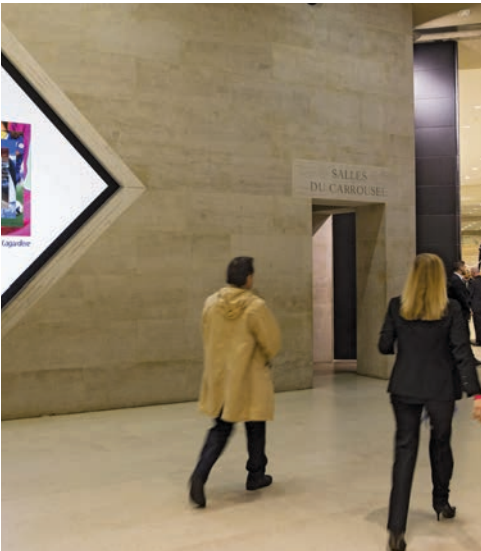


Lagardère



REFERENCE DOCUMENT
containing the Annual Financial Report
2015

Lagardère

Lagardère
PUBLISHING



Astérix

headline

SALVAT



LITTLE, BROWN AND COMPANY

Lagardère
TRAVEL RETAIL

RELAY

aella DUTYFREE
The art of the gift



hubiz



Lagardère
ACTIVE

PARIS MATCH

Lagardère
STUDIOS

Europe 1



ELLE

Doctissima
Informar, Educar, Fortalecer

Lagardère
SPORTS AND
ENTERTAINMENT

Lagardère
SPORTS

Lagardère
LIVE ENTERTAINMENT

akzi

sponsorship
360

Casino
de
Paris

Lagardère
Paris Racing

PROFILE

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

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

It is structured around four business lines:

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

REFERENCE DOCUMENT

containing the Annual Financial Report

2015

Lagardère SCA

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

Registered office: 4 rue de Presbourg - 75016 Paris - France

Telephone: + 33 (0)1 40 69 16 00

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

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



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 1 April 2016 in accordance with article 212-13 of the AMF's General Regulations. It may be used in connection with a financial transaction if supplemented by an information notice approved by the AMF. This document has been prepared by the Company under the responsibility of the persons who signed the French original *Document de référence*.

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The Annual Financial Report prepared in accordance with article L.451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) and article 222-3 of the General Regulations of the French financial markets authority (*Autorité des Marchés Financiers – AMF*) comprises the information, documents and reports listed below, which are presented in the chapters, sections and pages indicated of the accompanying Reference Document.

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PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT AND STATUTORY AUDITORS

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

1.1 PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THE REFERENCE DOCUMENT

AFR

MANAGING PARTNERS

- ▶ Arnaud Lagardère,
- ▶ Arjil Commanditée-Arco, represented by:
 - Pierre Leroy, Deputy Chairman and Chief Operating Officer;
 - Thierry Funck-Brentano, Chief Operating Officer.
- Arnaud Lagardère, Chairman and Chief Executive Officer;

1.2 STATEMENT BY THE PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT

AFR

STATEMENT BY THE MANAGING PARTNERS

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

We further declare that to the best of our knowledge, the financial statements have been prepared in compliance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all the entities included in the consolidation, and that the accompanying management report (Chapter 3, pages 9 to 17; Chapter 4, pages 19 to 24; Chapter 5, pages 25 to 88; Chapter 6, section 6.1, pages 90 to 91; Chapter 6, section 6.2, pages 92 to 96; Chapter 7, pages 195 to 252; Chapter 8, pages 253 to 267; Chapter 9, pages 269 to 271) 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 Statutory Auditors' report on the consolidated financial statements for the year ended 31 December 2015, presented on page 193 of this Reference Document, contained

an observation concerning note 10 to the consolidated financial statements related to the intangible assets of Lagardère Sports and Entertainment (formerly Lagardère Unlimited) and the LeGuide group.

We remind you that:

- ▶ The Statutory Auditors' report on the consolidated financial statements for the year ended 31 December 2014, presented on page 193 of the 2014 Reference Document, contained an observation concerning note 10 to the consolidated financial statements related to the intangible assets of Lagardère Sports and Entertainment (formerly Lagardère Unlimited) and the LeGuide group.
- ▶ The Statutory Auditors' report on the consolidated financial statements for the year ended 31 December 2013, presented on page 195 of the 2013 Reference Document, contained an observation concerning note 10 to the consolidated financial statements, which presented the assumptions used for impairment tests carried out on goodwill and other intangible assets, relating in particular to Lagardère Sports and Entertainment (formerly Lagardère Unlimited)."

Paris, 31 March 2016

Arnaud Lagardère

For Arjil Commanditée-Arco

Arnaud Lagardère

Pierre Leroy

1.3 DETAILS OF THE STATUTORY AUDITORS

AFR

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

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

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2.1 CONSOLIDATED KEY FIGURES

(In millions of euros)	2015	2014	2013
Sales	7,193	7,170	7,216
Recurring operating profit of fully consolidated companies ⁽¹⁾	378	342	327
Non-recurring/non-operating items	(215)	(142)	1,193
Income from equity-accounted companies ⁽²⁾	11	9	7
Profit before finance costs and tax	174	209	1,527
Finance costs, net	(66)	(73)	(91)
Income tax expense	(37)	(87)	(117)
Profit for the year	71	49	1,319
o/w attributable to minority interests	(3)	8	12
o/w profit attributable to owners of the parent	74	41	1,307

Shareholders' equity	2,135	2,084 ⁽³⁾	2,927
Cash and cash equivalents (net debt)	(1,551)	(954)	361
Goodwill	1,919	1,740	1,619
Investments	827	531	337

(1) Recurring operating profit of fully consolidated companies is described in note 3.3 to the consolidated financial statements as profit before finance costs and tax, excluding the following income statement items:

- income from equity-accounted companies;
- gains (losses) on disposals of assets;
- impairment losses on goodwill, property, plant and equipment and intangible assets;
- restructuring costs;
- items related to business combinations:
 - acquisition-related expenses,
 - gains and losses resulting from purchase price adjustments and fair value adjustments due to changes in control,
 - amortisation of acquisition-related intangible assets.

(2) Before impairment losses.

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

2.2 PER SHARE DATA

(In euros)	2015		2014		2013	
	basic	diluted ⁽¹⁾	basic	diluted ⁽¹⁾	basic	diluted ⁽¹⁾
Profit attributable to owners of the parent, per share	0.58	0.57	0.32	0.32	10.22	10.09
Equity attributable to owners of the parent, per share	15.53	15.37	15.50 ⁽⁶⁾	15.32 ⁽⁶⁾	22.27	21.98
Cash flow from operations before change in working capital, per share	3.48	3.44	3.15	3.11	3.55	3.50
Share price at 31 December	27.51		21.60 ⁽⁴⁾		27.02	
Dividend	1.30 ⁽⁵⁾		1.30		10.30 ⁽²⁾	
Extra dividend	-		-		6.00 ⁽³⁾	

(1) The method used to calculate diluted earnings per share is described in note 15 to the consolidated financial statements.

(2) Including €1.30 corresponding to the ordinary portion of this dividend and €9 corresponding to the extra portion paid as an interim dividend following the decision of the Managing Partners on 21 May 2013.

