-	412,000	412,000	**-**	**-**
Attendance fees	6,650	6,650	7,000	6,650	**7,000**	**6,460**
Benefits in kind	7,512	7,512	7,514	7,514	**7,743**	**7,743**
Total	1,884,962	1,691,057	2,213,764	2,296,964	**1,978,243**	**2,213,453**

(1) Amounts paid for the previous year. Since the variable portion of salary can only be calculated after the year-end, it is paid during the following year.

Rights to performance shares granted in 2011						
Date of AGM authorisation	Date of plan	Number of shares allocated in 2011	Value under IFRS 2	Vesting date	End of lock-up period	Performance conditions
28 April 2009	29 Dec. 2011	26,000	421,200	1 April 2014	1 April 2016	(1)

(1) Based on changes in recurring operating profit before associates of the Media segment for 2012 and 2013 and net cash from operations for 2012 and 2013.

The shares granted under this plan are subject to a number of vesting conditions described in the Special Report of the Managing Partners presented in section 7.3.5.

- Stock options granted during the year: None.
- Stock options exercised during the year: None.
- Performance shares granted during the year: 26,000.
- Performance shares that vested during the year: None.

On 28 December 2007, Pierre Leroy was granted rights to receive 20,000 free shares of Lagardère SCA, valued at €579,000. As the stock market performance condition attached to this allocation had not been met at 29 December 2009 the shares did not vest at end-2009 and were therefore forfeited.

Total remuneration and benefits received and stock options and performance shares granted			
	2009	2010	**2011**
Remuneration and benefits receivable for the year (details in previous table)	1,884,962	2,213,764	**1,978,243**
Value of stock options granted during the year	N/A	N/A	**N/A**
Value of performance shares granted during the year	633,750	733,990	**421,200**
Total	2,518,712	2,947,754	**2,399,443**

• Mr. Dominique D'Hinnin

Summary of remuneration and benefits						
	2009		2010		**2011**	
	Amounts receivable	Amounts received	Amounts receivable	Amounts received	**Amounts receivable**	**Amounts received**
"Lagardère"						
Fixed salary	885,892	885,892	885,992	885,992	**1,206,000**	**1,206,000**
Variable portion of salary	627,200	477,080[1]	722,000	627,200[1]	**580,000**	**722,000**
Special bonuses	-	-	320,000	320,000	**-**	**-**
Attendance fees	7,125	7,125	7,125	7,125	**7,000**	**7,600**
Benefits in kind	5,677	5,677	5,677	5,677	**6,022**	**6,022**
Total	1,525,894	1,375,774	1,940,794	1,845,994	**1,799,022**	**1,941,622**
"EADS"						
Fixed salary	120,000	120,000	120,000	120,000	**120,000**	**120,000**
Variable portion of salary	-	-	-	-	**-**	**-**
Attendance fees	50,000	50,000	60,000	60,000	**45,000**	**45,000**
Total	170,000	170,000	180,000	180,000	**165,000**	**165,000**

(1) Amounts paid for the previous year. Since the variable portion of salary can only be calculated after the year-end, it is paid during the following year.

Rights to performance shares granted in 2011						
Date of AGM authorisation	Date of plan	Number of shares allocated in 2011	Value under IFRS 2	Vesting date	End of lock-up period	Performance conditions
28 April 2009	29 Dec. 2011	26,000	421,200	1 April 2014	1 April 2016	(1)

(1) Based on changes in recurring operating profit before associates of the Media segment for 2012 and 2013 and net cash from operations for 2012 and 2013.

The shares granted under this plan are subject to a number of vesting conditions described in the Special Report of the Managing Partners presented in section 7.3.5.

- Stock options granted during the year: None.
- Stock options exercised during the year: None.
- Performance shares granted during the year: 26,000.
- Performance shares that vested during the year: None.

On 28 December 2007, Dominique D'Hinnin was granted rights to receive 20,000 free shares of Lagardère SCA, valued at €579,000. As the stock market performance condition attached to this allocation had not been met at 29 December 2009 the shares did not vest at end-2009 and were therefore forfeited.

Total remuneration and benefits received and stock options and performance shares granted			
	2009	2010	**2011**
Remuneration and benefits receivable for the year (details in previous table)	1,695,894	2,120,794	**1,964,022**
Value of stock options granted during the year	N/A	N/A	**N/A**
Value of performance shares granted during the year	633,750	733,990	**421,200**
Total	2,329,644	2,854,784	**2,385,222**

• Mr. Thierry Funck-Brentano

Summary of remuneration and benefits						
	2009		2010		**2011**	
	Amounts receivable	Amounts received	Amounts receivable	Amounts received	**Amounts receivable**	**Amounts received**
Fixed salary	862,000	862,000	900,000	900,000	**1,206,000**	**1,206,000**
Variable portion of salary	600,400	456,535 (1)	791,750	600,400 (1)	**578,500**	**791,750**
Special bonuses	-	-	306,000	306,000	**-**	**-**
Attendance fees	-	-	-	-	**-**	**-**
Benefits in kind	7,892	7,892	7,892	7,892	**8,576**	**8,576**
Total	1,470,292	1,326,427	2,005,642	1,814,292	**1,793,076**	**2,006,326**

(1) Amounts paid for the previous year. Since the variable portion of salary can only be calculated after the year-end, it is paid during the following year.

Rights to performance shares granted in 2011						
Date of AGM authorisation	Date of plan	Number of shares allocated in 2011	Value under IFRS 2	Vesting date	End of lock-up period	Performance conditions
28 April 2009	29 Dec. 2011	26,000	421,200	1 April 2014	1 April 2016	(1)

(1) Based on changes in recurring operating profit before associates of the Media segment for 2012 and 2013 and net cash from operations for 2012 and 2013.

The shares granted under this plan are subject to a number of vesting conditions described in the Special Report of the Managing Partners presented in section 7.3.5.

- Stock options granted during the year: None.
- Stock options exercised during the year: None.
- Performance shares granted during the year: 26,000
- Performance shares that vested during the year: None.

On 28 December 2007, Thierry Funck-Brentano was granted rights to receive 20,000 free shares of Lagardère SCA, valued at €579,000. As the stock market performance condition attached to this allocation had not been met at 29 December 2009 the shares did not vest at end-2009 and were therefore forfeited.

Total remuneration and benefits received and stock options and performance shares granted			
	2009	2010	**2011**
Remuneration and benefits receivable for the year (details in previous table)	1,470,292	2,005,642	**1,793,076**
Value of stock options granted during the year	N/A	N/A	**N/A**
Value of performance shares granted during the year	633,750	733,990	**421,200**
Total	2,104,042	2,739,632	**2,214,276**

• Share subscription and share purchase options[1]

	Plans expired		Plans in force			
Date of AGM	2001 Plan	2002 Plan	2003 Plan	2004 Plan	2005 Plan	2006 Plan
Date of Board of Directors' or Executive Board meeting as relevant	Not relevant to Lagardère SCA which is a French partnership limited by shares Grant date = date of decision by the Managing Partners to set up the plan					
Total number of shares under option[1]	1,271,740[*]	1,313,639[*]	1,453,451[*]	1,586,519[*]	1,683,844	1,844,700
of which shares to be allocated to Managing Partners and members of the Supervisory Board[1]						
Arnaud Lagardère	50,560	50,554	0	0	0	0
Pierre Leroy	30,336	30,333	40,444	40,447	50,000	50,000
Philippe Camus	20,224	20,222	30,333	30,336	50,000	50,000
Dominique D'Hinnin	30,336	30,333	40,444	40,447	50,000	50,000
Thierry Funck-Brentano	30,336	30,333	40,444	40,447	50,000	50,000
Start of exercise period	19/12/2003	19/12/2004	18/12/2005	20/11/2006	21/11/2007	14/12/2008
Option expiry date	19/12/2008	19/12/2009	18/12/2013	20/11/2014	21/11/2015	14/12/2016
Subscription or purchase price	€46.48[*]	€51.45[*]	€51.45[*]	€51.92[*]	€56.97	€55.84
Number of shares acquired at 28 March 2011	30,336[2]	-	-	-	-	-
Total number of subscription and purchase options cancelled or forfeited:						
Arnaud Lagardère	50,560	50,554	-	-	-	-
Pierre Leroy		30,333	-	-	-	-
Philippe Camus	20,224	20,222	-	-	-	-
Dominique D'Hinnin	30,336	30,333	-	-	-	-
Thierry Funck-Brentano	30,336	30,333	-	-	-	-
Subscription and purchase options[1] outstanding at end-2011:						
Arnaud Lagardère	0	0	-	-	-	-
Pierre Leroy	0	0	40,444	40,447	50,000	50,000
Philippe Camus	0	0	30,333	30,336	50,000	50,000
Dominique D'Hinnin	0	0	40,444	40,447	50,000	50,000
Thierry Funck-Brentano	0	0	40,444	40,447	50,000	50,000

(1) Share purchase plans only.
(2) Exercised by Pierre Leroy on 20 December 2005.
(*) After adjustment on 6 July 2005.

No options have been exercised under the 2002, 2003, 2004, 2005 and 2006 plans in view of Lagardère SCA share price trends.

• Other information

Members of the managing bodies	Employment contract [1]		Additional pension plan		Indemnities or benefits receivable or likely to be payable due to a termination or change of function		Indemnities payable under a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Arnaud Lagardère Position: Managing Partner Date of appointment: End of term of office: *Renewed on 11 March 2009 for a six-year period*		X	X			X		X
Pierre Leroy Position: [a] Date of appointment: End of term of office:	N.A. [1]		X			X		X
Philippe Camus Position: [a] Date of appointment: End of term of office:	N.A. [1]		X			X		X
Dominique D'Hinnin Position: [b] Date of appointment: End of term of office:	N.A. [1]		X			X		X
Thierry Funck-Brentano Position: [b] Date of appointment: End of term of office:	N.A. [1]		X			X		X

(a) Deputy Chairman and Chief Operating Officer of Arjil Commanditée-Arco whose term of office as Managing Partner of Lagardère SCA was renewed on 10 March 2010 for a further six-year period.
(b) Chief Operating Officer of Arjil Commanditée-Arco, appointed in that capacity on 10 March 2010 for a six-year period.
(1) The AFEP-MEDEF corporate governance recommendations that company officers should not hold employment contracts with the company only apply to the following persons: Chairman of the Board, Chairman and Chief Executive Officer, Chief Executive Officer of companies with a Board of Directors; Chairman of the Management Board, Chief Executive Officer of companies with a Management Board and Supervisory Board; and Managing Partner of French partnerships limited by shares (SCA).

7.3.2 SUPERVISORY BOARD

7.3.2.1 REMUNERATION

At the Annual General Meeting of 10 May 2011, the Company's shareholders raised the aggregate amount of annual attendance fees payable to Supervisory Board members from €600,000 to €700,000.

Each member of the Supervisory Board receives a basic portion of attendance fees which is calculated by reference to the overall amount set by shareholders and the total number of members. The following members also receive an additional portion of attendance fees corresponding to a multiple of the basic portion: members of the Audit committee (twice the basic portion), members of the Appointments and Remuneration Committee (one basic portion) and the Chairman of the Supervisory Board and the Committee Chairmen (one basic portion).

The basic share of attendance fees is equal to the total attendance fees divided by the total number of shares to which Board members are entitled.

In addition, half of the amount of the attendance fees paid is based on actual attendance rates at Supervisory Board and Committee meetings.

Attendance fees paid to members of the Supervisory Board were as follows in 2010 and 2011 (in euros):

	2010	**2011**
Raymond H. Lévy	110,223.11	**68,483.01**
Bernard Arnault	14,042.27	**10,762.76**
René Carron	20,505.19	**4,791.88**
Martine Chêne	23,736.65	**18,166.73**
Georges Chodron de Courcel	20,505.19	**34,071.71**
Xavier de Sarrau	-	**43,225.87**[(1)]
François David	66,979.87	**90,904.98**
Groupama SA	57,285.49	**-**
Pierre Lescure	23,736.65	**32,426.09**
Jean-Claude Magendie	-	**10,008.86**
Christian Marbach	66,979.87	**56,600.06**
Bernard Mirat	66,979.87	**56,600.06**
Javier Monzón	23,736.65[(1)]	**9,643.65**[(1)]
Amélie Oudéa-Castera	-	**56,600.06**
Didier Pineau-Valencienne	63,748.41	**53,473.59**
Henri Proglio	17,802.49	**-**
François Roussely	23,736.65	**16,315.74**
Patrick Valroff	-	**11,494.15**
Total attendance fees paid	600,000	**573,569.21**

(1) Less withholding tax.

Raymond Levy received €71,867.28 in retirement benefits for 2011, as provided for in his original employment contract.

Following the recommendation by the Appointments and Remuneration Committee, the Supervisory Board proposed that the Managing Partners should arrange for Mr. de Sarrau to receive an amount in addition to his attendance fees, in recognition of the many specific services he provides in connection with his office as Chairman of the Board. This remuneration is not a salary and was set at €240,000 per year with effect from 27 April 2010 when Mr. de Sarrau became Chairman of the Board.

7.3.2.2 SHARE SUBSCRIPTION AND PURCHASE OPTIONS

None.

7.3.2.3 FREE SHARE ALLOCATION RIGHTS

None.

7.3.3 TRANSACTIONS IN LAGARDÈRE SCA SHARES BY THE MANAGING PARTNERS AND MEMBERS OF THE SUPERVISORY BOARD AND THEIR RELATIVES DURING 2011

7.3.3.1 MANAGING PARTNERS

On 30 June 2011 Thierry Funck-Brentano made an inter-vivos donation of 27,845 Lagardère SCA shares to his two children following the settlement of his wife's estate. Mr Funck-Brentano's two children subsequently sold these shares on 12 September 2011.

7.3.3.2 MEMBERS OF THE SUPERVISORY BOARD

SUSAN TOLSON

Susan Tolson purchased 150 Lagardère SCA shares on 15 April 2011.

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To the best of the Company's knowledge, no other transactions in the Company's shares were carried out in 2011 by any Managing Partner or Supervisory Board member or any parties related to them.

7.3.4 SHARE SUBSCRIPTION AND PURCHASE OPTIONS GRANTED TO EMPLOYEES ON SHARES OF LAGARDÈRE SCA OR ITS SUBSIDIARIES

SPECIAL REPORT OF THE MANAGING PARTNERS ON SHARE SUBSCRIPTION AND PURCHASE OPTIONS

Dear Shareholders,

Pursuant to the provisions of Article L.225-184 of the French Commercial Code (*Code de commerce*), you will find below the required information related to transactions carried out in the fiscal year 2011 which concerned share subscription and purchase options.

GENERAL INFORMATION

1. LAGARDÈRE SCA

In the course of 2011, no new options to subscribe for or purchase Lagardère SCA shares were granted.

The main characteristics of the share subscription and purchase plans in force as of the end of the fiscal year 2011 are summarised in the table below.

Plan	Date of AGM	Number of options originally granted(*)	Exercise price (in euros)	Number of beneficiaries	Options exercised in 2011	Options forfeited at end-2011	Options outstanding at end-2011	Period of exercise
Subscription options:								
None								
Purchase options:								
Plans in force:								
18 Dec. 2003	23 May 2000	1,437,250	€51.45	445	-	209,744	1,201,185	18 Dec. 2005 to 18 Dec. 2013
20 Nov. 2004	11 May 2004	1,568,750	€51.92	481	-	244,061	1,331,798	20 Nov. 2006 to 20 Nov. 2014
21 Nov. 2005	11 May 2004	1,683,844	€56.97	495	-	202,605	1,481,239	21 Nov. 2007 to 21 Nov. 2015
14 Dec. 2006	11 May 2004	1,844,700	€55.84	451	-	155,600	1,689,100	14 Dec. 2008 to 14 Dec. 2016
Total							**5,703,322**	

(*) *Before the adjustments of 6 July 2005 for the 2003 and 2004 plans.*

It should be noted that no options were exercised during the fiscal year 2011 due to market price levels.

2. SUBSIDIARIES

In the course of 2011, no new options to subscribe for or purchase shares were granted by companies under the majority control of Lagardère SCA.

There are no longer any plans in force, or which expired in the fiscal year 2011, within the Company's subsidiaries.