(3) The General Meeting of 6 May 2014 approved the payment of an extra dividend of €6 per share, the entire amount of which was deducted from "Share premiums".

(4) After the payment of the extra dividend indicated in footnote (3).

(5) Dividend submitted for approval to the General Meeting to be held on 3 May 2016.

(6) 2014 data have been restated to take account of the retrospective application of IFRIC 21 (see note 1.1 to the consolidated financial statements).

3

RISK FACTORS

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

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

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

3.1 RISKS ASSOCIATED WITH THE ECONOMIC ENVIRONMENT

AFR

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

A large portion of the Group's revenues derives from business that is sensitive to the economic environment, and changes in that environment may affect sales of products such as magazines and partworks, customer numbers in the Group's store locations, especially air travel areas, and revenues directly or indirectly associated with advertising. For example, a 1% downturn in advertising sales across the whole of Lagardère Active would lead to a decrease of €2 million to €3 million in the division's operating profit over a full year, before any adjustment.

Cuts in the funding allocated by certain governments to buy textbooks can have a negative impact on Lagardère Publishing's business.

In sports events, as has already been seen, the financial difficulties encountered by certain broadcasters could lead to difficulties in recovering receivables and to bankruptcies or mergers between broadcasters, reducing the intensity of competition among non-premium sports rights broadcasters. Certain broadcasters – notably public operators – have also changed their programming strategy by reducing or delaying the sports content that they buy or by subjecting rights holders to tighter financial conditions. This is affecting the sales and profitability of Lagardère Sports and Entertainment.

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

In addition to the factors which influence demand for Group products and services, competition from other well-established or new market players can have a significant impact on the Group's sales and profitability on its markets, especially when Lagardère Sports and Entertainment and Lagardère Travel Retail submit a bid in a call for tenders.

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

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

Differences compared with the perpetual growth rates used for the impairment tests	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment
-1%	(4)	(7)	(3)	-
-0.5%	-	-	(2)	-

3.1.2 SENSITIVE GEOGRAPHIC AREAS

Lagardère conducts business in many countries, and some of these countries are considered particularly sensitive to the risk of a credit or liquidity crisis. In the event of a crisis in these countries combined with a recession, the sales and profitability of the activities concerned would be affected; however, this does not mean that a direct link can be established between the results of the Group's operations and the solvency of these countries and their banking systems.

In 2015, the Group generated around 4% of its sales in countries rated Ba1 or lower by Moody's. Examples include Portugal, Hungary, Russia, Morocco, Tunisia, Egypt, Lebanon, Democratic Republic of the Congo and Senegal.

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

3.2 RISKS ASSOCIATED WITH THE BUSINESS ACTIVITY

AFR

3.2.1 DIGITAL AND MOBILE TECHNOLOGIES

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

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

Lagardère Publishing sees the development of e-books as an opportunity insofar as profitability in this business is at least similar to that of printed books. However, uncertainties in various markets as to whether publishers can determine the sales policy of their publications could have a negative impact on the profitability of this division. Note 34 to the consolidated financial statements describes the investigations by certain antitrust authorities concerning e-books and the related settlements accepted by Lagardère Publishing.

Over time, a high concentration downstream of sales of digital media and e-books and online sales of printed books could create a situation of dependency for some Group activities, particularly Lagardère Publishing. Such a trend could influence the profitability of sales networks for printed books, especially in bookstores, potentially resulting in unpaid receivables for Lagardère Publishing.

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

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

A significant portion of Lagardère Travel Retail sales continues to be generated by press distribution and printed media, although the division is gradually withdrawing from these activities. A rapid decrease in demand for these formats, as digital and mobile technologies develop, could have a significant impact on the profitability of this division or lead to costly adjustments. Moreover, restructuring of press distribution activities in France could lead to market disruption, at least initially.

Lagardère Active's investments in the digital sector expose it to the aforementioned risks inherent to the business models of companies operating in this sector. In addition to the competitive pressure being exercised by digital media on print media, the big global social media and search engine operators have a growing influence on web store traffic and online media. Changes in strategy or modifications to algorithms by these operators, which in some cases benefit their own web stores or media, could have a negative impact on the operating ratios of some of the division's websites, particularly LeGuide.com as explained in section 5.2.3.B.5 of this Reference Document.

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

3.2.2 EVENTS AND SPORTS MEDIA RIGHTS

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

Certain sports federations have also been shifting their strategy to make the marketing of media rights for their competitions more centralised. UEFA has centralised the marketing of broadcasting rights for qualifying matches for the 2016 European Football Championship and 2018 World Cup throughout Europe.

In addition, the conditions for the operation of each sports event depend directly on how these competitions are organised by the federations and the host countries, 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 and Brazil). Lagardère Sports and Entertainment already has operations in some of these regions. Others still need to be conquered, although there is no guarantee of success.

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

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

3.2.3 RISKS AND DEPENDENCY ASSOCIATED WITH MAJOR CONTRACTS

Some contracts, particularly agreements entered into in connection with sports events involving Lagardère Sports and Entertainment or concessions managed by Lagardère Travel Retail, may have high unit values (several hundred million euros), extend across several years and entail significant commitments for the Group in return for the future expected cash flows. Difficulties relating to their application, an adverse economic environment or unfavourable market conditions may have a negative impact on income derived from these contracts, and as a result it cannot be guaranteed that they will be profitable upon termination.

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

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

3.2.4 KEY TALENT AND SKILLS

The Group's success in some areas may be a direct result of the skills and expertise of certain individual employees or Group contractors such as content creators (book authors and others) or

specialists in sports markets, services or certain digital technologies. Should any of these individuals resign or be unavailable, the Group could be exposed to losses in sales or earnings.

3.2.5 RISKS ASSOCIATED WITH THE GROUP'S IMAGE AND BUSINESSES

The Group is engaged in businesses that may face criticism damaging their image or reputation along with those of the Group.

This can directly impact the Group's business and sales, and consequently affect the profitability of its activities.

3.3 LEGAL RISKS



3.3.1 SPECIFIC REGULATIONS APPLYING TO THE GROUP

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

Since the Group operates in a large number of businesses and countries, it is bound by strict and complex regulations put in place by various national and international authorities and organisations.

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

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

In Lagardère Travel Retail's wholesale and retail distribution activities, the Group must comply with certain specific local regulations in the countries where these activities are carried out, principally those applicable to the sale of print media, foodstuffs, tobacco, alcohol and duty-free products (which may be governed by conventions signed with the local customs authorities), and transport operations. In France, for example, press distribution and the legal structure of press distribution cooperatives are subject to a specific law (*Loi Bichet*).

The World Health Organization's Framework Convention on Tobacco Control recommends various measures to reduce the supply and demand of tobacco, in particular, banning or restricting duty-free and tax-free sales of tobacco products to international travellers and banning smoking in public transport and public places. In response to this Framework Convention as well as to other measures, stricter regulations are being put in place regarding the sale and consumption of tobacco and this could have an impact on Lagardère Travel Retail's activities, although the geographic spread of the network mitigates this risk. Some countries have also introduced environmental protection measures (e.g., recycling certain products) that may affect points of sale.

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

The Group's digital businesses may be subject to legislation such as the French law of 21 June 2004 designed to build trust in the digital economy, the "Data Processing and Freedoms" law of 6 January 1978 or the provisions of the French Consumer Code relating to online retailing. Certain digital services may also be covered by specific regulations due to the nature of the services provided. For example, websites providing healthcare or comparator services may be subject to certain provisions of the French Public Health Code or Consumer Code, respectively.

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

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

Lagardère Sports and Entertainment's sports infrastructure management activities are subject to various French regulations including those relating to private legal entities formed for sports purposes (approved sports associations and professional sports companies), or establishments receiving members of the public and occupying public land.

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

Activities relating to the development of sports facilities must take into account regulations governing construction, urban planning, safety and security standards for sports events and approval by sports authorities.

Lastly, Lagardère Sports and Entertainment'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.).

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

3.3.1.2 AUTHORISATIONS REQUIRED AND COMPLIANCE WITH QUOTAS

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

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

Pursuant to the French laws of 30 September 1986 and 1 August 1986, foreigners and particularly those who are not members of the European Union or the European Economic Area are prohibited from holding, directly or indirectly, more than 20% of the capital of a company that has a radio or terrestrial TV service authorisation in France or a company that publishes works in French.

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

3.3.1.3 COMPLIANCE WITH GROUPWIDE REGULATIONS

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

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

3.3.2 RISKS ASSOCIATED WITH BRANDS AND OTHER INTELLECTUAL PROPERTY RIGHTS

The Group pays particular attention to the protection of its portfolio of commercial trademarks and intellectual property rights,

which form an essential component of its assets and rights (see section 7.4.1.6.E).

3.3.3 RISKS THAT HAVE OCCURRED BY BREACH OF CONTRACTUAL COMMITMENTS

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

Counterparty risks are described in section 3.4.3 below.

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

3.3.4 RISKS ASSOCIATED WITH LITIGATION IN PROCESS

In the normal course of their business, Lagardère and/or its subsidiaries are involved in a number of disputes principally related to contract execution. The Group has set aside the provisions it deems necessary to cover any risks that may arise from general or specific disputes. The total amount of provisions for litigation is disclosed in note 27.2 to the consolidated financial statements for 2015.

The main litigation and claims involving the Group are presented in note 34 to the consolidated financial statements for 2015 (see Chapter 6).

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

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

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

As regards the VAT rate applicable to e-books, the European Commission has initiated an infringement procedure under EU law against France and Luxembourg for applying a reduced VAT rate. On 5 March 2015, the European Court of Justice heard the Commission's arguments and noted that Annex III to the VAT Directive of 28 November 2006 only includes "the supply of books on all physical means of support" among the products and services eligible for the reduced rate; furthermore, the Court noted that the Directive excludes any possibility of a reduced rate of VAT being applied to "electronically supplied services" and that, in the Court's opinion, the supply of digital books or electronic books constitutes such a service. Despite this decision, the French government is maintaining its position and confirmed that it will apply a reduced rate for 2016.

The European Commission could therefore initiate a second infringement procedure, unless it favours a general VAT reform at EU level, which is currently under consideration.

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

On 9 December 2015, the European Commission issued a press release on changes in EU copyright rules in the context of its single digital market strategy aimed at providing consumers with cross-border access to online goods and services, establishing a level playing field among businesses, and creating the conditions for a dynamic digital economy and society. It announced legislative reform for spring 2016 based on four pillars: 1) widening access to content across the EU; 2) exceptions to copyright rules for an innovative and inclusive society (mainly relating to copyright exceptions making it easier to use text and data mining technologies, and promoting education and the role of libraries); 3) creating a fairer marketplace; and 4) fighting piracy.

3.4 FINANCIAL OR MARKET RISKS

AFR

3.4.1 LIQUIDITY, INTEREST RATE, EXCHANGE RATE AND EQUITY RISKS

Market risks (liquidity, interest rate, exchange rate and equity risks) are described in note 29.1 to the consolidated financial statements

for 2015 (Chapter 6 of this Reference Document).

3.4.2 RISKS RELATED TO PAPER PRICE

Lagardère Active and Lagardère Publishing need to use large volumes of paper for their business activities. Total paper purchases reached nearly 203,000 tonnes in 2015, as described in section 5.3.2.4.B of this Reference Document. Although it is not possible to link the cost of paper purchases to a single index, the Group is subject to the risk of fluctuations in paper prices, particularly in the European, North American and Asian markets.

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

3.4.3 CREDIT AND COUNTERPARTY RISK

Credit and counterparty risks are described in note 29.2 to the consolidated financial statements for 2015 (see Chapter 6 of this Reference Document).

As indicated in note 29 to the consolidated financial statements, in 2015 the Group was unable to recover certain receivables in the areas of sports rights marketing and the organisation of sporting events.

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

Press distributors represent a major counterparty for the Group, along with the associated receivables risks discussed in section 3.2.2 – Digital and mobile technologies.

3.5 OPERATIONAL RISKS

AFR

3.5.1 PERSONAL INJURY

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

Certain Group employees may be required to travel to high-risk countries or locations, namely journalists or employees organising

international events. The physical safety of these people is a primary concern for the Group.

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

3.5.2 INFORMATION SYSTEM SECURITY

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

The Group's IT systems also contain confidential information. If this information were to be made public, the Group could be exposed

to various risks in terms of image, loss of sales, third party litigation and fines.

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

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

3.5.3 RISKS ASSOCIATED WITH STRATEGY IMPLEMENTATION

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

The Group may also choose to divest certain businesses. The success of any such divestments depends on the market's interest for the divested businesses and the Group's ability to manage the

operations of the entities concerned in an optimal manner during the transitional period. Failure to do so could lead the Group to keep businesses in its portfolio which do not meet its profitability targets.

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

3.5.4 RISKS ASSOCIATED WITH SUPPLIER CONCENTRATION

Default by one or more suppliers could cause losses in earnings and sales for the Group, without prejudging any adjustments and alternative solutions sought. The proportion of purchases procured

from the largest, five largest and ten largest suppliers is respectively 9%, 21% and 27%.

3.5.5 INDUSTRIAL AND ENVIRONMENTAL RISKS

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

3.5.5.1 IDENTIFIED RISKS

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

Only activities primarily related to the warehouses and distribution sites of the Press, Publishing, Distribution and Services businesses and the Automobile spare parts business are potentially exposed, and the specific risks involved are limited and identified. Some of the sites concerned are operated subject to a specific authorisation or declaration delivered by the administrative authorities, but none of the Group's sites is classified SEVESO 1 or SEVESO 2.

3.5.5.2 ASSESSMENT OF IMPACTS

The Group has no knowledge of any items or situations relating to industrial or environmental risks likely to have a significant impact on its assets or results, apart from the dispute with a Brazilian authority mentioned in note 34, 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 2015 do not incorporate any material provision or guarantee for environmental risk or any material charge resulting from a court ruling in an environmental case or action taken to repair environmental damage.

3.5.6 OTHER OPERATIONAL RISKS

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

In cases of *force majeure* such as health crises, uprisings, armed conflicts, terrorist attacks, and human and natural disasters, sports

events in which the Group has interests may be compromised or postponed, and air traffic may be affected, thereby impacting the Group's airport businesses.