SPECIFIC INFORMATION ON LAGARDÈRE GROUP OFFICERS AND EMPLOYEES

In the fiscal year 2011, Lagardère SCA's employees and corporate officers and their legal representatives did not exercise any purchase options and consequently did not acquire any Lagardère SCA shares under the share purchase options granted to them in fiscal years 2003 to 2006.

The Managing Partners

7.3.5 FREE SHARE ALLOCATION RIGHTS GRANTED TO OFFICERS AND EMPLOYEES ON SHARES OF LAGARDÈRE SCA OR ITS SUBSIDIARIES

SPECIAL REPORT OF THE MANAGING PARTNERS ON THE ALLOCATION OF FREE SHARES

Pursuant to Article L.225-197-4 of the French Commercial Code, you will find below the required information on transactions carried out during the fiscal year 2011 which concern the allocation of free shares.

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The policy on the allocation of free shares, like that which governed the allocation of purchase options, is intended primarily to give the Lagardère group's executives worldwide a stake in the Group's growth and consequent rise in value.

It also offers a means of singling out executives who have made a notable contribution to the Group's results through their positive action.

In addition, it instils loyalty among those whom the Company wishes to retain for many years, specifically young executives with strong potential for professional growth, through whose efforts the Group will secure its continued growth as part of an established long-term strategy.

1. The first free share plan, implemented on 28 December 2007 and involving 594,350 shares granted to 387 individuals, included a so-called market performance condition applicable on 29 December 2009, stipulating that the average of the 20 most recent opening prices for Lagardère SCA shares preceding 29 December 2009 must be at least €51.14.

   In view of the financial crisis that has arisen since the allocation date, this condition was not met; accordingly the plan lapsed on 29 December 2009.

   Two plans were put in place at the end of 2009 and 2010 (see special reports of the Managing Partners to the Annual General Meetings of 27 April 2010 and 10 May 2011). Under the 2009 plan, 403,250 shares vested on 2 October 2011 for employees residing in France. These shares were created through a capital increase and a capitalisation of reserves. No shares have vested under the 2010 plan.

2. Based on the authorisation granted by the Annual General Meeting of 28 April 2009 (14th Resolution), Mr. Arnaud Lagardère, in his capacity as Managing Partner of the Company, proceeded in 2011 with the allocation of 650,000 free Lagardère SCA shares (representing 0.956% of the total number of shares comprising the share capital) to 428 employees and senior managers of Lagardère SCA and its related companies as defined by law.

   a. The main allocation of 29 December 2011 was defined as follows:

   – *Number of beneficiaries*: 423
   – *Number of shares granted*: 526,000 shares, (representing 0.4% of the total number of shares comprising the share capital).
   – *Vesting period*: two years; the shares allocated will not fully vest until 30 December 2013, on the condition that at that date the beneficiaries have neither resigned nor been terminated or dismissed for serious or gross negligence.
   – *Holding period*: two years; once fully vested, the shares must be kept in a registered account until 30 December 2015 inclusive, at which time they will become transferable and may be traded under the terms and conditions established by applicable law.

   For beneficiaries who reside overseas for tax purposes, the vesting period has been set at four years, i.e., until 30 December 2015; in exchange, pursuant to a decision by the Annual General Meeting, these beneficiaries are not subject to any holding period.

   The value of the shares allocated was €19.71 per share at the opening of trading on the Paris Bourse on 29 December 2011. In accordance with IFRS accounting standards, this same value was €16.24 per share for the shares vesting at the end of 2013, and €13.60 per share for the shares vesting at the end of 2015.

   b. On 15 July 2011 a beneficiary was awarded rights to 20,000 free shares. The vesting and holding periods were both set at two years and are subject to the same conditions as the aforementioned attributions.

   c. On 29 December 2011, Mr. Arnaud Lagardère, in his capacity as Managing Partner, awarded to Messrs. Philippe Camus, Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano, employees of Lagardère Capital & Management and Co-Managing Partners, the right to receive 26,000 free shares each (representing 0.0198% of the number of shares comprising the share capital). The award followed a decision taken by the Supervisory Board in accordance with the provisions of the AFEP-MEDEF Code governing such allocations, and was subject to the condition that the value of the share rights awarded would not exceed, for each individual concerned, one third of his total annual remuneration.

The characteristics of this allocation and the conditions to which it is subject are as follows:

- *Vesting period*: The shares granted will not fully vest until 1 April 2014 with regard to Messrs. Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano, and 1 April 2016 with regard to Mr. Philippe Camus, a United States resident for tax purposes, subject to their fulfilment by 1 April 2014 of the conditions governing performance and presence.
- *Performance conditions*: In view of the current economic and financial environment, the limited short-term visibility available to certain companies and the diversity of the Group's activities which are developed on various markets, the objectives have been defined on an annual basis rather than a multi-year basis, as would be the case during a normal period of operations. Similarly, in view of the instability of the financial markets, the objectives were defined on the basis of internal corporate criteria rather than in part on the basis of market performance conditions, since Lagardère SCA no longer has any suitably comparable competitors. Consequently, three objectives were adopted: the first based on the change in recurring EBIT before associates for Lagardère Media companies in 2012 and 2013 by comparison with the target 2012 and 2013 recurring EBIT before associates communicated as market guidance; the second based on the change in Net cash provided by operating activities in 2012 and 2013 compared with the figures defined in the Consolidated Annual Budgets prepared at the start of the year. If each of these four target objectives is met, the free shares assigned to each objective (i.e., one quarter of the total quantity per target objective) will be granted in full; if between 0% and 100% of the objective is met, the free shares will be granted in proportion to the percentage of the objective that is fulfilled, in linear fashion.

  Lastly, the third objective is based on achievement in 2013 by Lagardère SCA of a recurring EBIT before associates for Lagardère Media companies at least equal to the average recurring EBIT achieved in 2011 and in 2012. If this objective is not achieved, then the number of shares resulting from application of the four target objectives described above will be reduced proportionately.
- *Presence conditions*: In order to claim the definitive allocation of the shares, Messrs. Philippe Camus, Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano, must still be serving as executives of Lagardère SCA on 1 April 2014; this condition will be deemed met in the event of their removal from their executive position or the non-renewal of their appointment for reasons other than negligence.
- *Holding of shares*: With regard to Messrs. Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano, 100% of the shares actually granted must be held in a registered account for a period of no less than two years, i.e., from 1 April 2014 to 1 April 2016.

With regard to the four beneficiaries:

- pursuant to a decision by the Supervisory Board on 12 March 2008, 25% of the shares actually granted must be held in a registered account until the beneficiary ceases to serve as a legal representative of Lagardère SCA;
- pursuant to a decision by the Supervisory Board on 2 December 2009, an additional 25% of the shares actually granted must be held in a registered account until the value of the Lagardère SCA shares held is at least equal to one year of the beneficiary's fixed and variable gross remuneration; this condition will be assessed at the start of each year in light of the average December share price and the fixed and variable remuneration received or payable in respect of the preceding year.

At the close of the mandatory holding periods defined above, the corresponding shares will become transferable and may be traded under the terms and conditions established by law and in accordance with the trading periods established by Lagardère SCA in the "Charter on trading in Lagardère SCA shares by Group employees".

The value of the shares allocated was €19.71 at the opening of trading on the Paris Bourse on 29 December 2011. In accordance with IFRS accounting standards, this same value was €16.20 for the shares to be made available in April 2014, and €13.56 for the shares to be made available in April 2016 (overseas residents).

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The total number of free shares granted during the 2011 fiscal year to the ten largest beneficiaries who are not Lagardère SCA officers was 131,000 free Lagardère SCA shares, representing an average of 13,100 shares per person.

The Managing Partners

7.4 ORGANISATION, OPERATION AND CONTROL OF THE COMPANY AND THE GROUP

7.4.1 DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

7.4.1.1 INTRODUCTION: INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORK, RESPONSIBILITIES, OBJECTIVES AND SCOPE

7.4.1.1 A INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORK AND ACTIVITIES

The Group applies the Internal Control and Risk Management framework recommended by the Financial Markets Authority (*Autorité des marchés financiers* – AMF) to oversee its internal control and risk management.

The following description of internal control and risk management procedures in place at Lagardère SCA is based on this framework. The analysis made was guided by the points for attention described in the framework and the associated implementation guidelines.

This description has been prepared by the Risk and Internal Control Department, with the support of the Group's Audit Department and Legal Department.

7.4.1.1.B OBJECTIVES AND LIMITATIONS OF THE INTERNAL CONTROL SYSTEM

Lagardère SCA has introduced a certain number of internal control procedures designed to ensure:

- compliance with applicable laws and regulations;
- application of the instructions and orientations defined by the Managing Partners;
- proper operation of the Group's internal processes, particularly regarding safeguarding its assets;
- reliability of financial information;

and in general to contribute to the control of its businesses, efficiency of operations and efficient use of resources.

Naturally, the effectiveness of the internal control procedures is subject to the limitations inherent to any organised system.

7.4.1.1.C SCOPE OF THE INTERNAL CONTROL SYSTEM

The procedures described below apply to subsidiaries that are fully consolidated in the Lagardère group financial statements.

As Lagardère SCA only exercises significant influence over companies accounted for by the equity method, those companies are not covered by the Group's internal control system, although the Group may have specific control rights related to its status as a special shareholder. The internal control framework in place at EADS NV is described in the 2011 EADS NV Registration Document. Canal+ France is covered by the Vivendi Group internal control framework, which is described in Vivendi Group's 2011 Annual Report.

Companies that have recently entered the scope of the Lagardère SCA internal control system are progressively adapting their own internal control procedures for harmonisation with the Group's system.

7.4.1.2 CONTROL ENVIRONMENT

7.4.1.2.A GENERAL ORGANISATION AND OPERATION OF THE GROUP

The consolidated financial statements of the Lagardère group included 412 companies in 2011 (the full list of consolidated companies can be found in the notes to the consolidated financial statements).

Lagardère SCA is the holding company that controls all the subsidiaries and other participating interests, draws up the strategy for the Group, guides and finances its development, makes the main management decisions to this end, and ensures those decisions are implemented both at its own level as the Group's parent company and in the operating subsidiaries.

Lagardère SCA itself has no personnel; the human and operational resources required for policy implementation and control of its Group's business activities belong to a service company called Lagardère Ressources, a wholly-owned subsidiary of Lagardère SCA as its sole shareholder.

A.1 THE MANAGING PARTNERS

The General Management of the Company is the responsibility of the Managing Partners, who are appointed by the general partners after approval of the Supervisory Board. The Managing Partners represent the Company in its relations with third parties and engage its responsibility.

Drawing on the Executive Committee, described in section 7.3.1, the Managing Partners' role is to:

- draw up the strategy of the Group;
- guide development and control;
- take the major management decisions required for this and ensure those decisions are implemented both at the level of the parent company and in the various Operating Units.

The Executive Committee enlists the help of any of the Group's senior managers it considers to be of use to accomplish its mission.

The Managing Partners also draw on Lagardère Media's Operating Committee which includes the heads of the divisions and meets every month.

Business reviews are conducted each month for each division to monitor activity within the divisions. The General and Managing Partner, the Group's Chief Financial Officer (a Managing Partner) as well as the head of each division and the divisions' CFOs generally attend these meetings.

To make sure the decisions taken are implemented and to monitor their implementation, the Managing Partners have set up a specific organisation, mainly composed of:

- the Group's Central Departments;
- the Financial Committee.

A.2 THE GROUP'S CENTRAL DEPARTMENTS

The Group Secretary General, the Group Chief Financial Officer and the Chief Human Resources and Communications Officer, all three Managing Partners and members of the Executive Committee, are responsible for organising and guiding the Group's Central Departments necessary for the implementation, monitoring and follow-up of decisions taken by the Managing Partners.

The Group's Central Departments, their teams and the corresponding material resources are grouped together within a single company, Lagardère Ressources, a wholly-owned subsidiary of Lagardère SCA. This company is chaired by one of the Managing Partners who is the Group Secretary General. It employs almost 170 people who report respectively depending on their duties to the Managing Partners mentioned in the paragraph above, with the exception of the Group Audit Department which reports directly to Arnaud Lagardère as General and Managing Partner.

As the missions entrusted to these Central Departments are just as much for the benefit of Lagardère SCA as for all of the subsidiaries, these companies have various service agreements with Lagardère Ressources, which receives a fee for its services, currently 0.9% of net sales (or gross margin for Lagardère Services).

A.3 THE FINANCIAL COMMITTEE

After the Executive Committee, the Financial Committee is the second most important entity for the monitoring and control of the Group's operational activities.

The Financial Committee is chaired by the Group's Chief Financial Officer who is a Managing Partner and includes representatives from the Group's Central Departments concerned by the topic discussed in order to provide all the requisite skills for it to accomplish its mission.

Its principal task is to examine and monitor the following, in cooperation with the chief managers of each division concerned:

- the budget for the coming year;
- the three-year plan;
- the annual financial statements;
- any significant investments (or disposals) and commitments made in acquisitions of shareholdings in non-Group companies.

A.4 OTHER COMMITTEES

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

A.5 OPERATIONAL ACTIVITIES

Operational activities of the Group include:

- activities in the field of Media: Book Publishing, Distribution Services, Magazine Publishing, Radio/Television, Audiovisual Production, New Media and business lines related to the Sports business and Entertainment. These business activities are controlled through Hachette SA (named Lagardère Media for commercial purposes), respectively via the following companies: Hachette Livre, Lagardère Services, Lagardère Active and Lagardère Unlimited;

- other smaller business activities or those with no operating relationship with the Media businesses, which constitute the "Other Activities" segment and are under the control of Lagardère SCA;
- the 7.5% interest in EADS NV, held through a subsidiary itself owned by the French State and the Lagardère group.

7.4.1.2.B DEFINITION OF RESPONSIBILITIES AND POWERS

The Central Departments

The Central Departments perform the following duties delegated by the Managing Partners:

- providing expert technical and logistical support to the Managing Partners and the Executive Committee within the scope of their strategic management of the Group;
  - establishing standards and recommending best practices for the Operating Units so they can strengthen control of their operations;
  - organising reporting to ensure the Group's financial management and monitor the operation of Operating Units;
  - ensuring that Lagardère SCA complies with its regulatory requirements;
  - making Operating Units aware of certain regulatory issues and offering them relevant technical and methodological support;
  - offering the Group's entities support regarding technical issues or special operations;
  - since March 2011, as expressly delegated by the General and Managing Partner acting in his capacity as Chairman of Lagardère Unlimited's Management Committee, the management of the Human Resources, Legal and IT Departments is handled by the corresponding Central Departments.

Some of the Central Departments are more specifically involved in the implementation of internal control and risk management within the Group, mainly the following departments: the Group Audit Department, the Group Legal Department, and in the Financial Department, the Management Control Department, the Accounting Department, the Group IT Department and the Risk and Internal Control Department.

Divisions

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

Each division has its own organisation, which has been set up by the head of the division under the Managing Partners' control; the various companies and resources in the division are functionally grouped together under a specific holding company: Hachette Livre for the Lagardère Publishing division, Lagardère Services for the Distribution division, etc.

Each division head is responsible for the general management of the holding company.

Thus, all the members of these holding companies' governing, managing and supervisory bodies are appointed by Lagardère SCA through its subsidiary Hachette SA as the sole shareholder of the said companies.

The managers of the divisions and their subsidiaries exercise their responsibilities under the control of their governance bodies. The Group takes care to ensure that the majority of members of those governance and supervisory bodies are Group representatives.

7.4.1.2.C APPLICABLE LAWS AND STANDARDS

The Group's business is governed by a certain number of laws and specific regulations, as set out in section 3.3.1.

As explained in section 5.3.1.2 – The CSR reference framework, the Lagardère group endeavours to respect a certain number of rules established by national and international bodies regarding business enterprises.

Internally, Lagardère has drawn up a Sustainable Development charter which, through its purchasing policy, involves all partners in respect of the Group's values and commitments.

The "Lagardère group Code of Conduct" sets out a collection of guidelines at Group level, deriving directly from the values of Lagardère. Through compliance with this code, all men and women in the Group will share the same standards.

The "Charter on trading in Lagardère SCA shares by Group employees", which complements the section of the Lagardère group Code of Conduct on "confidentiality" and "trading in marketable securities", describes the constraints incumbent on Group employees in such matters.

The information system security policy sets out the practices to be complied with and the resources to be implemented to protect the information system within the Operating Units.

The Group's investment procedure sets out the processes for validating projects involving significant investments, disposals and commitments within the Lagardère group.