3.5.7 INSURANCE POLICIES – RISK COVERAGE

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

3.5.7.1 INSURANCE POLICIES SUBSCRIBED

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

In 2015 and for the policies covering 2016, Lagardère and its divisions have been able to renew insurance coverage for their activities throughout the world.

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

3.5.7.2 LEVEL OF COVERAGE

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

3.5.7.2.1 INSURANCE FOR PROPERTY DAMAGE AND BUSINESS INTERRUPTION

A) Risks covered

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

B) Limits of coverage

As a general rule, insurance for property damage and business interruption is subscribed for the amount at risk (value of the assets and cost of some potential business interruption). In some cases, the policies comprise contractual indemnity limits agreed with the insurer. Deductible levels are appropriate to the capacities of the divisions and their sites.

For 2016, the highest insurance coverage limit subscribed by the Group is €400 million for certain Lagardère Publishing facilities. The other amounts insured are for no more than €240 million. Lower limits of coverage for certain risks may also apply within these overall limits (e.g., for storms, earthquakes or flooding).

3.5.7.2.2 LIABILITY INSURANCE

A) Risks covered

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

B) Limits of coverage

Regarding liability, maximum exposure is difficult to assess, and the level of insurance for the divisions and their sites depends on the availability of coverage and an acceptable economic cost.

For 2016, except in the United States, Canada and countries under an international embargo, the highest amount of coverage subscribed stands at €50 million, while in the United States the highest total limit is around €68 million (excluding self-insurance).

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

3.5.7.3 PREMIUMS

In 2015, the overall budget for the main permanent insurance policies subscribed by the Group was estimated at 0.14% of sales (excluding collective insurance).

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4

GENERAL INFORMATION
ABOUT LAGARDÈRE SCA

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4.1 GENERAL INFORMATION ABOUT THE ISSUER

4.1.1 COMPANY NAME AND COMMERCIAL NAME

Company name: Lagardère SCA

Commercial name: Lagardère

4.1.2 REGISTERED OFFICE, ADDRESS, TELEPHONE

Registered office:

4 rue de Presbourg, 75116 Paris, France

Postal address:

4 rue de Presbourg, 75116 Paris, France

Telephone:

+33 (0)1 40 69 16 00

4.1.3 LEGAL FORM AND GOVERNING LAW

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

4.1.4 PLACE OF REGISTRATION AND REGISTRATION NUMBER

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

4.1.5 DATE OF INCORPORATION AND TERM OF THE COMPANY

Lagardère was incorporated on 24 September 1980 for a term that will expire on 15 December 2079.

4.2 HISTORY

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

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

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

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

- ▶ Major alliances in the Defence and Space industries: this European alliance strategy was initiated in the early 1990s, and underwent an important development in 1999 when *Aerospatiale Matra* was formed through the contribution of *Matra Hautes Technologies* – which held all of *Matra Hachette's* aerospace operations – to *Aerospatiale*. The process was completed on 10 July 2000 when all of *Aerospatiale Matra's* businesses were merged with those of *DaimlerChrysler Aerospace AG* and Spanish company *CASA* to form the European company *EADS NV* (renamed *Airbus Group NV* on 2 January 2014), in which Lagardère SCA indirectly held an interest of approximately 15%. This interest was reduced to 7.5% in 2009 following the sale of three 2.5% tranches of *EADS'* capital in June 2007, June 2008 and March 2009. Following a series of transactions carried out in concert with the other joint shareholders, on 12 April 2013 Lagardère sold its entire interest for €2,283 million (€37.35 per share) by means of private placements through accelerated bookbuilding with qualified investors. The Lagardère group no longer owns any interest in *Airbus Group NV*.
- ▶ Repositioning in the media and communication industries, by means of:
 - a takeover of businesses in these two sectors, with the bid for *Europe 1 Communication* (Audiovisual business) in 1999, and the share exchange offer for *Hachette Filipacchi Médias* (Magazine Publishing business) in 2000, followed by an offer to purchase all of the remaining minority interests;
 - several agreements signed since 2000, essentially in the audiovisual sector (acquisition of a 34% interest in *CanalSatellite*, replaced in early 2007 by a 20% interest in the pay television operator *Canal+ France* and the sale of this interest to the *Vivendi* group on 5 November 2013) 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 growing importance of the *Travel Retail* business, through internal growth and major external acquisitions, including: the acquisition of *ADR Retail Srl* (since renamed *Lagardère Services Travel Retail Roma*), an operator of 13 duty free/duty paid stores in two airports in Rome, in September 2012 by

Lagardère Services Travel Retail; the acquisition of an operator of retail stores in Amsterdam's Schiphol airport (Netherlands), in January 2014 by *Aelia SAS* (since renamed *Lagardère Duty Free*), a subsidiary of *Lagardère Travel Retail* (formerly *Lagardère Services*); the formation of a partnership between *Lagardère Travel Retail* and a company operating over 200 sales outlets in 11 countries, including Venice and Treviso airports, in April 2014; and the acquisition of *Paradies*, a leader in airport *Travel Retail* in North America with long-term concessions in more than 76 airports, in October 2015.

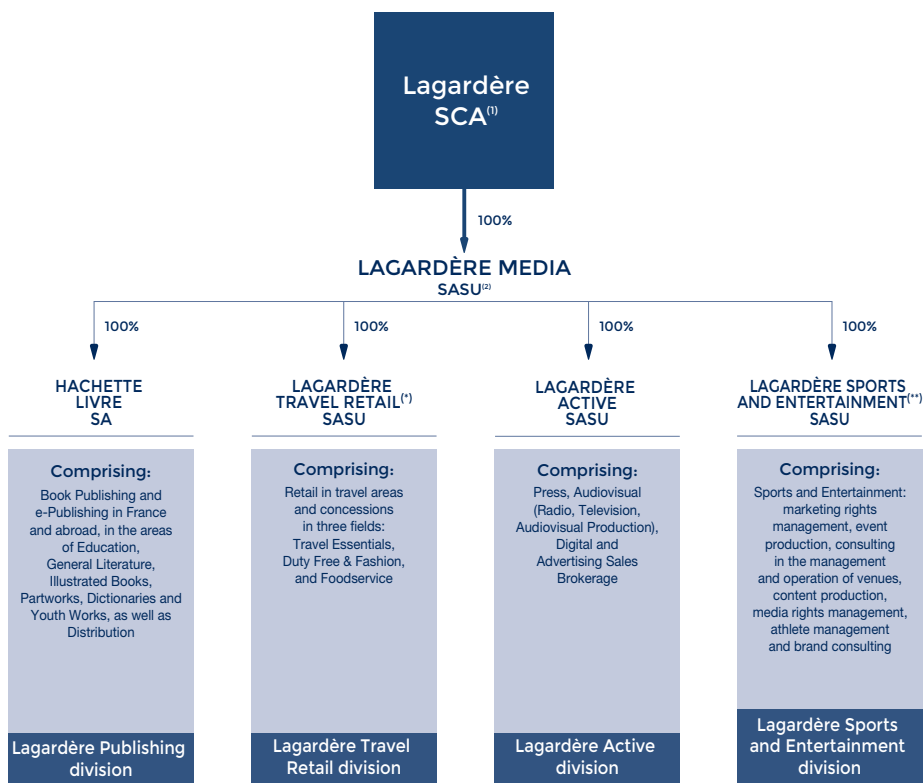
Travel Retail also pressed ahead with the disposal of its *Distribution* business with the sales of its press distribution activities in Switzerland (February 2015), Spain (October 2015) and Belgium (February 2016), and the sale of *Curtis*, its magazine distribution business in the United States, in June 2015;

- the combination of the *Magazine Publishing*, *Audiovisual* and *Digital* businesses within a new entity, *Lagardère Active*, was completed in 2006. This division was formed as a result of the Group's ambition to become a leading international content publisher for all media as well as a worldwide "brand factory", and to accelerate its migration towards digital media.
- In line with this goal, *Lagardère Active* acquired *Newsweb* and *Doctissimo*, France's top online content publishers;
- sale by *Lagardère Active* of its *International Magazine Publishing* business to *Hearst* in 2011 (102 publications in 15 countries);
 - sale by *Lagardère* of its *Radio* business in Russia on 23 December 2011;
 - sale of ten French *Magazine Publishing* titles in July 2014.
 - ▶ Creation of a *Sports* division, now named *Lagardère Sports and Entertainment*:
 - through the acquisitions of:
 - *Sportfive* (early 2007), which acts as a partner to sporting bodies and clubs, helping them to extract maximum value from their broadcasting and marketing rights,
 - *IEC in Sports* (2007), a Swedish company specialised in the marketing of sports rights,
 - *World Sport Group*, which manages audiovisual broadcasting rights in Asia; *Upsolut*, which organises endurance sports events; and *PR Event*, the organiser of the Swedish Open Tennis tournament (all in 2008);
 - and the combination in 2010 of all of the *Sports* division entities with the *Best* group (*Blue Entertainment Sports and Television*), acquired in 2010, within the division now called *Lagardère Sports and Entertainment*. This gives *Lagardère Sports and Entertainment* strategic positioning along the entire sports rights value chain, comprising:
 - organisation and management of sports events,
 - talent representation,
 - consulting in the management and operation of stadiums and multipurpose venues,
 - marketing of sports rights and associated products,
 - management of broadcasting rights,
 - management of sports training academies.

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

Lagardère SCA's role in respect of its subsidiaries is described in Chapter 7, section 7.4, and in the Lagardère SCA parent company financial statements (including the notes) as contained in Chapter 6,

sections 6.4 and 6.5. Note 5 to Lagardère's consolidated financial statements also includes segment information by division and by geographical area.



(1) Organisation chart at 1 March 2016.

(2) Lagardère Media is the holding company for all media operations.

(*) Formerly Lagardère Services.

(**) Formerly Lagardère Unlimited.

As indicated in Chapter 7, section 7.4 on the Group's organisational structure, Lagardère SCA is a holding company and the Group's operating activities are carried on through subsidiaries.

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

- ▶ Hachette Livre, a French holding company for the Lagardère Publishing division;
- ▶ Lagardère Travel Retail: a French holding company for the Lagardère Travel Retail division;

▶ Lagardère Active: a French holding company for the Lagardère Active division;

▶ Lagardère Sports and Entertainment: a French holding company for the Lagardère Sports and Entertainment division.

A detailed list of the Group's subsidiaries (554 consolidated companies) and their locations is provided in note 38 to the consolidated financial statements. Details of the positions held in these subsidiaries by Lagardère SCA corporate officers are presented in Chapter 7, sections 7.2.2 and 7.2.3 of this Reference Document.

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

Chapter 5, section 5.2 presents the businesses carried out by the principal Group subsidiaries and affiliates, and the key consolidated financial information concerning these companies is disclosed in the

notes to the consolidated financial statements (note 5, Segment information). The Group has not identified any cases where access to its consolidated subsidiaries' results is restricted.

Finally, the amount and nature of financial transactions between Lagardère SCA and Group subsidiaries are described in Chapter 7, section 7.4.

4.4 MAJOR INVESTMENTS

4.4.1 INVESTMENT AND INNOVATION POLICY

4.4.1.1 PURCHASES OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(in millions of euros)	2015	2014	2013
Lagardère Media	258	246	291
Other Activities	1	3	5
Total	259	249	296

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, website and Digital Terrestrial Television sectors, are not capitalised.

4.4.1.2 PURCHASES OF INVESTMENTS

(in millions of euros)	2015	2014	2013
Lagardère Media	566	281	37
Other Activities	2	1	4
Total	568	282	41

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

4.4.2 MAJOR INVESTMENTS IN 2013

Like in the two previous fiscal years, purchases of property, plant and equipment and intangible assets principally concerned Lagardère Sports and Entertainment⁽¹⁾ (sports rights) and Lagardère Travel Retail⁽²⁾ (store refits).

Purchases of investments related to several mid-sized acquisitions by Lagardère Publishing and Lagardère Travel Retail⁽²⁾. For Lagardère Sports and Entertainment⁽¹⁾, this item relates to small acquisitions in the golf sector and to the payment of a guarantee deposit in connection with the AFC contract (World Sport Group).

4.4.3 MAJOR INVESTMENTS IN 2014

Purchases of property, plant and equipment and intangible assets mainly concerned Lagardère Travel Retail⁽²⁾ (store refits in line with the growth in Travel Retail) and Lagardère Publishing (one-off real estate investments, chiefly the new headquarters in France).

Purchases of investments related to strategic acquisitions carried out by Lagardère Travel Retail: Gerzon Holding (Schiphol airport) and Airst (mainly Venice airport), and to a lesser extent various

acquisitions carried out by Lagardère Publishing (publishing businesses in the UK), Lagardère Sports and Entertainment⁽¹⁾ (Casino de Paris) and Lagardère Active (acquisition of France Télévisions' 34% stake in Gullif).

(1) Formerly Lagardère Unlimited.
(2) Formerly Lagardère Services.

4.4.4 MAJOR INVESTMENTS IN 2015

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

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

5

INFORMATION ON THE BUSINESS ACTIVITIES OF THE COMPANY AND THE GROUP

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

5.1 BUSINESS ACTIVITIES AND STRATEGY

AFR

The Lagardère group is a global leader in content production, publishing, broadcasting and distribution, whose powerful brands leverage its virtual and physical networks to attract and enjoy qualified audiences. The Group's business model relies on creating a lasting and exclusive relationship between the content it offers and its customers. Operating in 40 countries, Lagardère has four business lines.

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

Hachette Livre is the world's third-largest trade book publisher for the general public and educational markets (number one in France, number two in the United Kingdom, number three in Spain, number four in the United States).

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

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

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

Lagardère Travel Retail⁽²⁾ consists of retail operations in travel areas and concessions in three fields: Travel Essentials, Duty Free & Fashion, and Foodservice.

As announced in 2014, Lagardère Travel Retail is gradually exiting the Press Distribution business.

The division's strategy is now focused on the following priorities for Travel Retail:

- ▶ continued diversification of the product mix in Travel Essentials, through the modernisation of concepts;
- ▶ development of the Duty Free & Fashion and Foodservice segments;
- ▶ faster expansion in Asia-Pacific, the Middle East and Africa;
- ▶ acquisitions.