Where necessary, these charters and principles can be adapted to the specificities of the Group's Operating Units. Internal and external principles specific to the Group's businesses are also applied.

The self-assessment internal control questionnaire described in section 7.4.1.7.C provides all of the Group's Operating Units with a set of key points for attention in the various components of internal control.

The production of financial and accounting information is also governed by a collection of rules and guidelines.

Reference standards and procedure guides for financial reporting

The persons concerned by the Group's financial reporting must adhere to a collection of reference standards defining the common principles for establishing the consolidated financial statements and monitoring forecasts. In particular, the "*Guide du Reporting du groupe Lagardère*" (Lagardère Group Reporting System Guide) provides details of a Charter for consolidation procedures, and a set of definitions of the main indicators used in the consolidated reporting package. There are also user and operator guides to the management system used by all Group companies, with details of the corresponding tasks.

Other key documents are provided to all concerned, particularly for the preparation of the consolidated financial statements. They include:

- a framework document defining the off-balance sheet items to be reported in the notes to the financial statements, and the treatment applicable;
- specific instructions issued when changes occur in accounting standards or their application or when annual impairment tests are prepared for intangible assets and goodwill arising upon acquisitions.

The Operating Units also prepare their own equivalent documentation for their specific systems, in keeping with the Group's principles and under the supervision of the Group's Financial Department.

7.4.1.2.D *HUMAN RESOURCES POLICY AND SKILLS MANAGEMENT*

The Lagardère group's performance depends directly on the skills of its employees and the suitability of resources. The Group's operating entities manage their human resources independently, under shared principles and commitments defined and formally established at Group level jointly with the divisions' Human Resources Directors.

This point is discussed in more detail in section 5.3 – Corporate social responsibility and corporate citizenship – Ethics.

7.4.1.2.E *INFORMATION SYSTEMS*

The Group's information systems comprise:

- communication systems such as messaging and collaborative software (intranet);
- business monitoring systems, particularly accounting and financial systems;
- audiovisual production systems such as broadcasting and antenna systems in radio and TV activities; systems for editorial chains in magazine publishing; supplier management tools in distribution operations; and tools for creation and storage of digital content and dedicated tools for websites.

The Operating Units are responsible for managing their own information systems. However, there are also Group applications, such as the single management system presented below in section 7.4.1.3.H – Financial reporting.

The IT Department supervises these systems and ensures they are appropriate to the Group's objectives in the long term. It works in liaison with the Risk and Internal Control Department on the management of IT risks in the light of objectives concerning reliability and continuity of operation, legal and regulatory compliance, and data confidentiality.

E.1 SINGLE MANAGEMENT SYSTEM FOR CONSOLIDATED FINANCIAL AND ACCOUNTING INFORMATION

As explained in section 7.4.1.3.H – Financial reporting, below, the overall consolidated financial reporting cycle is based on common principles and uses a single database and management system shared by all teams in the financial departments in charge of reporting the information required, whether specific to management indicators or intended for publication.

E.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.

7.4.1.3 PROCEDURES, METHODS, TOOLS AND PRACTICES

7.4.1.3.A *COMMITMENTS, INVESTMENTS AND DIVESTMENTS*

The Group's investment procedure applies to:

- all financial investments or divestments;
- all acquisitions and disposals of property, plant and equipment or intangible assets of over €10 million if previously planned, or €5 million if the transaction was not included in budgets, or lower amounts if the transaction has any effect related to

antitrust regulations, namely with regard to mono- and plurimedia concentration thresholds. For Lagardère Unlimited, the thresholds applied to this type of investment are €5 million if previously planned and €3 million if not included in budgets;
- bank guarantees issued.

The acquisitions and disposals under consideration are presented to the Financial Committee, which is chaired by the Group's Chief Financial Officer.

The Financial Committee issues an opinion by any appropriate means to the Managing Partners, after assessing the strategic value of the proposed transaction, verifying that the risks generated by the transaction are known and can be managed, and validating the underlying assumptions used to analyse profitability, based on the methodology and spreadsheets defined by the Group's Financial Department.

This procedure does not apply to cash management, or to capital increases by consolidated and/or controlled companies through incorporation of current account advances.

7.4.1.3.B REPORTING ON DIVISIONS' EXCEPTIONAL TRANSACTIONS TO THE GROUP LEGAL DEPARTMENT

The Group Legal Department, which reports to the Group Secretary General, is informed by the divisions of exceptional transactions planned, including:
- planned acquisitions and disposals, which are reported under the procedure described in section 7.4.1.3.A above. The Legal Department is represented at all Financial Committee meetings in order to keep abreast of such transactions;
- contractual commitments which individually involve financial commitments or off-balance sheet commitments that are significant at Group level; and
- legal restructuring plans involving major operational entities.

7.4.1.3.C FINANCE AND CASH MANAGEMENT

The Cash Management and Financing Department defines the circumstances in which it uses banks for external financing or cash management services.

C.1 EXTERNAL FINANCING

As a general rule, only Lagardère SCA uses medium- or long-term bank or market financing, and finances the divisions itself. Apart from the financing of normal business operations, the divisions retain responsibility for certain previously-negotiated transactions, or specific operations such as securitisation; however, these operations require advance authorisation and are reported to the Group's Financial Department on a regular basis.

The Group's Financial Department can thus monitor the use of capital by companies in the Group. As explained in section 7.4.1.3.H.3, this department permanently monitors bank covenants which are binding on the whole Group.

C.2 CASH/TREASURY MANAGEMENT

Cash investments must be in fixed-income instruments issued by high-quality entities, with maturities appropriate to the planned duration of the investments. Speculative or high-risk investments are not permitted.

C.3 HEDGING POLICY AND MARKET RISK MONITORING

The hedging policy and market risk monitoring is described in section 3.5. The Group's General Management and the divisions' financial managers regularly adjust the hedging policy and the corresponding control system in the light of the resulting priorities.

7.4.1.3.D PURCHASING, SALES AND SALES ADMINISTRATION

The practices and procedures for purchasing and sales are defined by the Group's Operating Units under the responsibility of their managers, in compliance with the Group's shared principles, particularly regarding segregation of duties.

The Purchasing and Real Estate Department is part of the Group's Financial Department and manages the Group's policy concerning purchases.

7.4.1.3.E COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

E.1 COMPLIANCE WITH THE MAIN LAWS AND REGULATIONS APPLYING TO LAGARDÈRE SCA

The Group Legal Department is responsible for ensuring that the main laws and regulations applicable to Lagardère SCA are complied with.

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 organisation of financing operations and off-balance sheet commitments.

The Group Legal Department also ensures that all regulations that may concern Lagardère SCA as the ultimate holding company of the Group (antitrust laws, competition law, etc.) are properly applied.

It is involved in all legal aspects of the business of Lagardère SCA and the companies at the head of each business division. In this capacity, it monitors the application of stock exchange regulations, since Lagardère SCA is listed on Euronext Paris Compartment A, and in 2006 introduced the full procedure necessary to prepare lists of insiders, in application of EU regulations.

A database has also been set up at the instigation of the Group Legal Department, to record corporate information on features of each of the Group's French and foreign companies.

E.2 COMPLIANCE WITH THE MAIN LAWS AND REGULATIONS APPLICABLE TO THE DIVISIONS

The Group Legal Department is informed of all procedures introduced in each division to ensure compliance with the laws and regulations specific to their activity, and these procedures are regularly monitored by these divisions' management bodies via their Legal Department or their external advisors.

Lagardère Unlimited will begin designing an anti-corruption compliance policy in 2012 in a regulatory context that is becoming increasingly stringent worldwide, in an aim to minimise the related risks.

7.4.1.3.F *PROTECTION OF THE GROUP'S PROPERTY AND RIGHTS*

F.1 PROTECTION OF BRANDS AND INTELLECTUAL PROPERTY RIGHTS

The Group's brands and intellectual property rights are an essential part of its entire portfolio of property and rights.

The Group's Operating Units own a large number of undeniably well-known brands, which are directly managed and protected by the units.

In view of the importance of brand awareness for its business, particularly in press activities, audiovisual production, distribution and book publishing, the Group dedicates significant resources to protecting its portfolio of commercial brands. They are protected by registration, which is regularly renewed, and by legal action against any counterfeiters. The Group has set up a system for regular monitoring of brands, in liaison with specialist external advisors, to counteract all significant risks that may affect the validity of the Group's rights over those brands.

As the Lagardère brand is being increasingly used through the Group's business, in view of the resulting exposure the Group set up a wide-ranging policy in 2007 to extend international protection of the Lagardère name to cover areas where the Group is currently in development or expanding. This policy was pursued in 2011, and protection for the Lagardère brand is now established in all the continents.

In 2009, Lagardère SCA completed the procedure for introducing licensing agreements for use of its brands by the four divisions when necessary.

F.2 LITIGATION MANAGEMENT

The Group Legal Department manages all litigation involving Lagardère SCA, and any litigation involving the divisions when the potential consequences in terms of finance or image are considered significant for the Group. All other division-level litigation is handled by the Legal Department of the division concerned and/or by external advisors.

7.4.1.3.G *SECURITY OF INFORMATION SYSTEMS*

The Group's IT Department updates and distributes an information system security policy within the Group proposing guidelines, practices and resources to be implemented within each entity to protect the information systems and the data they contain. The Operating Units are responsible for rolling out this policy locally.

7.4.1.3.H *FINANCIAL REPORTING*

H.1 THE REPORTING SYSTEM: FREQUENCY AND TIMING

The Lagardère group's reporting system is structured by Operating Units. It is decentralised, hence each Operating Unit is responsible for producing its own figures.

The financial and non-financial information collected and consolidated using the Lagardère group's reporting system must comply with legal requirements and satisfy the Group's own control and management needs. This information includes an income statement by activity and by function as well as management indicators specific to each business type.

The overall reporting cycle is based on common principles and uses a single database and management system shared by all the financial departments in charge of providing the information required, whether specific to management indicators or intended for publication.

This unified organisation of the cycle relies on the financial departments of each Operating Unit, and the Group's Financial Department. Under the supervision of the Group's Financial Department, 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.

H.2 PREPARATION OF BUDGETS

During the final quarter of the calendar year, all divisions of the Group establish their three-year budgets, and submit to the Financial Committee a summary comprising the following key information with notes:

- sales;
- operating income and expenses;
- profit before finance costs and tax;
- net finance costs;
- profit for the year;
- cash flows from operations;
- free cash flow;
- cash flows from operating and investing activities;
- capital increases;
- dividends;
- capital employed;
- net debt.

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

H.3 MONTHLY GROUP REPORTS, INTERNAL REPORTING

Each Group company's financial department enters data from its own monthly accounts into the Group's financial database.

For each Operating Unit, these data include a balance sheet and an income statement with notes, and the principal key indicators from the income statement.

Careful attention is paid to regular revision of forecast figures such as year-end estimates.

These data are included in the Monthly Group Report established by the Group's Management Control Department and submitted to the Managing Partners and Group's principal managers. This document lists the changes in the following key indicators for each division, with comments for each Operating Unit:

- sales;
- operating profit before associates;
- income from associates and other information;
- net finance costs;
- income tax expense;
- net income before discontinued operations and minority interests;
- cash flows from operations before changes in working capital;
- changes in working capital;
- income taxes paid, interest paid and received;
- net purchases of property, plant and equipment and intangible assets;
- free cash flow;
- net cash from financing activities;
- cash flows from operating and investing activities;
- change in cash and cash equivalents or net debt;
- capital employed;
- cash and cash equivalents or net debt.

The Monthly Group Report is presented to the Group's Chief Financial Officer before final distribution.

The Financial Department also prepares a monthly analysis of cash flows and balances for each Operating Unit, and a breakdown of bank covenants described in note 29 to the consolidated financial statements. A regular analysis of the counterparty risks described in the same note is also drawn up.

H.4 INTERIM AND ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

Additional information is supplied for the establishment of the interim or annual consolidated financial statements for publication.

Chapter 6 contains a description of the principles and methods used in establishing the consolidated financial statements. For certain types of information, such as breakdowns of intercompany transactions, off-balance sheet commitments and derivatives, procedures are set out in memos applicable to all Group companies.

H.5 RELATIONS WITH THE STATUTORY AUDITORS

Every year the Managing Partners receive the Statutory Auditors' assurance that they have access to all information required for the purposes of their audit.

They also receive assurance from the Statutory Auditors that their work has progressed sufficiently at the year-end to allow them to make any significant remarks.

7.4.1.4 INFORMATION AND COMMUNICATION

The persons concerned are informed of decisions by the Managing Partners by any means, particularly internal memos and announcements.

All of the Group's announcements and the principal rules applicable are available in the Group's intranet, which is accessible to all employees.

A set of applications and collaborative software packages are also available through the Group's intranet, so that information can be appropriately communicated to everyone according to their needs, both in Central Departments and Operating Units.

7.4.1.5 RISK MANAGEMENT PROCEDURES

Like any company, Lagardère is exposed to a variety of risks in the course of its business activities. The principal exposures identified are described in Chapter 3 - Risk Factors. The Group pays particular attention to risk management, by the business division as well as at central level, where summary reports are prepared.

7.4.1.5.A ORGANISATION OF RISK MANAGEMENT

A.1 BASIC PRINCIPLES

The Group accepts exposure to a controlled level of business risk in the course of its business activities.

Risk management procedures are therefore designed to provide reasonable assurance that the level of risk taken by the Group is not likely to compromise the results expected by the Managing Partners.

These procedures help both to manage the risks inherent to the Group's business and to reduce undesirable additional risks.

However, given the limitations inherent to addressing contingencies, these procedures cannot guarantee that all risks the Group may encounter in the future have been correctly analysed or even identified.

A.2 ORGANISATION AND DEFINITION OF RESPONSIBILITIES

In compliance with the Group's general organisation structure, the operational and functional managers remain in charge of the risks related to their respective fields of activity.

The General Management at the head office focuses particularly on monitoring risks that can only be assessed at Group level or that are considered significant at Group level due to their individual or cumulative scale.

As a rule, risk management is an integral part of the Group's management procedures and cannot be separated from them.

However, certain procedures are specifically dedicated to risks, for example risk mapping or setting up insurance coverage.

The Central Departments play a support, monitoring and coordination role in this respect.

Within the Financial Department, the Risk and Internal Control Department is in charge of proposing and managing the risk management policy. Working closely with the other Central Departments and the divisions, the Risk and Internal Control Department provides methodological support and advice, particularly for the identification, analysis and quantification of risks, and also when financial or insurance coverage is set up. It is responsible for preparing a report summarising the Group's risks.

The Group also takes internal measures to strengthen the risk control culture through information-sharing and awareness-raising, and to reinforce the specific visibility of certain emerging risks and the capacity to cope with potential crises.

7.4.1.5.B RISK IDENTIFICATION AND ANALYSIS PROCESS

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

- audit reviews;
- reporting activities described in section 7.4.1.3.H – Financial reporting, particularly for impairment tests and monitoring of off-balance sheet commitments;

- risk intelligence activities by the various Central Departments and divisions;
- the investment procedure, which includes a section specifically dedicated to risks, and more generally pre-acquisition or pre-sale audits;
- review and regular renegotiation of insurance programmes;
- thematic reviews conducted as and when necessary, for instance the investigation of risks in IT systems and networks.

Lagardère SCA and its divisions continue their general risk mapping policy, in order to rank the main risks to which the Group could consider itself exposed by severity, possibility of occurrence and degree of control.

The factors taken into account for risk analysis include: potential severity, likelihood of occurrence, emergence period, possible scenarios, internal and external limiting or aggravating factors, current and proposed control measures.

7.4.1.5.C MANAGEMENT PROCEDURES FOR THE PRINCIPAL RISKS

C.1 RISKS ASSOCIATED WITH THE ECONOMIC ENVIRONMENT AND BUSINESS ACTIVITY

The management of risks related to the economic and commercial environment forms an integral part of the Group's decision-making process.

Among other duties, General Management of each division is responsible for monitoring risks related to the economic climate, air traffic and the worldwide advertising markets, technological developments such as the expansion of digital products and instruments, and changes in consumer behaviour.

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

In addition, as part of the management of risks related to contracts with a high unit value, described in section 3.2 of Chapter 3 – Risk Factors, the Group carries out a regular review of major contracts for sports events in order to monitor developments and profitability prospects for those contracts.