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

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

To boost its growth and profitability, the division works continually to rebalance its portfolio and expand its audiovisual activities internationally.

Moreover, it has intensified its digital transformation, creating a Digital and Revenue Development Department in early 2016.

Lagardère Sports and Entertainment⁽³⁾ is a pre-eminent Sports and Entertainment agency with a global network of local experts dedicated to delivering innovative solutions to its clients.

As conductors of emotion and passion, Sports and Entertainment generate unique collective experiences. The expertise of Lagardère Sports and Entertainment's teams gives clients inside access to the opportunities offered by its network. Lagardère Sports and Entertainment has more than 1,600 employees worldwide and over 50 years of experience in the world of sports and entertainment.

Lagardère Sports and Entertainment aims to pursue the integration of its businesses, initiated in 2014 and continued in 2015. Moreover, the division continues to expand its portfolio in key areas, especially football, golf, Olympic sports and major events, tennis and media, as well as brand consulting and rights activation in order to consolidate its leading position.

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

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

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

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

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

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

(2) Formerly Lagardère Services.

(3) Formerly Lagardère Unlimited.

5.2 THE GROUP'S PRINCIPAL ACTIVITIES AND MAIN MARKETS – OPERATIONS DURING 2015: LAGARDÈRE MEDIA⁽¹⁾

AFR

	2015	2014	2013	2012	2011
Contribution to consolidated sales	7,193	7,170	7,216	7,370	7,657
Contribution to consolidated recurring operating profit of fully consolidated companies ⁽¹⁾	399	379	372	358	414
Number of employees ⁽²⁾	29,531	25,933	23,767	23,818	26,493

(1) Recurring operating profit of fully consolidated companies (as defined in note 3.3 to the consolidated financial statements).

(2) Average number of employees (full-time equivalent) including staff on permanent, fixed-term, temporary and other types of contract.

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

5.2.1 LAGARDÈRE PUBLISHING

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

The world's third-largest trade book publisher for the general public and educational markets⁽²⁾ (number one in France⁽³⁾, number two in the United Kingdom⁽⁴⁾, number three in Spain⁽⁵⁾, number four in the United States⁽⁶⁾), Lagardère Publishing is a federation of publishing companies with a large degree of editorial independence. They are united by common management rules, a concerted effort to expand in digital activities, a coordinated strategy in respect of the global distribution giants, and the same high standards required of the people appointed to positions of responsibility in each company.

Since its foundation in 1826, Hachette Livre has consistently sought to publish, sell and distribute high-quality innovative books that satisfy its readers' thirst for knowledge, culture and entertainment. The company's employees, who contribute to the growth and ongoing success of this division, continue to pursue this goal.

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

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

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

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

Central management functions in turn allow Hachette Livre to develop a single strategy for digital technologies, strengthen its financial position, and negotiate on the best possible terms with its major customers and suppliers.

These combined assets make Hachette Livre France's leading publishing group, ahead of such prominent competitors as Editis, Gallimard-Flammarion, Albin Michel, La Martinière-Le Seuil and Média-Participations. Hachette Livre ranks second in the fragmented General Adult Literature market, and first in literature for Youth and Illustrated Books, as well as in the traditionally more concentrated Textbook and Dictionaries segments.

Outside France, Hachette Livre conducts its business alongside competitors such as Pearson, McGraw-Hill Education,

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

(1) Lagardère Media is the holding company for all media operations.

(2) World publishing rankings prepared internally by Hachette Livre based on:

- the annual financial reports of the groups in question (most cases);
- rankings appearing each year in *Livres Hebdo* (rankings prepared with Rüdiger Wischenbart Content and Consulting, and generally used subsequently in partnership with *The Bookseller*, *Publishers Weekly* and *Buchreport*), and which are sometimes based on direct contacts with the groups in question (i.e., when annual financial reports are not available); and
- the ranking takes into account private publishing companies in the Textbook market (excluding professional publishing, STM) and general interest (Trade).

(3) Source: internal analyses based on statistics from the GfK survey panel and data from the education group of the French publishers association.

(4) Source: internal data based on Nielsen BookScan in the United Kingdom.

(5) Source: internal estimates.

(6) Source: internal analyses based on Nielsen BookScan in the United States.

Penguin Random House, Scholastic, Simon & Schuster, HarperCollins and Holtzbrinck. In just a few years, it has succeeded in moving up from thirteenth to third position worldwide.

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

A.1 In France⁽¹⁾

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

Hachette Illustré covers the entire range of illustrated works. It is number one in France for both practical guides (Hachette Pratique and Marabout) and travel guides (Hachette Tourisme and Le Routard). Hachette Illustré is also number one in the art book market with two prestigious publishers, Editions du Chêne and Hazan, and in youth works (Hachette JD, Hachette Jeunesse Roman and 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 in France⁽²⁾ thanks to two separate entities, Hachette Éducation and the Alexandre Hatier group. These entities include such reputed publishers as Hachette, Hatier, Didier and Foucher and other strong brands (Bled, Bescherelle, Passeport, Littré, Gaffiot), enabling Hachette Livre to occupy a leading position on the extra-curricular book segment.

In Reference and Dictionaries, famous assets include the brands Larousse, Hachette and Harrap's. Hachette Livre is number one in France for both monolingual and bilingual dictionaries.

With its international reputation, Larousse generates more than 40% of its sales outside France, and is particularly well established as a brand in Spanish language books.

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

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

A.2 Outside France⁽³⁾

In the United Kingdom, Hachette UK was the second-largest publisher in 2015, with 12.7% of the printed Trade book market (see section 5.2.1 – A). It has six divisions: Octopus for illustrated books; Orion; Hodder & Stoughton; Headline; Little, Brown for general literature; and Hachette Children's Books in the Youth Works segment.

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

Hachette Livre is also a key player in the Textbook market with Hodder Education, the third-largest publisher in the market.

Hachette Livre has a Distribution activity in the United Kingdom via its two centres, Book Point and LBS (Littlehampton Book Services).

Hachette Livre Spain has been the third-largest publisher in Spain since Santillana's acquisition by Penguin Random House, and ranks as the leading publisher of textbooks through Anaya and Bruño. These two publishing houses are key players in the Education market, as well as in the Extra-curricular Book segment, General Adult Literature and Youth Works segments. It is also very well established in Latin America, through its Larousse, Anaya, Bruño and Salvat brands. In Mexico, Hachette Livre is one of the leading textbook publishers, under the Patria brand.

In the United States, Hachette Book Group is the fourth-largest Trade book publisher thanks to such publishing houses as Grand Central Publishing; Little, Brown, as well as Little, Brown Books for Young Readers in the Youth Works segment; FaithWords in the Religious Literature segment; Orbit in Science Fiction; Twelve for Quality Non-fiction; and Mulholland for Crime Fiction. Hachette Livre also has Distribution operations in the United States.

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

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

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

(1) Hachette Livre's competitive positions reflect data provided by the GfK panels to which the division subscribes.

(2) Source: internal estimates.

(3) Source: internal data, based on Nielsen BookScan in the United Kingdom, internal sources in Spain and Nielsen BookScan data for the United States.