C.2 LEGAL RISKS

The management procedures for legal risks are an integral part of the relevant internal control procedures as described in section 7.4.1.3.

C.3 MARKET RISKS (LIQUIDITY, INTEREST RATE, EXCHANGE RATE AND EQUITY RISK)

The following description is taken from note 29 to the consolidated financial statements:

"*The Group has implemented a policy aimed at reducing market risks by applying authorisation and internal control procedures and by using risk management tools to identify and quantify these risks. Derivatives are used exclusively for non-speculative hedging transactions.*"

Regarding interest rate risks: "*The Group does not use active interest rate management techniques in relation to any of its financial assets or liabilities.*

Cash investments must be in fixed income instruments issued by entities with high quality credit ratings, with maturities appropriate to the planned duration of the investment. The vehicles used for the Group's cash investments are always non-speculative and risk-free, and the Group does not set up derivatives in connection with these investments."

C.4 RISKS RELATED TO PAPER PRICES

Lagardère is attentive to changes in paper prices: Lagardère Publishing's paper purchases are supervised by its Technical Department, and Lagardère Active's paper purchases are supervised by its Paper Procurement Department.

The risk of unfavourable developments in paper prices can be alleviated by inclusion of price smoothing clauses in purchasing contracts whenever it is possible to negotiate such clauses on acceptable economic terms.

C.5 CREDIT AND COUNTERPARTY RISKS

The following description is taken from note 29 to the consolidated financial statements.

"*Each division is responsible for managing its own credit risks in a decentralised way as appropriate to the specificities of its market and customer base.*

For new customers with the potential for large volumes of business with the Group, analyses are carried out and information (such as external credit ratings or bank references) is sought before entering into transactions, and specific guarantees or credit insurance may be arranged as a result. Counterparty-specific credit limits may also be set.

In newly-consolidated activities, measures are taken to progressively introduce monitoring procedures that are appropriate for the types of credit risk faced by the entity concerned.

The Group has set up periodic reporting on counterparty risks to monitor its overall risk exposure to its principal counterparties, the variations in accumulated receivables, and the level of related provisions, and to oversee the measures put in place for managing this type of risk.

The Cash Management and Financing Department is responsible for ensuring that the financial institutions with which the Group does business are of good quality."

C.6 INDUSTRIAL AND ENVIRONMENTAL RISKS

The Group pays careful attention to industrial risk prevention and environmental protection, in line with its social and environmental policy, which is presented in Chapter 5.

C.6.1 Prevention policy

Management of industrial and environmental risks is the duty of the operational managers of the sites concerned, with particular emphasis on compliance with the relevant regulations and standards.

The operational managers of sites for which certain environmental risks have been identified apply the regulations concerned and implement operational procedures, quality systems and a range of security measures specific to the business lines.

In view of the industrial past of certain Lagardère sites, the Group remains attentive to any environmental damage that may come to light.

C.6.2 Assessment of impacts

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

C.7 OTHER OPERATIONAL RISKS

The Group's divisions put in place specific anti-fraud processes for their businesses, organisation and IT systems. In 2011, Lagardère SCA set up a cross-disciplinary working group aimed at bolstering existing procedures and processes.

As mentioned in section 7.4.1.3.G, the Group's IT Department updates and distributes an information system security policy that the Operating Units are responsible for rolling out locally.

In addition, the Group's IT Department, together with the Risk and Internal Control Department, carry out recurrent internal-assessment surveys for IT system and network security. These surveys examine:

- organisation of data security;
- management of assets, property and equipment;
- security as regards human resources;
- physical and environmental security;
- operation and security of information systems;
- control of access;
- acquisition, development and maintenance;
- management of incidents;
- legal and regulatory compliance.

All measures to preserve data confidentiality, protect the systems against intrusion, and minimise the risk of system breakdown are adjusted based on the results of these surveys. The entities also receive recommendation sheets based on the results of the surveys.

The Group is also continuing to extend its secure communication network, both in France and internationally.

C.8 INSURANCE POLICIES – RISK COVERAGE

The financial consequences of certain risks can be covered by insurance policies when this is justified by the scale of the risk, provided insurance coverage is available at acceptable conditions.

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

The Group generally seeks to insure all insurable assets for their estimated value, and business interruptions for their estimated cost, in keeping with the relevant best practices.

However, given the diversity of situations and the specificities of the insurance market, it cannot be considered that the Group will be covered by insurance in all circumstances, nor that existing insurance coverage will always be effective.

The Risk and Internal Control Department is in charge of overseeing use of insurance in the Group, with a coordination and advisory role in this respect.

7.4.1.6 CONTROL ACTIVITIES

Control activities are designed to ensure that the necessary risk control measures are actually implemented.

7.4.1.6.A CONTROL BY THE DIVISIONS AND THEIR OPERATIONAL PROCESSING

The divisions implement their own internal control systems to cover their day-to-day activities. These systems are made up of a combination of resources and take various forms depending on the organisation of the division as well as the business lines, the size of the division, its geographic location and the regulatory constraints of its Operating Units.

Most of these control activities are described in the self-assessment questionnaire common to all Operating Units listed in section 7.4.1.7.C and cover the following areas:

Cycle	Process
Purchasing	Purchasing
Finance	Customer accounts
	Supplier accounts
	General accounting
	Tax
	Assets
	Investments
	Cash
Risk management	Insurance management
	Risk management
Legal	Legal (other than employment law)
Human resources	Personnel administration
	Human resource management
	Expense claims
	Payroll
Information systems	Information systems
Sales	Distribution
	Sales management

7.4.1.6.B CONTROL BY THE CENTRAL DEPARTMENTS OF PROCESSING CARRIED OUT WITHIN THE GROUP

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 Central Department responsible for consolidation to regularly review the financial information reported by the divisions.

The Group's Chief Financial Officer monitors the divisions' cash flow position each month, with the assistance of a number of the Central Departments. When these positions are monitored, the ratios that pertain to the Lagardère group and the banks involved in cash management are also monitored.

The Group's Chief Financial Officer reviews the divisions' and the Group's counterparty risks on a twice-monthly basis, with the assistance of a number of the Central Departments. This review provides details, by division and at Group level, of the counterparty risks relating particularly to customers, the investment portfolio and hedging instruments.

At year-end the Financial Committee, described in section 7.4.1.2.A.3, also validates the annual budget and the three-year plan proposed by each of the divisions. Each month the Reporting Committee, described in section 7.4.1.2.A.4, is responsible for verifying that the budget is adhered to by each of the divisions.

Finally, as stipulated in the Group's investment procedure, the Financial Committee reviews any significant investments, divestments and commitments.

MONITORING LEGAL AFFAIRS

Within the scope of the Group's legal reporting, the Group Legal Department requires the divisions to provide, whenever necessary and in real time, the information and documents relating to the following topics:

- relations with national or supranational administrative bodies;
- control of activities (in terms of legal and regulatory compliance);

- exceptional transactions (including materiality thresholds);
- disputes representing an annual financial impact of more than €5 million or involving a risk for the Group's image;
- non-competition commitments (including materiality thresholds);
- change of control clauses;
- management of corporate brands (Lagardère, Hachette and Matra);
- investments (including materiality thresholds);
- fraud/corruption (with no minimum threshold).

OTHER AREAS

The Central Departments have also put in place exchanges with the divisions allowing them to receive information about the processes carried out within the Group, particularly as regards information systems, sustainable development, human resources management, risk management and internal control. These exchanges generally take place with the General Management of each division and in certain cases the Operating Units of the divisions. The exchanges involve implementing a reporting process and are based on a network of correspondents who liaise with the operating entities.

7.4.1.7 PERMANENT MONITORING OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The Lagardère group continuously strengthens the monitoring of its internal control and risk management systems.

7.4.1.7.A 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 or the Group's Financial Department or from the heads of the divisions. The Audit Department's scope of intervention includes all fully-consolidated companies. The audit plan is established on a multi-annual base and includes:

- coverage of Group entities on a rotating basis;
- taking into account the needs of the Group's and the divisions' General Management;
- audits of the risk management and internal control systems identified in the context of risk mapping or through analyses performed by the Group's Risk and Internal Control Department;
- audits of cross-functional themes relevant to the divisions and/or their subsidiaries;
- audits related to the internal control self-assessment system.

The Group's Audit Department may also conduct consulting or operational assistance assignments on specific projects at the request of the Managing Partners or the divisions, specific assignments involving reviews of operational and financial risks, audits relating to merger/acquisition projects, or ad hoc audits with entities facing incidents involving fraud. Audit assignments are conducted following a standard process, involving in particular monitoring by the Department of the action plans resulting from its audits.

The mission of the Group's Internal Audit Department, its powers and responsibilities are set out in an internal audit charter. The Group's Audit Department presents to the Audit Committee the annual audit plan, a summary of the work carried out, the resulting conclusions and details of their application, as well as business indicators that make it possible to assess the effectiveness of its work.

The Group's Audit Department uses a recruitment policy in order to maintain its technical skills (e.g., related to computerised audit) and language skills (to be able to work in the languages that are used the most within the Group). The Department helps spread the risk management and internal control culture within the Group through its audits, as well as through professional mobility for its employees.

7.4.1.7.B PERMANENT MONITORING OF THE RISK MANAGMENT SYSTEM

As mentioned in section 7.4.1.5.A.2, the Risk and Internal Control Department proposes and manages the Lagardère group's risk management policy.

As part of its work, the Risk and Internal Control Department is responsible for monitoring and alerting the Managing Partners and the divisions, and analysing the Group's cross-business risks. In 2011, for example, the Department analysed certain strategic risks for the Group: the risks relating to digital technologies and the risks relating to Lagardère Unlimited. In 2011 the Department was also responsible for updating the divisions' strategic plans, enabling the Department to strengthen its vision of risks at Group level.

The Risk and Internal Control Department is responsible for establishing risk mapping for each division, particularly by defining a shared methodology. The last risk mapping was established in 2010, and a report summarising the work done at Group level was presented to the Audit Committee. The Risk and Internal Control Department monitors the main risks identified during this risk mapping and puts in place related control measures. The risk mapping for each division and the Group summary report will be updated in 2012.

7.4.1.7.C PERMANENT MONITORING OF THE INTERNAL CONTROL SYSTEM

The Risk and Internal Control Department has been responsible for managing the Group's internal control system since 2010. To accomplish this mission, the Department created and filled the position of Group Internal Control Manager. This Manager has a correspondent in each division, the Internal Control Manager, who is responsible for managing the internal control system within his/her division. The Internal Control Manager of each division reports to a member of his/her division's Management, most often the Chief Financial Officer. This organisation makes it possible to provide stronger and more efficient monitoring of the internal control system throughout the Group.

As explained in section 7.4.1.6 – Control activities, an internal self-assessment procedure exists for internal control at Lagardère SCA's main entities/subsidiaries. This procedure is managed by the Internal Control Managers and consolidated by the Risk and Internal Control Department. This procedure helps the continuous improvement process for the control and efficiency of processing within the Lagardère group's entities.

The methodology is based on defining a Group reference framework (shared with all the divisions) consisting of seven financial processes, nine operational processes and two risk management processes covered by 210 points of control. Two divisions have also added questionnaires specific to their businesses.

The self-assessment aims to identify the applicability, efficient implementation and traceability of each of these points of control, and to establish a stronger formal definition of internal control procedures and ensure their adoption by all operational managers. The Internal Control Managers analyse the results of the self-assessment for their respective divisions, and a report is presented to the Managing Partners for the entire Group. This information is used by operational management in their quality assessment of the internal control procedures that they oversee, and for the implementation of improvement plans. It is included in the scope of audits carried out by the Group's Audit Department.

Each head of division also sends a detailed report to the Chairman of the Supervisory Board on risk management and internal control within his/her division. This report includes analysis of the results from the self-assessment questionnaires.

7.4.1.7.D INFORMATION SYSTEMS

D.1 SECURITY

As described in section 7.4.1.5.C.7 – Other operational risks, the Group's IT Department, together with the Risk and Internal Control Department, carries out regular surveys to assess the security of the IT systems and networks, contributing to improve the security of those systems and networks.

D.2 CHANGES IN THE SINGLE MANAGEMENT SYSTEM

The single management system described in section 7.4.1.3.H – Financial reporting, and its settings are upgraded to the latest versions as often as necessary. Specific resources (as described in 7.4.1.2.E.1) are dedicated to data integrity, availability and confidentiality.

7.4.1.7.E ACTION IN RESPONSE TO THE STATUTORY AUDITORS' WORK

The Managing Partners ensure that the Statutory Auditors have reviewed the accounting principles and options that have a material impact on the presentation of the financial statements.

They ask the Statutory Auditors for details of the audit scope and methods, and are also informed of the conclusions of the audit.

The Managing Partners are informed of any significant risks and material weaknesses in internal control, as communicated by the Statutory Auditors, that could have a significant influence on the published financial and accounting information, and ensure that these factors are taken into consideration in the corrective action taken by the Group.

7.4.1.7.F CHANGES IN INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The Group's General Management and operational managers adjust the internal control and risk management systems following on from the actions undertaken in 2010:

- The Group's Audit Department strengthened its organisation by appointing a Deputy Director. It also pursued its strategy of strengthening the audit process and establishing the audit plan, particularly by improving coverage of significant entities within the Group;
- The Group's Audit Department is now responsible for systematically conducting post-acquisition audits, to support or control the consolidation project;

- The Risk and Internal Control Department created and filled in 2011 the position of Group Internal Control Manager to guide and strengthen the internal control system. This has made it possible in particular to lead the network of Internal Control Managers within the divisions;
- The Risk and Internal Control Department strengthened its analysis tools for responses to the self-assessment questionnaires for internal control. Detailed analyses are presented to the Managing Partners, the Central Departments and the divisions, along with recommendations intended to strengthen the Group's internal control system.

7.4.2 REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

The purpose of this report is to provide the information required under article L. 226-10-1 of the French Commercial Code (*Code de commerce*) principally concerning the membership and operation of the Supervisory Board, and the internal control and risk management procedures applied by the Company.

All preparatory work for this report (including interviews with Management) was presented at an Audit Committee meeting. The Supervisory Board approved the terms of the report at its meeting of 8 March 2012.

MEMBERSHIP OF THE SUPERVISORY BOARD

In accordance with the Company's Articles of Association, the Supervisory Board is composed of a maximum of fifteen members, appointed for a maximum term of four years. One half of the Board is renewed every two years.

The Board currently comprises the following fifteen members:

		Date of first appointment or renewal	End of current term term of office
Chairman of the Board Chairman of the Audit Committee	**Xavier de Sarrau** Lawyer Former Managing Partner of Arthur Andersen Group for Europe/Middle East/India/Africa	10 March 2010	2014 OGM (*)
Honorary Chairman of the Board Member of the Audit Committee	**Raymond H. Lévy** Honorary Chairman of Renault SA	27 April 2010	2012 OGM (*)
Member of the Board	**Bernard Arnault** Chairman and Chief Executive Officer of LVMH	27 April 2010	2012 OGM (*)
Member of the Board	**Martine Chêne** Former archivist at Hachette Filipacchi Associés Former CFDT union representative on the Group Employees' Committee	29 April 2008	2014 OGM (*)
Member of the Board Member of the Appointments and Remuneration Committee	**Georges Chodron de Courcel** Chief Operating Officer of BNP Paribas	2 May 2006	2012 OGM (*)
Member of the Board Member of the Audit Committee Member of the Appointments and Remuneration Committee	**François David** Chairman of the Board of Directors of COFACE SA	29 April 2008	2014 OGM (*)
Member of the Board Member of the Appointments and Remuneration Committee	**Pierre Lescure** Former Chairman and Chief Executive Officer of Canal+ SA	29 April 2008	2014 OGM (*)
Member of the Board	**Jean-Claude Magendie** Former First President of the Paris Court of Appeal	27 April 2010	2014 OGM (*)
Member of the Board Member of the Audit Committee	**Christian Marbach** Former Chairman of the French innovation agency ANVAR	2 May 2006	2012 OGM (*)
Member of the Board	**Javier Monzón** Chairman of the Spanish company Indra Sistemas	29 April 2008	2014 OGM (*)
Member of the Board Member of the Audit Committee	**Amélie Oudéa-Castéra** Brand Director, Research Department, Axa France	27 April 2010	2012 OGM (*)
Member of the Board Member of the Audit Committee	**Didier Pineau-Valencienne** Former Chairman and Chief Executive Officer of Schneider SA	29 April 2008	2014 OGM (*)
Member of the Board	**François Roussely** Chairman of Crédit Suisse-France	27 April 2010	2012 OGM (*)
Member of the Board	**Susan M. Tolson** Former Senior Vice President of The Capital Group Companies	10 May 2011	2015 OGM (*)
Member of the Board Member of the Audit Committee	**Patrick Valroff** Former Chief Executive Officer of Crédit Agricole CIB	27 April 2010	2014 OGM (*)

** Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.*

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

A review of each member of the Supervisory Board's position by the Appointments and Remuneration Committee has concluded that twelve Supervisory Board members – or four fifths of the Board – currently qualify as "independent" directors as defined by the AFEP-MEDEF report on corporate governance for listed companies, as applied by Lagardère (see below). The twelve members concerned are:

- Mr. Bernard Arnault;
- Mrs. Martine Chêne;
- Mr. François David;
- Mr. Xavier de Sarrau;
- Mr. Pierre Lescure;
- Mr. Jean-Claude Magendie;
- Mr. Christian Marbach;
- Mr. Javier Monzón;
- Mr. Didier Pineau-Valencienne;
- Mr. François Roussely;
- Mrs. Susan Tolson;
- Mr. Patrick Valroff.

However, as regards the independence criteria defined by the Supervisory Board, the following members are considered "non-independent" for the following reasons:

- Mr. Georges Chodron de Courcel, Chief Operating Officer of BNP Paribas, a significant bank of the Group;
- Mr. Raymond H. Lévy, a former employee of the Group;
- Mrs. Amélie Oudéa-Castéra, wife of the Chairman of Société Générale. In view of the uncertainty regarding the application of the relevant legal provisions to the situation of Mrs. Amélie Oudéa-Castéra, the Supervisory Board, through the Appointments and Remuneration Committee, decided to apply a strict interpretation of the criterion set out in the AFEP-MEDEF Code, notwithstanding the fact that it considers her status to be strictly independent.

OPERATION OF THE SUPERVISORY BOARD

The terms and conditions of the Supervisory Board's organisation and operations are set forth in a set of internal rules (updated on 9 March 2011) which also define the duties incumbent on each member, and the code of professional ethics each individual member is bound to respect.

These rules concern the following:

1. **The independence of Board members**: the minimum quota for independent members is fixed at half of the total serving members. Independent members must have no direct or indirect relations of any kind with the Company, Group or Management that could compromise their freedom of judgement or participation in the work of the Board.
2. **The annual number of meetings**: a schedule for the coming year is fixed annually, based on a proposal by the Chairman.
3. **The duties of each member**: apart from the fundamental duties of loyalty, confidentiality and diligence, members' obligations also concern knowledge of the law, regulations and Articles of Association, ownership of a significant number of shares, declaration to the Board of any conflict of interest and regular attendance at meetings.
4. **Trading in shares of the Company and its subsidiaries**: as Board members have access to inside information and in-depth knowledge on certain aspects of the life of the Company and Group, they are expected to refrain from trading in Company shares, except within the following constraints contained in the Board's internal rules:
   - no trading in shares may take place during certain defined periods;
   - it is recommended that acquisitions should take place once a year, at the end of the Annual General Meeting, in the form of a block purchase carried out through the Company by each Board member;
   - shares must be retained for at least six months after expiry of a Board member's term of office;
   - the Chairman, Managing Partners and the French Financial Markets Authority (*Autorité des marchés financiers* – AMF) must be informed of any transactions in shares within five days of their completion.
5. **The existence of an Audit Committee**: in addition to the tasks described below, this Committee is also responsible for preparing the Board meetings for subjects within its remit.
6. **The existence of an Appointments and Remuneration Committee**: in addition to the tasks described below, this Committee is also responsible for preparing the Board meetings for subjects within its remit.

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The Supervisory Board meets regularly to review the financial situation and operations of the Company and its subsidiaries, the annual and interim financial statements, the outlook for each of the business activities and the Group's strategy. It also defines an annual schedule for its meetings: four meetings are planned for 2012. During 2011, the Supervisory Board met five times:

- on 9 March, with an attendance rate of 73%, mainly to examine the parent company and consolidated financial statements and the general business position and outlook, undertake preparatory work for the Annual General Meeting, approve the report of the Chairman of the Supervisory Board, finalise his report to the shareholders and amend the internal rules of the Supervisory Board;
- on 23 March, with an attendance rate of 80%, to examine the final financial statements for 2010 and issue its opinion on the dividend to be proposed at the Annual General Meeting as well as to propose the appointment of a new member of the Supervisory Board;
- on 8 June, with an attendance rate of 80%, mainly to examine the position of the Group's Book Publishing and Magazine Publishing activities, in particular as regards the move from paper to digital formats (presentations given by Arnaud Nourry and Didier Quillot respectively) and to appoint a new member of the Audit Committee;
- on 7 September, with an attendance rate of 93%, mainly to examine the interim parent company and consolidated financial statements and the general business position and outlook, as well as the results of the Supervisory Board's self-assessment;
- on 7 December, with an attendance rate of 93%, mainly to meet the two new heads of divisions, understand their business view, key issues and projects (presentations given by Dag Inge Rasmussen for Lagardère Services and Denis Olivennes and his team for Lagardère Active), as well as to examine the Group's approach to sustainable development (presentation by Isabelle Juppé).

AUDIT COMMITTEE

In application of its internal rules, the Audit Committee meets at least four times a year and its tasks include the following:

- to review the accounts and the continuity of the accounting methods used for the Lagardère SCA parent company and consolidated financial statements, and to monitor the process for preparing financial information;
- to monitor the audit of the parent company and consolidated financial statements by the Statutory Auditors;
- to monitor the Statutory Auditors' independence;
- to issue a recommendation on the Statutory Auditors nominated for appointment at the Annual General Meeting;
- to ensure that the Company has internal control and risk management procedures, particularly procedures for (i) preparation and processing of accounting and financial information used to prepare the accounts, (ii) risk assessment and management, (iii) compliance by Lagardère SCA and its subsidiaries with the main regulations applicable to them; the Audit Committee is informed of any observations and/or suggestions from the Statutory Auditors regarding these internal control procedures and examines the report of the Chairman of the Supervisory Board on internal control and risk management procedures;
- to monitor the efficiency of internal control and risk management systems;
- more specifically to review, as regards the internal auditing of the Company, its business activities, audit programme, organisation, operation and achievements;
- to review the agreements directly or indirectly binding the Group and the senior managers of Lagardère SCA: the Managing Partners' salaries are paid by Lagardère Capital & Management, which is bound to the Group by a service agreement. Application of this agreement, which has been approved by the Board and the shareholders as a related-party agreement, is monitored regularly as required by law. The Board has delegated the Audit Committee for this task, which among other points concerns the amount of expenses reinvoiced under the contract, essentially comprising the Managing Partners' remuneration;
- to prepare an annual summary of business over the past year for release to the shareholders (through the report of the Supervisory Board and the report of the Chairman of the Supervisory Board).

Audit Committee members are appointed for their financial and/or accounting skills, assessed with particular regard to their past career (posts held in general or financial management or in an audit firm), academic background or specific knowledge of the Company's business.

The members of the Audit Committee interview the Group's main senior managers when necessary, and the Statutory Auditors also present a report on their work.

The Chairman of the Audit Committee reports to the members of the Board on the work conducted by the Audit Committee.

The Audit Committee met six times in 2011, in February, March, June, August, October and November.

All meetings were attended by all Committee members, except for the meetings of June and October when the attendance rate was 75% and 71.4% respectively.

The February meeting involved a review of intangible assets and impairment methods as regards the financial statements for the year ended 31 December 2010, the accounting treatment of the deconsolidation of the International Magazine Publishing business and the related intangible assets, as well as a review of recent acquisitions.

The March meeting was held to examine the consolidated financial statements for 2010, and for the presentation and examination of the Chairman's draft report on internal control and risk management.

In June, the Committee focused on the internal audit activity and reviewed remuneration of the Statutory Auditors. It heard a presentation of the risks of Lagardère Unlimited, given by a member of the Audit Committee in liaison with the Director of Risk and Internal Control and the Chief Financial Officer of Lagardère Unlimited. Finally, it examined the state of relations with Lagardère Capital & Management.

The purpose of the August Audit Committee meeting was to examine the consolidated financial statements for the first half of 2011.

In October, the Committee heard a presentation on the Group's litigation and tax situation.

At the last meeting of the year in November, the agenda concerned a review of internal audit activities during the second half of 2011 and the audit plan for 2012. It also heard a presentation on Digital Risks given by one of the members of the Audit Committee in liaison with the Director of Risk and Internal Control.

These meetings took place in the presence of the Chief Financial Officer, the Director of Internal Audit and the Statutory Auditors. They were also attended by the senior executives concerned by the issues on the agenda, particularly the Deputy Chief Financial Officer, the Central Accountancy Director, the Chief Financial Officer of Lagardère Unlimited, the Director of Risk and Internal Control, the Group's Legal Director, and the Group's Tax Director.

When the Audit Committee reviewed the financial statements, the Chief Financial Officer gave a presentation of the Group's risk exposure and significant off-balance sheet commitments.

Audit Committee members reserve the right to interview the Statutory Auditors without Management in attendance.

APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee was formed on 27 April 2010 by the Supervisory Board and its main tasks, in application of its internal rules, include the following:

- Regarding Board and Committee membership:
  - to select and nominate Supervisory Board and Committee members for proposal to the Supervisory Board;
  - to regularly review the independence of Supervisory Board members in the light of independence criteria defined by the Supervisory Board;
  - to carry out advance assessments of potential risks of conflicts of interest between Supervisory Board members and the Lagardère group.
- Regarding remuneration:
  - to monitor, where relevant, any components of remuneration that are not paid under the agreement with Lagardère Capital & Management (which, being a related-party agreement is monitored by the Audit Committee – see above) and may be received by Lagardère's senior executives directly from Group companies. Under current laws, this concerns share subscription or purchase options and free shares awarded;
  - to propose the overall amount of attendance fees to be paid to members of the Supervisory Board and Committees as submitted to the Annual General Meeting, and the rules for determining and distributing the amount of attendance fees, in particular based on members' attendance record at meetings.

The members of the Appointments and Remuneration Committee interview the Chairman of the Supervisory Board, the Managing Partners or any other person they may choose when necessary.

The Chairman of the Appointments and Remuneration Committee reports to the Board on the work done by the Appointments and Remuneration Committee.

The Appointments and Remuneration Committee met once during 2011 in March, with an attendance rate of 100%, to examine the distribution of attendance fees and propose a new method of distribution to the Supervisory Board. It also examined the independence of each of the members of the Board.

This meeting took place in the presence of the Group Secretary General.

The Appointments and Remuneration Committee had been scheduled to meet in December 2011, but the meeting was postponed to January 2012.

EVALUATION OF THE MEMBERSHIP AND OPERATION OF THE SUPERVISORY BOARD

As recent regulations have significantly increased the workload for both the Board and its Audit Committee, leading to a progressive rise in the number of meetings, the Supervisory Board has decided to introduce a formal self-assessment procedure from 2009, with the primary aim of assessing the preparation and quality of its own work and the work of its Committees.

Consequently, the Supervisory Board carried out its second self-assessment in 2011 (concerning its operation in 2010). In 2012, in accordance with the recommendations of the AFEP-MEDEF Code, an external assessment was carried out.

COMPLIANCE WITH FRENCH CORPORATE GOVERNANCE REGULATIONS – AFEP-MEDEF

The Company has applied the corporate governance principles brought together in the AFEP-MEDEF *Code de gouvernement d'entreprise des sociétés cotées* (Code of Corporate Governance for Listed Companies) revised in April 2010. This Code is available in the Corporate Governance section of Lagardère's website.

As stated in the Introduction to the Code, most of the recommendations it contains have been established with reference to companies with a board of directors. Companies with an executive board and supervisory board, and partnerships limited by shares, must make the necessary adjustments. By its very principle, a partnership limited by shares has a strict separation of powers between the managing partners who run the company (and thereby the general partners who have unlimited liability), and the supervisory board, which only reviews management actions after completion and does not participate in management.

Given Lagardère's specificities in terms of French law and its own Articles of Association as a partnership limited by shares, the Board has adopted an organisation structure appropriate to the nature of its work under the law and the recommendations of the AFEP-MEDEF Code for good governance.

In view of its control duties, the Board considers it necessary to have a majority of independent members (see above).

Each member's situation has therefore been examined in the light of the "criteria" for independence contained in the AFEP-MEDEF Code, which it has taken as a benchmark framework for analysis.

It has thus been decided that:

- Mrs. Chêne's former employee status does not disqualify her as an independent member, since she benefited from a protective legal status due to her functions as union representative on the Group Employees' Committee. However, this criterion has been applied for Mr. Raymond H. Lévy;
- the fact of having been a Board member for more than twelve years does not disqualify such member as an independent member; on the contrary, it is considered an asset in a control role;
- the fact of being, or having been, a member of the Board of Directors or Supervisory Board of a company consolidated by Lagardère SCA does not affect the independence of Mr. François David, who was a director of EADS from 2004 to 2007.

SPECIFIC RULES FOR ATTENDANCE OF GENERAL MEETINGS BY SHAREHOLDERS

These rules are set out in the Articles of Association (articles 19 to 22), and mostly reported in Chapter 8, section 8.2.6 – General Meetings of the Reference Document. The Company's Articles of Association can be consulted on its website (Investor relations – Corporate governance – Articles of Association).

INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

Information on the internal control and risk management procedures used at Lagardère SCA is presented in the Reference Document.

The Group's Risk and Internal Control Department, supported by the Audit and Legal Departments, has been given the task of defining a method for presenting internal control and risk management procedures in the Reference Document and monitoring their application.

This includes asking the head of each division of the Lagardère group to draw up a brief report on internal control and risk management procedures existing in the division, based on supporting documents and predefined specifications. I have examined the corresponding reports.

The analysis by the Risk and Internal Control Department, based on these reports, leads to the conclusion that the internal control and risk management procedures in existence in the Group correspond to the description provided in section 7.4.1 of the 2011 Reference Document.

The internal control and risk management procedures in existence at EADS NV are described in the EADS Registration Document, and Canal+ France is covered by Vivendi's internal control and risk management system, which is described in the Vivendi Annual Report. These procedures are not reported in the Lagardère Reference Document.

The Chairman of the Supervisory Board

7.4.3 STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 226-10-1 OF THE FRENCH COMMERCIAL CODE ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF LAGARDÈRE SCA

To the Partners,

In our capacity as Statutory Auditors of Lagardère S.C.A. and in accordance with article L. 226-10-1 of the French Commercial Code (*Code de commerce*), we hereby report on the report prepared by the Chairman of your company pursuant to this article for the year ended 31 December 2011.

It is the Chairman's responsibility to prepare and submit for the Supervisory Board's approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by article L. 226-10-1 of the French Commercial Code (*Code de commerce*) relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information,
- confirm that the report also includes the other information required by article L. 226-10-1 of the French Commercial Code (*Code de commerce*). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

INFORMATION ON INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with article L.226-10-1 of the French Commercial Code (*Code de commerce*).

OTHER INFORMATION

We confirm that the report prepared by the Chairman of the Supervisory Board also contains the other information required by article L. 226-10-1 of the French Commercial Code (*Code de commerce*).

French language original signed at Paris La Défense and Courbevoie, on 28 March 2012

By the Statutory Auditors

Mazars	Ernst & Young et Autres
Bruno Balaire	Jeanne Boillet

7.5 TRANSACTIONS WITH RELATED PARTIES (MANAGING PARTNERS AND MEMBERS OF THE SUPERVISORY BOARD)

7.5.1 TRANSACTIONS WITH LC&M

Lagardère Capital & Management (LC&M), controlled and chaired by Mr. Arnaud Lagardère and with Mr. Pierre Leroy as Chief Operating Officer, provides an array of management resources and skills to both the Group and each of its component parts, with the following aims:

- over the long term, to guarantee that the Group's operating businesses have the best environment required for expansion;
- to bring them the economic and financial power of a Group with sales of €8 billion;
- to supply the Group with strategic planning and operational services, coupled with high quality management services, including principally:
  - designing and developing economic and financial strategic scenarios, providing project monitoring skills;
  - providing research and follow up concerning major markets and their evolution; assessing factors in different market environments that may create new opportunities for action;
  - keeping a watchful eye on potential investments and divestments;
  - managing business negotiations such as divestments, mergers and acquisitions;
  - orchestrating corporate operations, including state-of-the-art finance and capital management techniques;
  - establishing and maintaining relations in banking and finance, with particular attention to the characteristics of the various countries in which the Group does or plans to do business;
  - enhancing human resources by attracting high-potential management personnel;
  - providing overall management of the Group's image.