B) OPERATIONS DURING 2015

Contribution to consolidated sales in 2015: €2,206 million (€2,004 million in 2014).

Breakdown of sales by activity

	2015	2014
Education	15.9%	16.0%
Illustrated Books	16.6%	15.0%
General Literature	40.5%	40.5%
Partworks	10.9%	11.6%
Other (including Reference)	16.1%	16.9%
Total sales	100%	100%

Breakdown of sales by geographic area

	2015	2014
France	29.3%	30.7%
United Kingdom	20.3%	18.2%
United States	22.8%	21.3%
Spain	6.4%	6.3%
Other	21.2%	23.5%
Total sales	100%	100%

In 2015, the global publishing market was characterised by fairly robust growth in Europe and the United States, despite the first ever contraction in the digital segment in the United States and the United Kingdom. Considering Hachette Livre's key markets, the American printed trade book market grew by 4.7% in volume⁽¹⁾, the British market by 5.5% in volume⁽¹⁾, and the French market by 1.3% in volume (excluding textbooks) and 2.0% in value⁽²⁾.

The Spanish market continued to deteriorate, falling by 2% in volume⁽¹⁾ due to the enduring economic crisis in that country.

The decline in the digital segment in the English-speaking markets was attributable to several factors. First, the e-reader market appears to have reached saturation point in the United States, with sales of devices down sharply. Second, in the United States and the United Kingdom alike, the new agency agreement between the major publishers and retailers has heralded the end of discounted e-book prices. Hachette Livre benefited fully from the upturn in its markets, particularly in France, where the division outperformed the market and won seven of the most prestigious literary awards. Illustrated Books continued to sell very well, especially thanks to cookbooks and a new Asterix album. These successes more than offset the persistent lethargy in the Education segment, stemming from the absence of curriculum reform. By contrast, the United Kingdom and Spain benefited from a buoyant Education market. The United Kingdom also enjoyed traction from the excellent performance of several publishers acquired in 2014.

In the United States, sales of printed books increased in line with the market, but the slowdown in the digital segment dampened margins.

It is estimated that trends in exchange rates had a neutral impact overall on our results.

Hachette Livre's eight-pronged strategy is unchanged:

1. constant search for growth opportunities through value-creating acquisitions needed to keep Hachette Livre among the top-ranking publishing groups worldwide, which is an essential advantage conferring extra influence in negotiations with major customers;
2. spreading risks across a significant number of markets and market segments in order to smooth out the cyclical effects specific to each one;
3. concentrating acquisitions and new subsidiaries in countries belonging to language areas that offer a critical size for potential markets;
4. broad editorial independence for publishing subsidiaries, with an emphasis on creativity, rapid response and team motivation;
5. actively seeking out international bestsellers able to attract an extensive readership in all markets where the division operates;
6. managing distribution both as a cost centre and a strategic link in the book value chain, in all the markets where the division operates;
7. sustained investment in digital technologies to meet demand for content for e-readers and tablets;
8. selective investments in high-growth markets such as Russia, India and China.

(1) Source: Nielsen BookScan.

(2) Source: GfK, excluding maps, atlases and textbooks.

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

- a. continue to digitise all new content and selected past works by formatting files so that they are compatible with all digital platforms in the market;
- 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" benefiting operators with no added value;
- d. encourage Hachette Livre publishers to develop works not easily transferable into digital format (high-quality illustrated books, box sets, partworks, comic strips, etc.);
- e. fight piracy aggressively and methodically;
- f. offer dynamic, selective logistics services to attract other partners weakened by the digital revolution to Lagardère Publishing and maintain the division's workload and the profitability of its distribution infrastructure without taking any commercial risk or financial interest in their activities.

B.1 In France

France enjoyed an excellent year thanks to an exceptional literary season and an Illustrated Books division that boasted a large number of bestsellers. These successes had a positive impact on Distribution, which also signed a contract with a new partner, the publisher Bayard.

Novels published by the division reaped no fewer than seven prestigious literary awards, triggering significant sales for some, and further confirming established successes for others:

- ▶ the Renaudot and Goncourt des lycéens awards to Delphine de Vigan for *D'après une histoire vraie* (JC Lattès, 447,000 copies);
- ▶ the Femina award to Christophe Boltanski for *La Cache* (Stock);
- ▶ the Interallié and Roman Fnac awards to Laurent Binet for *La Septième Fonction du langage* (Grasset);
- ▶ the Flore award to Jean-Noël Orengo for *La Fleur du capital* (Grasset);
- ▶ the Best Foreign Publication award to Martin Amis for *The Zone of Interest* (Calmann-Lévy).

Moreover, a fourth instalment was added to the *Fifty Shades of Grey* series, selling 869,000 copies (JC Lattès).

In Illustrated Books, the year was marked by the overwhelming success of the new *Asterix* album (1.9 million copies sold), and the more unexpected triumph of *Simplissime*, a cookbook. The success of Art Therapy books also continued.

These successes more than offset the persistent absence of curriculum reform affecting the Education segment.

Hachette Livre's General Management moved to Vanves in April, with the Illustrated Books, Education, and Encyclopaedias and Collections divisions, as well as numerous support functions taking up residence in the Louis Hachette building, designed and built for the division by architect Jacques Ferrier. In addition to being brighter, more spacious and more functional than the old headquarters, it will be a source of significant savings for years to come.

B.2 Outside France

United States

In the United States, the market for printed Trade books grew steadily, increasing by 4.7% in volume. This increase offset the contraction in the e-books market, which recorded its first ever decline. Against this backdrop, Hachette Book Group (HBG) placed no fewer than 183 print and digital titles in *The New York Times* bestseller lists.

The 34 that made it to first place included works by James Patterson, David Baldacci, Nelson DeMille, Nicholas Sparks, Donna Tartt, Malala Yousafzai, Sandra Brown, Michael Connelly, Stephenie Meyer and Robert Galbraith (aka J.K. Rowling). Downloadable audiobooks set a new record, representing no less than 20% of HBG's digital sales.

However, HBG did not have any "mega bestsellers" in 2015, and lower e-book sales dampened margins.

Following a new agency agreement returning responsibility to HBG for setting the price of its e-books, it conducted extensive multi-factor market assessments to determine the optimal price for each digital title. Two digital customer relationship analysis tools were launched: Looking Glass, which scans social media and websites to refine knowledge of a given author's readership, and Salesforce Social Studio, which provides real-time analysis of conversations and exchanges on books published by HBG by tapping more than a billion Internet data sources (social networks, blogs, forums, rich media and news sites).

United Kingdom and the Commonwealth

In the United Kingdom, the market for printed Trade books grew considerably, increasing by 5.5% in volume. Hachette UK (HUK) remained in second place in the ranking of English publishers, with market share of 12.7%, behind Penguin Random House. Although there are no specific indicators for the digital market, it is estimated that HUK is the leading publisher of e-books in the United Kingdom and the Commonwealth, with market share of 22%, a 1% increase compared with 2014. Digital sales now account for 30% of the adult literature segment, but the sharp increase in VAT on e-books (now 20%) weighed on margins, as did new contracts with retailers.