To accomplish its mission, LC&M employs the principal senior managers forming the Group's Executive Committee. The role of the Executive Committee is to assist the Managing Partners in the fulfilment of their duties, i.e., to develop and ensure the application of the Group's strategy, to lead the Group's development, to take the resulting necessary management decisions and implement them globally at parent company level and in the Group's different business activities. LC&M bears the entire cost of senior managers' salaries and the related overheads as well as the fees billed by any French and/or international consultants that they may work with.

LC&M's mission is carried out within the framework of its agreement with Lagardère Ressources (formerly Matra Hachette Général). This agreement is described each year in the Auditors' Special Report issued under article L. 226-10 of the French Commercial Code and published in the annual report.

Since 2004, the remuneration of LC&M is equal to the amount of expenses it incurs in carrying out its mission, plus a margin of 10%, with an absolute upper limit set at €1 million. Expenses charged are examined for each fiscal year by the Audit Committee, which issues an opinion on changes in these expenses. After examination by the Audit Committee, this remuneration package was approved by the Supervisory Board on 12 March 2004.

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As a result, in 2011, LC&M invoiced €22.1 million to the Group, versus €23.3 million in 2010. Total payroll costs recognised by LC&M amounted to €18.0 million. This figure corresponds to €9.9 million for gross salaries, not including payroll taxes and the pension provision. After deducting other expenses (support costs reimbursed to the Group for €1.9 million and fees and miscellaneous expenses for €0.8 million), this left operating profit after tax from the above agreement of €0.7 million.

7.5.2 TRANSACTIONS WITH MEMBERS OF THE SUPERVISORY BOARD

None. See section 7.2.4.2.

CHAPTER 8

Other information on the Company

8.1 SHARE CAPITAL

8.1.1 AMOUNT AND CHANGES IN THE SHARE CAPITAL

8.1.1.1 AMOUNT

On 31 December 2011, the share capital of the Company amounted to €799,913,044.60 and was divided into 131,133,286 shares of par value €6.10 each, all ranking pari passu and fully paid.

8.1.1.2 CHANGES IN THE SHARE CAPITAL OVER THE LAST SIX YEARS

• Amounts

Years	Type of operations	Number of shares	Nominal amount (in euros)	Premium (in euros)	Total share capital (in euros)	Total number of shares
2006	Exercise of share subscription options	649,111	3,959,577	24,764,519	870,416,509	142,691,231
2007	Reduction of share capital	(8,561,474)	(52,224,991)	(437,478,371)	818,191,517	134,129,757
	Exercise of options	3,529	21,526	198,368	818,213,044	134,133,286
2008	Reduction of share capital	3,000,000	18,300,000	(121,807,204)	799,913,044	131,133,286
2009	-	-	-	-	799,913,044	131,133,286
2010	-	-	-	-	799,913,044	131,133,286
2011	Allocation of free shares to employees	403,250	2,459,825	-	802,372,869	131,536,536
	Reduction of share capital by cancelling shares	403,250	2,459,825	-	799,913,044	131,133,286

As shown in the above table, all changes in the share capital over the last six years result from shares allocated to employees and the share capital reduction by cancellation of treasury shares.

8.1.2 TREASURY STOCK

8.1.2.1 AMOUNTS

At 31 December 2011, the Company directly held 3,772,698 of its own shares (par value: €6.10), representing 2.88% of the total share capital at that date. The total cost of these shares was €143,492,096.10.

Based on the average weighted market price of Lagardère SCA's shares in December 2011 (€18.933 per share) a provision of €72,059,832.17 was recorded, reducing the total carrying value of treasury shares directly held by the Company to €71,432,263.93.

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

A) *OPERATIONS CARRIED OUT IN 2011*

Due to the economic and financial environment, buyback operations carried out by the Company in 2011 under the authorisations granted by the Annual General Meetings of 27 April 2010 and 10 May 2011 only fulfilled two of the following four major objectives: allocating of shares to beneficiaries of purchase option plans or free share plans, reducing the share capital, acquiring shares for retention in view of future transfers or exchanges in consideration for acquisitions, and ensuring proper liquidity of the market for Lagardère SCA's shares through a liquidity contract.

1. **Acquisitions and utilisations:**

Under the €20 million (maximum) liquidity contract signed in mid-October 2008 and renewed every year with Crédit Agricole Cheuvreux, in order to maintain liquidity of its shares in 2011, the Company:

- acquired 1,360,078 shares for a total price of €32,893,732.73 or an average per-share price of €24.19;
- sold 1,283,078 shares for a total price of €31,832,879.45 or an average per-share price of €24.81.

2. **Partial reallocation for other uses**

The following reallocation was made: 403,250 shares for acquisition for retention in view of future transfers or exchanges were reallocated for reduction of the share capital.

3. **Reduction of share capital**

The Company cancelled 403,250 shares at end-2011.

B) POSITION AT 31 DECEMBER 2011

At the end of 2011, the 3,772,698 shares directly held by the Company representing 2.88% of the share capital were allocated as follows:

- 1,599,250 shares for future allocation to employees, representing 1.22% of the share capital;
- 2,073,448 shares for retention in view of future transfers or exchanges in consideration for acquisitions, representing 1.58% of the share capital;
- 100,000 shares for ensuring proper liquidity of the market for Lagardère SCA's shares, representing 0.08% of the share capital.

Lagardère also held rights to purchase 4,289,152 shares from Barclays Bank Plc in the form of call options at the prices stated below, for subsequent resale at the same prices to Group employees benefiting from the stock purchase option plans awarded between 2003 and 2006.

Date of Plan	Number of shares to be acquired	Exercise price (in euros)	Expiry date for call options
2003	1,214,132	51.45	18 Dec. 2013
2004	1,360,420	51.92	20 Nov. 2014
2006	1,714,600	55.84	14 Dec. 2012

C) OPERATIONS CARRIED OUT UNDER THE AUTHORISATION GRANTED BY THE ANNUAL GENERAL MEETING OF 10 MAY 2011

The General Meeting of 10 May 2011 renewed the authorisation granted to the Managing Partners by the Annual General Meeting of 27 April 2010 to acquire Lagardère SCA shares representing up to 10% of the share capital, for a maximum amount of €650 million, and at a maximum per-share purchase price of €50, mainly for the following purposes:

- allocation to employees;
- retention in view of future transfers or exchanges in consideration for acquisitions;
- ensuring proper liquidity of the market for Lagardère SCA's shares, within the framework of a liquidity contract signed with an independent investment services firm, whose terms and conditions comply with the Code of Conduct recognised by the French Financial Market Authority (*Autorité des marchés financiers* – AMF);
- reduction of the share capital by cancelling all or some of the shares purchased.

The corresponding share buyback programme was described in a press release issued on 13 May 2011.

This authorisation was granted for an 18-month period starting on 10 May 2011.

Under this authorisation, between 10 May 2011 and 28 February 2012, the Company acquired 1,199,183 shares for a total price of €26,534,653.54 and sold 1,259,183 shares for a total price of €28,685,635.84 on the market, under the liquidity contract referred to above.

The Company cancelled 403,250 shares as indicated above.

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The Annual General Meeting of 3 May 2012 will be asked to renew this authorisation.

8.1.3 OTHER SECURITIES AND RIGHTS GRANTING ACCESS TO THE COMPANY'S SHARE CAPITAL

8.1.3.1 SECURITIES

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

8.1.3.2 SHARE SUBSCRIPTION OPTIONS

At 31 December 2011, there were no subscription options outstanding which if exercised would result in the issue of an equivalent number of new shares, the last share subscription plan having expired in December 2007.

8.1.3.3 FREE SHARE ALLOCATIONS

The shares due to be remitted to employees between 2012 and 2016 as a result of free share allocations made in 2009, 2010 and 2011 will be new shares created through a capital increase by capitalisation of reserves; the maximum number of shares to be created for that purpose would amount to 1,445,875 shares of €6.10 par value each, representing a maximum share capital dilution of 1.06% which could be offset by cancellation of an equivalent number of treasury shares as it was the case in October 2011.

8.1.4 AUTHORISED, UNISSUED SHARE CAPITAL

The Ordinary and Extraordinary General Meeting of 10 May 2011 authorised the Managing Partners, for a period of 26 months:

- to issue, with or without preferential subscription rights, securities granting immediate or future access to the Company's share capital, within the following limits:
  - maximum nominal amount of capital increases which may result from authorised issues, representing 37.5% of the existing share capital: €300 million
  - maximum authorised for bond issues: €2,500 million
- to increase the share capital by incorporating reserves or share premiums and issue bonus shares to shareholders (or raise the par value of existing shares) within the limit of 37.5% of the existing share capital: €300 million

The Ordinary and Extraordinary General Meeting of 28 April 2009 authorised the Managing Partners, for a period of 38 months:

- to allocate free shares or grant share subscription or purchase options to Group employees and senior managers, within the limit of 3% of the number of shares making up the share capital, i.e., a maximum nominal capital increase of: €24 million

  It being understood that:
  - the annual number of free shares allocated to employees and senior managers of the Group cannot exceed 0.5% of the total number of shares making up the share capital, and the number allocated to each senior manager cannot exceed 0.025%;
  - the annual number of share subscription or purchase options allocated cannot concern more than 1.5% of the total number of shares making up the existing share capital, and the number allocated to each senior manager cannot exceed 0.075%.

Only the authorisation relating to attributions of free shares was used in 2009, 2010 and 2011, as follows:

- in 2009, attribution to 337 persons of 571,525 rights to the allocation of free shares, including 403,250 granted on 2 October 2011;
- in 2010, attribution to 409 persons of 634,950 rights to the allocation of free shares, including 116,000 attributed to four senior managers;
- in 2011, attribution to 428 persons of 650,000 rights to the allocation of free shares, including 104,000 attributed to four senior managers.

Concerning securities that do not grant access to the Company's capital, it should be noted that the Annual General Meeting of 10 May 2011 renewed the authorisation granted to the Managing Partners to issue, on one or more occasions, bonds and securities other than securities granting access to the Company's capital, up to a maximum amount of €2.5 billion.

8.1.5 PLEDGES OF COMPANY SHARES

8.1.5.1 PLEDGES OF REGISTERED SHARES OF THE COMPANY AT 31 DECEMBER 2011

- Number of shareholders: 96
- Number of shares: 12,226,815, or 9.64% of the share capital

8.1.5.2 PLEDGES OF COMPANY SHARES REGISTERED IN THE NAMES OF SHAREHOLDERS HOLDING MORE THAN 0.5% OF THE SHARE CAPITAL AT 31 DECEMBER 2011

These pledges concern 12,184,815 shares held by Lagardère Capital & Management (LC&M), or 9.29% of the share capital.

8.1.6 STOCK MARKET INFORMATION

8.1.6.1 GENERAL

Number of shares making up the share capital at 31 December 2011: 131,133,286

Number of shares listed on 31 December 2011: 131,133,286

Listed: NYSE-Euronext Paris – *Compartiment A*

8.1.6.2 DIVIDENDS, SHARE PRICES AND TRADING VOLUMES

• Dividends per share

Year of payment	Number of shares entitled to dividend	Dividend (€ per share)	Tax credit (€ per share)	Gross dividend (€ per share)	Total dividends (in € millions)
2007	133,685,820	1.20	None	1.20	160.42
2008	130,128,551	1.30	None	1.30	169.17
2009	126,812,338	1.30	None	1.30	164.86
2010	127,031,812	1.30	None	1.30	165.14
2011		1.30	None	1.30	165.10

Any dividend not claimed within five years from the due date lapses and is paid to the French Treasury.

• Trading volumes and changes in Lagardère SCA share price

Year/Month	High for month (in €)	Date of high	Low for month (in €)	Date of low	Closing price (in €)	Average opening price (in €)	Average closing price (in €)	Number of shares traded	Total amount traded (in € millions)	Number of trading days
2008										
January	54.68	8 Jan.	42.63	22 Jan.	49.03	49.26	49.01	20,061,923	984.48	22
February	54.02	27 Feb.	46.77	7 Feb.	52.20	50.30	50.29	16,425,586	828.66	21
March	52.84	5 March	44.80	17 March	47.36	48.53	48.29	14,515,191	701.01	19
April	49.92	2 April	45.10	17 April	46.19	47.14	47.02	14,668,638	689.05	22
May	47.40	16 May	44.14	28 May	46.40	45.86	45.92	21,317,292	975.94	21
June	47.93	6 June	35.80	30 June	36.17	41.95	41.46	21,055,732	881.54	21
July	36.45	30 July	30.06	15 July	35.35	33.46	33.50	27,741,101	922.62	23
August	39.30	15 Aug.	34.63	4 Aug.	38.20	37.69	37.88	14,533,230	549.20	21
September	39.48	2 Sept.	30.10	30 Sept.	31.69	36.14	35.89	22,078,965	782.05	22
October	33.16	2 Oct.	23.56	10 Oct.	31.00	28.61	28.47	31,909,460	904.49	23
November	34.30	5 Nov.	24.91	21 Nov.	28.72	29.26	29.10	15,034,433	440.46	20
December	30.17	10 Dec.	25.65	2 Dec.	29.00	28.10	28.11	12,243,854	343.79	21
2009										
January	31.90	28 Jan.	28.60	23 Jan.	29.86	30.46	30.41	12,950,452	393.50	21
February	31.27	6 Feb.	25.33	27 Feb.	25.85	29.09	28.90	10,751,894	306.96	20
March	25.64	4 March	19.11	13 March	21.13	22.15	21.99	24,688,166	533.57	22
April	24.83	24 April	20.75	1 April	23.90	23.31	23.45	14,720,495	343.92	20
May	25.24	20 May	21.95	13 May	23.57	23.54	23.55	18,567,368	437.68	20
June	24.89	2 June	22.65	18 June	23.67	23.63	23.58	13,386,235	317.72	22
July	29.12	28 July	22.02	13 July	26.20	24.21	24.26	17,488,724	438.25	23
August	30.88	31 Aug.	25.78	18 Aug.	30.04	27.20	27.37	11,395,344	314.33	21
September	33.70	22 Sept.	28.30	2 Sept.	31.83	31.26	31.30	13,471,035	421.20	22
October	35.64	13 Oct.	30.79	30 Oct.	30.80	33.42	33.32	14,377,897	478.88	22
November	32.06	4 Nov.	28.34	27 Nov.	28.36	30.39	30.26	12,220,602	370.69	21
December	30.67	4 Dec.	27.80	18 Dec.	28.41	29.15	29.14	10,344,438	301.64	22
2010										
January	29.62	19 Jan.	26.96	27 Jan.	28.10	28.43	28.40	14,112,176	400.14	20
February	28.89	4 Feb.	26.18	16 Feb.	26.81	27.30	27.16	12,979,420	354.06	20
March	30.21	26 March	26.24	11 March	29.96	28.01	28.17	20,120,292	561.88	23
April	32.95	14 April	28.94	28 April	30.38	31.21	31.23	15,284,064	475.73	20
May	30.68	3 May	25.00	25 May	26.19	27.26	27.12	19,103,922	524.48	21
June	28.47	21 June	25.23	8 June	25.71	26.77	26.75	10,798,941	289.16	22
July	28.56	27 July	24.08	7 July	28.26	26.27	26.38	8,139,769	214.64	22
August	29.75	27 Aug.	27.02	20 Aug.	28.42	28.39	28.42	9,536,146	271.43	22
September	30.60	21 Sept.	27.76	6 Sept.	28.65	29.29	29.27	17,933,813	527.05	22
October	30.88	29 Oct.	27.88	4 Oct.	30.64	28.68	28.78	8,542,619	247.07	21
November	32.30	3 Nov.	28.45	30 Nov.	28.45	30.48	30.37	10,015,429	306.33	22
December	31.90	29 Dec.	28.70	7 Dec.	30.83	30.65	30.76	9,167,696	280.37	23
2011										
January	36.37	20 Jan.	31.35	3 Jan.	32.50	34.44	34.35	14,900,336	512.01	21
February	33.81	9 Feb.	31.84	24 Feb.	32.61	33.08	33.00	8,114,786	268.03	20
March	33.47	8 March	29.55	17 March	30.12	31.28	31.19	13,993,481	435.11	23
April	31.19	4 April	28.50	18 April	29.64	29.99	29.88	8,597,120	257.07	19
May	29.97	3 May	27.44	25 May	28.38	28.68	28.62	23,992,334	684.66	22
June	29.47	8 June	25.57	16 June	29.13	27.33	27.26	11,840,960	324.12	22
July	29.60	4 July	26.65	29 July	27.12	28.14	28.10	8,420,417	237.20	21
August	27.53	1 Aug.	20.56	9 Aug.	23.80	23.43	23.20	16,631,109	384.96	23
September	22.42	1 Sept.	16.81	23 Sept.	18.51	19.14	19.02	13,871,509	271.29	22
October	20.39	28 Oct.	17.03	4 Oct.	19.47	19.08	19.12	7,655,442	145.53	21
November	19.95	4 Nov.	16.02	25 Nov.	18.07	17.85	17.86	10,698,854	192.29	22
December	20.61	30 Dec.	17.62	1 Dec.	20.40	18.80	18.86	9,483,326	178.15	21
2012										
January	22.69	19 Jan.	20.30	2 Jan.	21.73	21.74	21.75	8,825,043	192.31	22
February	23.37	7 Feb.	21.05	14 Feb.	22.48	22.00	22.00	8,485,801	186.47	21

Source: Euronext Paris

8.1.7 OPTIONS GRANTED TO THIRD PARTIES ON SHARES MAKING UP THE SHARE CAPITAL OF CERTAIN GROUP COMPANIES

Some investments included in Lagardère SCA's consolidated financial statements are subject to put options for which exercise is conditional on certain events. These commitments are described in the notes to the consolidated financial statements presented in Chapter 6 of this Reference Document. At the date of filing, there were no other put options concerning all or part of any significant investment [1] held directly or indirectly by Lagardère SCA.

8.1.8 SHARE OWNERSHIP STRUCTURE – PRINCIPAL SHAREHOLDERS

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

	At 31 December 2011			At 31 December 2010			At 31 December 2009		
Shareholders	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
Lagardère Capital & Management*	**12,610,893**	**9.62**	**15.12**	12,610,893	9.62	14.01	12,610,893	9.62	13.86
French institutional investors	**24,406,973**	**18.61**	**19.63**	20,595,221	15.71	17.54	26,229,338	20.00	21.34
Non-French institutional and private investors	**77,207,268**	**58.88**	**52.59**	83,037,247	63.32	56.33	76,720,727	58.51	52.26
French private investors	**11,184,361**	**8.53**	**10.52**	9,035,507	6.88	9.94	9,526,185	7.26	10.37
Employees and Group Savings Plan investment funds	**1,958,593**	**1.49**	**2.14**	1,755,470	1.34	2.18	1,807,195	1.38	2.17
Treasury stock	**3,765,198**	**2.87**	**-**	4,098,948	3.13	-	4,238,948	3.23	-
Total	**131,133,286**	**100**	**100**	**131,133,286**	**100**	**100**	**131,133,286**	**100**	**100**

(*) Arnaud Lagardère, Lagardère SAS and its subsidiary Lagardère Capital & Management.

Of the 1.49% of capital held by Group employees, 0.56% is held via the Group Savings Plan investment funds or directly under employee profit-sharing and savings schemes required by law.

At 31 December 2011, the share capital was held by 75,064 shareholders and intermediaries directly registered in the Company's register; non-French shareholders, who are not residents in France and are represented by intermediaries registered in the Company's register on their behalf, constitute the majority of the Non-French institutional and private investors listed in the table above, holding 58.88% of the shares making up the share capital.

8.1.8.2 REGULATORY SHAREHOLDING THRESHOLDS CROSSED IN 2011

On 27 December 2011, Qatar Investment Authority (via its subsidiary Qatar Holding LLC) declared that its holding had increased to above the threshold of 10% of the share capital. On 18 March 2012, it declared that its voting rights had also increased to above the threshold of 10%.

8.1.8.3 ACTIONS IN CONCERT WITH OTHER GROUPS

None.

8.1.8.4 VOTING RIGHTS

Including the double voting rights attributed to shares registered in the name of the same shareholder for at least four years (see section 8.2.6.4), the total number of rights to vote at meetings at 31 December 2011 was 163,985,023.

(1) "Significant investments" are shareholdings above €150 million.

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 2011 amounted to 167,750,221.

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 thresholds have been crossed is the total number of rights to vote at meetings, i.e., 163,985,023 at 31 December 2011.

The percentage of voting rights held by Supervisory Board members was 0.265% (0.171% of the capital).

8.1.8.5 PRINCIPAL SHAREHOLDERS

Arnaud Lagardère, personally and via his two companies, Lagardère SAS and LC&M, is the largest permanent shareholder in the Lagardère group with 9.62% of the capital and 15.12% of the rights to vote at meetings. In accordance with the Company's Articles of Association (see section 8.2.6.4), all shares which have been registered in the name of LC&M for at least four years carry double voting rights. LC&M's share capital is held by its Chairman, Arnaud Lagardère, who is also a Managing Partner of Lagardère SCA together with Arco, a subsidiary of LC&M.

Based on declarations of thresholds crossed, at 31 December 2011, Qatar Investment Authority (via its subsidiary Qatar Holding LLC) held 10% of the share capital and 8% of the rights to vote at meetings and, at 18 March 2012, it held 12.83% of the share capital and 10.05% of the voting rights.

Measures in place to ensure that control is not abused are described in sections 7.1 and 7.4.2.

8.1.8.6 GROUP TO WHICH THE COMPANY BELONGS

Lagardère SCA is the ultimate holding company of the Lagardère group. See the simplified Group organisation chart at 1 March 2012 in Chapter 4, section 4.3.

8.2 PRINCIPAL PROVISIONS OF THE COMPANY'S ARTICLES OF ASSOCIATION

8.2.1 CORPORATE PURPOSE

Lagardère's purpose is, in France and abroad:

- to acquire any form of interests or investments in all types of corporation or business, whether French or foreign, by any appropriate means;
- to manage any type of security portfolio and to carry out any related spot or future 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 real estate transactions related to the above purposes or to any other purpose related thereto with the aim of fostering the development of the Company's operations.

8.2.2 MANAGING PARTNERS

1. The Company is managed by one or more Managing Partners (*Gérants*).

Following the death of Jean-Luc Lagardère on 14 March 2003, the Supervisory Board, at its meeting of 26 March 2003, approved Arco's proposal to appoint Arnaud Lagardère as Managing Partner for a six-year term.

For information:

- The Company is now managed by two Managing Partners: Arnaud Lagardère and the French joint-stock corporation (*société anonyme*) Arjil Commanditée-Arco.
- On 11 March 2009, the Supervisory Board approved the General Partners' proposal to renew Arnaud Lagardère's appointment as Managing Partner for a six-year term.
- When Arjil Commanditée-Arco's appointment as Managing Partner was renewed for a further six-year period on 10 March 2010, the Supervisory Board, in application of the provisions of article 14-2 of the Articles of Association, approved the following persons as the Company's legal representatives upon proposal of the General Partners:
  - Arnaud Lagardère, Chairman and Chief Executive Officer,

- Philippe Camus, Deputy Chairman and Chief Operating Officer,
- Pierre Leroy, Deputy Chairman and Chief Operating Officer,
- Dominique D'Hinnin, Chief Operating Officer,
- Thierry Funck-Brentano, Chief Operating Officer.

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 set out 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 meetings of shareholders and the Supervisory Board.

In accordance with the law, each Managing Partner may, in the name of the Company, authorise and grant 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 person who is a Managing Partner is 80 years.
6. The term of office of a Managing Partner cannot exceed six years and is renewable.

A Managing Partner who wishes to resign must inform the other Managing Partners, the General Partners and the Chairman of the Supervisory Board by registered letters with acknowledgment 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 which is also a Managing Partner of the Company changes its Managing Partner(s), the Chairman of its Board of Directors and/or its Chief Operating Officer(s), it is automatically deemed to have resigned as Managing Partner of the Company, with immediate effect. This is also the case on expiry of the approval of such persons given by the Supervisory Board as described in section 8.2.3, or in the event of sale or subscription of shares which the Supervisory Board has not approved as described in section 8.2.3.

When a Managing Partner's office terminates, the management of the Company is carried out by the Managing Partner(s) who remain(s) 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, as described in section 2 above.

When a sole Managing Partner's term of office terminates, one or more new Managing Partner(s) are appointed, or the outgoing sole Managing Partner is reappointed, as described in section 2 above. However, pending such appointment(s), the Company is managed by the General Partner(s) who may delegate all necessary powers for the management of the Company until the new Managing Partner(s) has 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 as described in section 8.2.3. A Managing Partner may also be dismissed for just cause, by decision of the courts.

8.2.3 SUPERVISORY BOARD

COMPOSITION OF THE SUPERVISORY BOARD (ARTICLE 12)

1. The Company has a Supervisory Board composed of a maximum of 15 members, selected exclusively from shareholders who are neither General nor Managing Partners.
2. The Board members are appointed or dismissed by the shareholders in an Ordinary General Meeting. Shareholders who are also General Partners are not entitled to vote on such resolutions.
3. The term of office of members of the Supervisory Board cannot exceed six years. It terminates at the close of the Annual General Meeting called to approve the financial statements for the preceding year held during the year in which the term of the member expires. Members of the Supervisory Board may be re-elected.

No more than a third of the members of the Supervisory Board may be more than 75 years old. If this number is exceeded, the oldest member is automatically deemed to have resigned.

MEETINGS OF THE SUPERVISORY BOARD (ARTICLE 13)

The Supervisory Board appoints one of its members as Chairman, and may if it wishes appoint one or more Deputy Chairmen to preside over Board meetings.

The Board meets as often as required by the interests of the Company and once per half-year at least.

Board meetings may be convened by the Chairman or in his absence a Deputy Chairman, or by at least half the Board members, or by each Managing Partner or General Partner.

At least half the Board members must be present for the Board to validly deliberate.

Its decisions are made by the majority of members present and represented. The Chair has the casting vote in the event of a tied vote.

In calculating the quorum and majority, members attending the meeting via video conferencing or telecommunication technology are considered to be present.

The deliberations are recorded in minutes of the meetings.

POWERS OF THE SUPERVISORY BOARD (ARTICLE 14)

1. The management of the Company is placed under the permanent supervision of the Supervisory Board as provided by law.

   In accordance with the law, the Board prepares a report for each annual Ordinary 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 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, which 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.

   If it deems it necessary, after informing the Managing Partner(s) in writing, the Supervisory Board may call an Ordinary or Extraordinary General Meeting of the shareholders, in compliance with the legal provisions relating to notices of meetings.

   The Supervisory Board has the right by law to receive the same documents from the Managing Partners as those made available to the Statutory Auditors.

2. The appointment or reappointment of any Managing Partner must be approved by the Supervisory Board. Should Arco be appointed as Managing Partner, the Supervisory Board's approval must be obtained, not in respect of Arco itself, but in respect of its Chairman and General Managers.

   The Supervisory Board must grant or refuse its approval within 20 days of receiving notice from the General Partners of the proposed appointment.

   If the Supervisory Board twice refuses to approve an appointment within a period of two months, in respect of two different candidates, while the Company is left without a Managing Partner and is being managed on an interim basis by the General Partners under article 10-6 of the Articles of Association, approval may be given by a majority vote of the shareholders in an Ordinary General Meeting called by the General Partner(s) at which only one of the two candidates is put forward.

   In the absence of approval from either the Supervisory Board or the General Meeting in accordance with the above, the General Partner(s) designate a third person. If the Supervisory Board fails to approve the appointment of the said third candidate, the appointment is 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. Should Arco become a Managing Partner of the Company, as from its appointment to such office, no person may become a shareholder in Arco either by acquiring shares in Arco or by subscribing to an increase in its share capital, exercising share warrants or through the conversion or redemption of bonds, without the prior approval of the Supervisory Board, which must approve or refuse the proposed transaction within 20 days of receiving notice, either from Arco or from those shareholders who intend to sell their shares.

   If such a transaction takes place without the approval of the Supervisory Board, Arco, by virtue of the third paragraph of article 10-6 of the Articles of Association, is automatically deemed to have resigned from its office as Managing Partner, with immediate effect.

4. Any transaction for the sale of Arco shares or the issue of securities by Arco which might alter its control immediately or in the future must obtain the prior approval of the Company's Supervisory Board, which must make a decision within 20 days of receiving notice, either from Arco or from those shareholders who intend to sell their shares.

   If such a transaction takes place without the approval of the Supervisory Board, Arco, by virtue of article 18-5 of the Articles of Association, will automatically forfeit its status as General Partner, with immediate effect.

5. The approval of the Supervisory Board required in sections 3 and 4 above is 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 is not required in the event of a transfer of Arco shares through inheritance.

8.2.4 GENERAL PARTNERS (ARTICLE 18)

1. The General Partners (*Associés Commandités*) are:
   - Mr. Arnaud Lagardère,
     domiciled at 4 rue de Presbourg – 75116 Paris, France
   - Arjil Commanditée-Arco
     a French joint-stock corporation with share capital of €40,000
     having its head office at 4 rue de Presbourg – 75116 Paris, France
     and registered in the Commercial Register (*Registre du Commerce*) under number 387 928 393 RCS Paris
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 is not wound up in the event of the death or incapacity of a person who is a General Partner, nor in the event of liquidation of a General Partner which is a corporate entity.
4. A person who is a General Partner and is also a Managing Partner loses his status as General Partner, automatically and with immediate effect, if the person 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 loses such status with immediate effect in the event that it affects a sale or subscription of shares which is likely to change its control, when no approval for such a transaction has been given by the Supervisory Board, as provided in article 14–4 of the Articles of Association.

In both cases the Articles of Association are automatically amended to reflect this change. 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 statutory financial statements for 2011 are as follows (in thousands of euros):

• Balance sheet

Assets	
Accounts receivable	20,249
Cash and cash equivalents	2
Total	20,251
Liabilities and shareholders' equity	
Total equity	20,149
Accounts payable	102
Total	**20,251**

• Income statement

Operating revenues	0
Operating expenses	31
Operating loss	*(31)*
Financial income	1,013
Financial expenses	2
Net financial profit	*1,011*
Non-operating profit	*0*
Income tax expense	327
Net profit for the year	**653**

RIGHTS OF THE GENERAL PARTNERS (ARTICLE 18 B)

General Partners who are not also Managing Partners (*commandités non-gérants*) do not participate directly in the management of the Company, except as described in article 10–6 of the Articles of Association (absence of Managing Partner).

They 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, General Partners who are not also Managing Partners have the right of access to all books and documents of the Company and to ask the Managing Partners any questions concerning the management of the Company in writing. The Managing Partners must answer such questions in writing as promptly as possible. In addition, in consideration for their unlimited joint and several liabilities, General Partners are entitled to specific remuneration calculated in accordance with the provisions of article 25 of the Articles of Association.

DECISIONS OF THE GENERAL PARTNERS (ARTICLE 18 C)

1. The General Partner(s) take(s) decisions either in meetings or by written consultation (ordinary letter, telex, telegram, fax, etc.).
2. In the event of a written consultation, each General Partner has a period of 15 days to inform the Managing Partners of his decision on each of the draft resolutions. A General Partner who does not reply within this period is considered to have voted against the resolution.
3. Decisions taken by the General Partner(s) are recorded in minutes stating, inter alia, the date and method of consultation, the report or reports made available to the General Partner(s), the text of the resolutions and the result of the voting.

   The minutes are drawn up by the Managing Partners or by one of the General Partners and signed by the General Partner(s) and/or the Managing Partner(s), as the case may be.

   Copies or extracts of the minutes are validly certified as true copies either by the Managing Partner, or by one of them if there are more than one, and by the General Partners.

8.2.5 REQUIREMENTS FOR CHANGING SHAREHOLDERS' RIGHTS

Any change in the rights of shareholders as defined in the Company's Articles of Association requires:

- a unanimous decision by the General Partners;
- a decision by the Extraordinary General Meeting, passed by a two-thirds majority of the votes of shareholders present or represented, including votes cast by mail.

8.2.6 GENERAL MEETINGS OF SHAREHOLDERS

8.2.6.1 GENERAL (ARTICLE 19)

General Meetings are called either by the Managing Partners or by the Supervisory Board, or by any other person having the right to do so by virtue of the law or the Articles of Association of Lagardère.

General Meetings are held at the head office or at any other place as indicated in the notice of meeting. Notices of meeting are issued in the manner and within the time period provided by law and regulations.

General Meetings are chaired by the Managing Partner or one of the Managing Partners if there are several. If the meeting is called by the Supervisory Board, it is chaired by its Chairman 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 chair.

The vote tellers (*scrutateurs*) are the two shareholders having the greatest number of shares, either directly or by way of proxy, and who are present and willing 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 sheet, ensure that discussions are properly held, settle any differences which may arise in the course of the meeting, count the votes cast, verify that voting procedures are properly observed and 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. Minutes drawn up and recorded in this form are considered to be a true transcript of the meetings. All copies of or extracts from the minutes must be certified by one of the Managing Partners, by the Chairman of the Supervisory Board, or by the secretary of the meeting.

8.2.6.2 ORDINARY GENERAL MEETINGS (ARTICLE 20)

The annual Ordinary General Meeting examines the management report prepared by the Managing Partners, the report of the Supervisory Board and the Statutory Auditors' reports; it discusses and approves the parent company annual financial statements for the previous year and the proposed allocation of net profit, in accordance with the law and the Articles of Association. In addition, the annual Ordinary 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.

No resolution can be adopted by an Ordinary General Meeting without the unanimous prior consent of the General Partner(s), with the exception of resolutions concerning the election, resignation or dismissal of members of the Supervisory Board and the appointment of a Managing Partner, where the Supervisory Board has exercised its right of veto twice within two months (see section 8.2.3 – Powers of the Supervisory Board). The consent of the General Partner(s) must be obtained by the Managing Partners prior to the Ordinary General Meeting.

All resolutions are adopted by a majority of the votes cast by the shareholders present or represented, including votes cast by mail, except as expressly provided in the last paragraph of section 8.2.3.

8.2.6.3 EXTRAORDINARY GENERAL MEETINGS (ARTICLE 21)

The Extraordinary General Meeting may validly decide on:

- any amendment of the Articles of Association for which approval by an Extraordinary General Meeting is required by law, including, but not limited to, the following, subject to the provisions of the Articles of Association:
  - increase or reduction of the Company's share capital;
  - changes in the terms and conditions of share transfers;
  - changes in the composition of Ordinary General Meetings or shareholders' voting rights at Ordinary or Extraordinary General Meetings;
  - changes in the purposes of the Company, its duration or its head office, subject to the powers granted to the Managing Partners by the Articles of Association to transfer the Company's head office;
  - transformation of the Company into a company having another legal form, such as a French joint-stock corporation or a limited liability company (*société à responsabilité limitée*).
- winding-up of the Company;
- merger 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 consent of only a majority of the General Partners.

The consent of the General Partner(s) must be obtained by the Managing Partners, in advance of the Extraordinary General Meeting in question.

8.2.6.4 ATTENDANCE AND REPRESENTATION AT MEETINGS, PROXIES, DOUBLE VOTING RIGHTS (ARTICLE 19)

Any shareholder has the right to attend General Meetings and to take part in the discussions, either personally or through a proxy, subject to presenting proof of identity and providing that the shares have been registered in his name in the Company's shareholder accounts since at least the third business day (00.00, Paris local time) prior to the meeting.

Subject to statement of the relevant decision by the Managing Partners in the public notice of a meeting and the notice sent personally to shareholders, shareholders may participate in General Meetings by means of video conferencing, and vote by electronic means of communication. It is the Managing Partners' responsibility to define the practicalities of this method of attendance and voting after consulting the Supervisory Board. The technologies used must be capable of continuous and simultaneous transmission of the discussions and shareholder and proxy identity authentication, and guarantee vote confidentiality and security.

A shareholder who does not personally attend the meeting may choose one of the three following possibilities:

- to give a proxy to another shareholder or to his or her spouse; or [1]
- to vote by mail; or
- to send a blank proxy form to the Company without naming a proxy, in accordance with the applicable laws and regulations.

In this last case, the Chair of the General Meeting will cast a vote in favour of all draft resolutions presented or approved by the Managing Partners and a vote against all other draft resolutions. In order to cast their votes differently, shareholders must choose a proxy holder who agrees to vote as instructed by them.

If a shareholder decides, after a decision by the Managing Partners in accordance with the provisions of the second paragraph of this section, to vote by mail, give a proxy to another shareholder, or send a blank proxy form to the Company without naming a proxy, by sending the relevant form by an electronic means of communication, his electronic signature must:

- be in the form of a secure electronic signature as defined in the applicable provisions of law;
- or result from use of a reliable identification process guaranteeing his association with the document to which it is attached, or any other identification and/or authentication process considered acceptable by the applicable provisions of law.

At each meeting, shareholders have a number of votes equal to the number of shares they own or represent, as evidenced by the share register on the fifth business day prior to the meeting. However, double voting rights – two votes for each share – are attributed to all those shares which are fully paid-up and have been registered in the name of the same shareholder for at least four years. 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 actions* – SCA) retain their double voting rights.

Furthermore, if the Company's share capital is increased by capitalisation of reserves, profits or issue premiums, a double voting right is granted from the date of issue for free registered shares distributed to the holder of shares which already carry double voting rights.

Transfer of title to a share results in the loss of the double voting right. However, transfer as a result of inheritance, liquidation of community property between spouses or an *inter vivos* gift to a spouse or 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 the double voting rights which may be exercised within the resulting company or companies if the Articles of Association of the said companies recognise these rights.

Voting rights are exercised by the owner even if the shares are pledged, and by the usufruct owner (*usufruitier*) at Ordinary General Meetings and the bare owner (*nu-propriétaire*) at Extraordinary General Meetings.

8.2.7 REQUIREMENTS FOR A CHANGE IN CONTROL OF THE COMPANY

As stated at the beginning of Chapter 7, section 7.1, an SCA has two categories of partner: General Partners and limited partners.

Any change in control of the Company thus implies a change in the composition of both categories of partner. As the Company is listed on the stock exchange, it would be possible for a third party to take control of the capital and associated voting rights through a public takeover bid. However, it would not be possible to take control over General Partners' meetings, and consequently, no third party could single-handedly modify 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 [2], 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 modify the Articles of Association without the consent of the General Partners.

In view of these measures, no change in control of the Company could take place without the consent of the General Partners who manage the Company until the end of the period during which the Company is left without a Managing Partner.

8.2.8 DISCLOSURE OF SHAREHOLDINGS EXCEEDING SPECIFIC THRESHOLDS

Without prejudice to the provisions of article L. 233-7 of the French Commercial Code, any shareholder holding directly or indirectly, as defined in said article L. 233-7, 1% or more of the voting rights, must, within five days following registration to his account of the shares that brought his holding to or above such threshold, disclose to the Company the total number of shares and voting rights he holds by registered letter with acknowledgement of receipt, or by any similar means for non-French shareholders, addressed to the head office.

(1) In application of the Ordinance of 9 December 2010, in a company listed on a regulated market, proxies may now be given to any person without restriction.
(2) See section 8.2.3 – Powers of the Supervisory Board, paragraph 2 on the appointment or reappointment of any Managing Partner.

This procedure must be repeated as described above every time a threshold of a further 1% is crossed.

In the absence of disclosure in the conditions described above, all shares in excess of the threshold for which disclosure should have been made may lose their voting rights for any General Meeting that may be held within a two-year period following the date on which the declaration is finally made, at the request of one or more shareholders together holding 5% or more of the share capital, such request being duly recorded in the minutes of the General Meeting.

In these same circumstances, voting rights attached to such shares for which proper declaration has not been made cannot be exercised by the shareholder at fault, nor may he delegate such rights to others.

In accordance with the legal regulations applicable, particularly article 228-II of the French Commercial Code, the Company has the right to obtain at any time from the central securities depositary in charge of the Company's share issue account the name, or corporate name in the case of a corporate shareholder, nationality, date of birth or formation and address of holders of securities carrying immediate or deferred voting rights at its own General Meetings, together with the number of securities held by each of them and the restrictions, if any, that may apply to those securities.

8.3 MAJOR CONTRACTS

8.3.1 MAJOR CONTRACTS BINDING THE GROUP

In the two years immediately preceding publication of this Reference Document, the Company signed the following major contracts (other than those entered into in the normal course of business):

SALE OF VIRGIN 17 TV CHANNEL

Bolloré Média and Lagardère Active (via its subsidiary Lagardère Thématiques) signed a final draft agreement on 9 June 2010 for the sale of the freeview digital terrestrial television channel Virgin 17.

Following satisfaction of several conditions for the sale and notification of approval by the French broadcasting authority (*Conseil supérieur de l'audiovisuel*), on 1 September 2010 Bolloré Média acquired all the shares in MCM SA, the company that broadcasts Virgin 17, and took over the personnel who work on the channel.

The channel has been renamed by Bolloré Média, which did not purchase the Virgin 17 brand.

ACQUISITION OF BEST

As part of the creation of Lagardère Unlimited, on 23 April 2010 the Lagardère group acquired the American group Best (Blue Entertainment Sports Television), which specialises in the representation and management of sports and arts/entertainment celebrities.

The Best group is fully consolidated as of 1 May 2010.

SALE BY LAGARDÈRE ACTIVE OF THE MAJORITY OF ITS INTERNATIONAL MAGAZINE PUBLISHING BUSINESS TO HEARST CORPORATION INC.

Lagardère Active sold its International Magazine Publishing business to Hearst Corporation Inc. in the following countries:

- 31 May 2011: United States, Italy, Spain, Japan, the Netherlands, Hong Kong, Mexico, Taiwan, Canada and Germany;
- 3 June 2011: Russia and Ukraine;
- 29 July 2011: United Kingdom;
- 30 November 2011: China (excluding the Marie-Claire joint venture);
- 1 February 2012: China (Marie-Claire joint venture).

Activities in the Czech Republic were not sold to Hearst Corporation Inc., but to a local partner (for the same price as that offered by Hearst Corporation Inc.) who wished to exercise its pre-emptive right.

All of the activities impacted by the sale prior to 31 December 2011 were deconsolidated in the annual financial statements and represent an amount of €648 million.

Lagardère granted a licence to Hearst under the Elle brand (for magazines, Internet, mobile, and all digital and audiovisual media), which will not affect merchandising licensing. As a result, Lagardère will receive an annual royalty payment from Hearst, based on Elle net sales generated by Hearst in the countries concerned.

In some countries, Lagardère retained real estate assets in which the International Magazine Publishing business is operated, worth some €40 million.

SALE OF LAGARDÈRE'S INVESTMENT IN LE MONDE INTERACTIF

On 16 December 2011, Lagardère Active Broadband sold its 34% equity share in Le Monde Interactif to Société Éditrice du Monde, which now fully owns Le Monde Interactif.

This operation was carried out following Lagardère's sale of its 17.27% equity share in Le Monde SA on 2 November 2010 to the new investors who took control of the Le Monde group through its recapitalisation.

SALE OF THE RADIO BUSINESS IN RUSSIA

On 23 December 2011, Europa Plus France sold its Radio business in Russia (Europa Media Group and its subsidiaries) and Advertising Sales Brokerage business (Média Plus) to several private Russian investors for US$162 million (€123 million).

8.3.2 CONTRACTS INVOLVING MAJOR COMMITMENTS FOR THE WHOLE GROUP

Lagardère and/or its subsidiaries have also entered into a certain number of major contracts (other than those entered into in the normal course of business) involving an obligation or major commitment for the whole Group. The contracts concerned are the financing contracts referred to in Chapter 6, in note 28 to the consolidated financial statements for 2011, particularly the following:

- On 6 October 2009, Lagardère SCA undertook a five-year €1 billion bond issue on the Luxembourg Stock Exchange regulated market. The bond is redeemable in 2014 and pays an annual coupon of 4.875%;
- On 24 July 2003, Lagardère SCA signed a financing contract with a group of private US investors for an amount of €150 million. This loan is similar to bond issues and is classified as such for accounting purposes. It is redeemable on 24 July 2013; the original fixed rate was immediately swapped to variable rates. On 21 January 2001, Lagardère SCA had signed a similar financing contract with another group of private US investors for an amount of US$500 million. The third and last tranche was reimbursed on 31 January 2011 (see Chapter 9, section 9.1.1.2);
- On 26 January 2011, Lagardère SCA signed a new multi-currency syndicated loan for €1,645 million (drawn to the extent of €439 million at 31 December 2011), which replaced the 2005 syndicated loan of €2,200 million due to mature in 2012 and signed by Lagardère SCA on 22 June 2005. The new loan is for a five-year term and bears interest at the Euribor rate (or equivalent for other currencies), plus an initial margin of 0.90%.

8.4 REAL ESTATE PROPERTY

The total gross value of property, plant and equipment belonging to the Lagardère group (land, buildings, machinery and equipment, assets under construction) is €1,671 million.

This includes the gross value of land (€236 million) and buildings (€476 million). The net book value of land and buildings is €431 million, i.e., approximately 5% of the balance sheet total, and includes three properties with net book value of €120 million at 31 December 2011, rented to third parties (in France, Spain and Italy).

In view of the nature of the Group's business activities, the value represented by real estate property is not significant.

CHAPTER 9

Recent developments and outlook

9.1 RECENT DEVELOPMENTS (SINCE 1 JANUARY 2012)

9.1.1 SIGNIFICANT EVENTS

None.

9.1.2 MAJOR CHANGES IN THE GROUP'S FINANCIAL AND COMMERCIAL POSITION

None.

9.1.3 TREND INFORMATION

9.1.3.1 LAGARDÈRE MEDIA

A) *LAGARDÈRE PUBLISHING*

Business levels at the beginning of 2012 were on a par with the same prior year period, in line with estimates. Sales of e-books remained buoyant, especially in the United States and the United Kingdom.

B) *LAGARDÈRE ACTIVE*

Future trends in advertising revenues remain unclear in the longer term, and the first quarter (especially January and February) is traditionally a "low season".

The beginning of 2012 saw a drop in advertising revenues of around 4%, in line with forecasts, with an uptrend, however, at the end of the first quarter. News-stand sales continued to decline.

C) *LAGARDÈRE SERVICES*

The year began in a climate that remains difficult (economic environment, decrease in the demand for printed products). However, the division benefited from the continued growth of its Travel Retail business, thanks to an increase in air traffic and the development of the sales outlet network.

Due to seasonal effects in the business, results are lower in the first half than the second half of the year.

D) *LAGARDÈRE UNLIMITED*

As anticipated, Lagardère Unlimited's business declined at the start of 2012, as result of a less favourable calendar of sports events than in 2011 (for example, the Asian Football Cup did not take place in the first quarter of 2012).

9.1.3.2 EADS

See the press release published by EADS on 8 March 2012 (www.eads.net).

9.2 OUTLOOK

9.2.1 LAGARDÈRE MEDIA

In 2012, recurring operating profit before associates of the Media segment should remain stable compared to 2011 at a constant Group structure (excluding International Magazine Publishing and the Radio business in Russia) and exchange rates. This target is based on the assumption that Lagardère Active's advertising revenues remain on a par with 2011.

Furthermore, this target does not include the three following items for the Lagardère Unlimited division which cannot be forecast at present:

- settlement of claims with the French Football Federation;
- settlement of a dispute with the Board of Control for Cricket in India;
- contract negotiations with the International Olympic Committee.

9.2.2 EADS

See the press release published by EADS on 8 March 2012 (www.eads.net).

9.3 EARNINGS FORECAST

None.

CHAPTER 10

Documents on display

The persons responsible for this Reference Document certify that during the validity of this Reference Document the following documents will be freely accessible in the "Investor Relations – Regulated Information" section of the Company's website (www.lagardere.com).

Investor relations/Regulated information:

- annual financial reports/reference documents for the last five years;
- interim financial reports for the last five years;
- monthly information on the share capital and voting rights;
- information on share buybacks;
- description of share buyback programmes;
  - Annual General Meeting documents for the last five years;
  - Articles of Association of the Company.

CHAPTER 11

Cross-reference table for the Reference Document

In accordance with Annex 1
in European Regulation No. 809/2004

(*) Refers to chapter and section numbers of the Reference Document.

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