HUK placed 113 titles on the *Sunday Times* bestseller lists in 2015, 19 of which made it to first place. Many of its titles won awards:

- ▶ *A Song for Ella Grey*, by David Almond, won the Guardian children's fiction prize;
- ▶ *The Loney*, by Andrew Michael Hurley, won the Costa First Novel award;
- ▶ *The Invention of Nature*, by Andrea Wulf, won the Costa Biography award;
- ▶ *Asking for it*, by Louise O'Neill, won the Irish Book of the Year award.

Deliciously Ella (published in January) also broke all records for daily sales of a cookbook.

Hodder Education was named "Academic, Educational and Professional Publisher of the Year", and Weidenfeld & Nicolson "Imprint of the Year" at the Bookseller Industry Awards.

The publishing houses acquired in 2014 (Quercus and Constable & Robinson in General Literature, Illex in Illustrated books, Rising Stars in Education) all contributed positively to HUK's results.

An exceptional year in 2015 allowed Hodder Education, which now includes Rising Stars, to significantly strengthen its market share in primary education, particularly through its My Rising Stars and Dynamic Learning digital platforms.

In a substantially stronger market, Hachette Australia saw two of its novels win awards: *Foreign Soil*, by Maxine Beneba Clarke, received the Literary Fiction Book Award, and *Lost & Found*, by Brooke Davis, won the General Fiction Book of the Year Award.

In India, *Playing it My Way*, by Sachin Tendulkar (Hachette India) became the bestselling large-format non-fiction publication of all time, while *The Gita for Children*, by Roopa Pai, became the year's bestseller in youth literature.

The London headquarters of HUK's various subsidiaries moved to Carmelite House, a building overlooking the Thames in the heart of the capital. Combining the various components in one place and switching to open plan offices will generate substantial savings on overheads.

Spain and Latin America

The Spanish book market continued its decline, falling by 2% in volume (excluding textbooks⁽¹⁾) to 20% below the 2004 level. In this depressed environment, the comprehensive reform ushered in by the new 2014 education law (*Ley Orgánica de Calidad Educativa Mejora* – LOMCE) gave traction to educational publishers, led by Hachette Livre and its leading brands, Anaya, Bruño, Barcanova, Algaída and Xerais. The reform, which extends until 2016, covers all curricula, from nursery to secondary school, and has led to a call for tenders for more than 1,700 new textbooks including versions in regional languages. The determined response of Grupo Anaya and its various components, and its ability to adapt to a highly fragmented market, resulted in a 15% increase in sales for the Education division.

Outside the Textbook market, Grupo Anaya recorded excellent sales with *Astérix y El papiro del César*, published by Bruño/Salvat, and *La cocina de Isasawais* and *Cocina sana para disfrutar*, by Isabel Llano, published by Oberon. At Algaída Narrativa, *La transición perpetua*, by Luis del Val, won the Premio Solar de Samaniego award, which propelled it to the top of several bestseller lists.

In Mexico, Larousse celebrated its 50th anniversary and launched its "Preescolar" (preschool) series. Patria completed the overhaul of its "Bachillerato" (high school) catalogue, with the launch of an online learning system (SAL) for this level. In October, Hachette Livre's new 8,000-square-metre distribution centre in Mexico was inaugurated.

Hachette España published a total of 3,626 new titles in 2015, as well as 3,783 reprints. These figures, along with the 308 new titles and 643 reprints in Latin America, illustrate the highly fragmented nature of the Hispanic market, and underscore the division's ability to perform "made-to-measure" publishing profitably.

Partworks

2015 was another good year for the Collections division, which gained market share and issued 66 new titles during the year. Noteworthy bestsellers include the *F14* and *Nissan* model kits in Japan, and Art Therapy colouring books in France and the United Kingdom.

B.3 Objectives and achievements in 2015

Hachette Livre had set itself five main objectives for 2015:

- ▶ control costs, as regards payroll, advances to authors and printing;
- ▶ regain control of the selling price of its e-books and develop a method for determining the optimal price for each book;
- ▶ develop Customer Relationship Management (CRM) approaches in all subsidiaries;
- ▶ integrate the publishing houses acquired in the United Kingdom and the United States in 2014, and make them profitable;
- ▶ merge premises while improving working conditions.

These objectives were largely achieved:

- ▶ overheads scarcely rose at all in 2015 (an achievement facilitated by the virtual absence of inflation), while variable expenses, including advances to authors, were strictly controlled, especially in the United States, where auctions organised by agents are structurally inflationary;
- ▶ following the agreement to return responsibility to HBG and HUK for setting the retail prices of their e-books, numerous and extensive market assessments were conducted to determine a pricing policy that incorporates several factors including the nature of each title, the author's track record, the age of the title and its commercial success;
- ▶ CRM is now an integral part of all marketing policies, building on sophisticated IT tools;
- ▶ Quercus, Constable & Robinson, Ilex and Rising Stars in the United Kingdom, and Black Dog & Leventhal in the United States were successfully integrated and are all profitable, in some cases exceeding expectations;
- ▶ after moving the headquarters of HBG in New York in 2014, and those of HUK in London and Hachette Livre from Paris (Quai de Grenelle) to Vanves in 2015, the division's main components are now housed in more comfortable, more functional and more spacious offices that meet the most stringent environmental standards. The savings on rent and heating and cooling costs are significant, even though the new premises are more prestigious because of their design and/or location.

C) OUTLOOK

2016 is set to be a mixed year for Hachette Livre.

Excluding textbooks, France will suffer from comparisons with the demanding levels achieved in 2015, when sales were boosted by numerous literary awards, the fourth book in the *Fifty Shades of Grey* series and *Astérix*.

However, major curriculum reform, affecting all subjects and all levels from primary to middle school, is to take place in 2016 and 2017. Hachette Livre's Education departments are fully prepared to meet this new demand, which dovetails perfectly with their expertise.

Spain once again stands to benefit from curriculum reform driven by LOMCE, which is set to continue until the end of 2016.

In the English-speaking markets, the constraint represented by e-book prices will only loosen gradually, and will again bring down margins in the United Kingdom.

With this in mind, particular attention will continue to be paid to the control of overheads and variable expenses.

Targeted acquisitions to complement the existing offer may be considered if appropriate.

(1) Source: Nielsen BookScan.

5.2.2 LAGARDÈRE TRAVEL RETAIL⁽¹⁾

In 2015, the division and its subsidiaries signalled their strategic repositioning and ambitions for Travel Retail by changing their name and unifying their identity around a new B2B brand, Lagardère Travel Retail.

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

Lagardère Travel Retail is a global leader in Travel Retail, with operations in 30 countries and four continents and is gradually reducing its presence in Local Distribution.

As of the end of 2015, Lagardère Travel Retail operated a total of 4,714 sales outlets (4,161 in 2014), including 603 in the Distribution business, which is in the process of being sold. 3,623 of the sales outlets are located in Europe, Middle East and Africa, 321 are in Asia-Pacific and 770 are in North America (204 in 2014), following

the acquisitions of Paradies and New York's JFK Airport Terminal 4 in 2015.

Lagardère Travel Retail is focusing its development on Travel Retail, while continuing the active management of its Distribution business, which is in the process of being sold:

- ▶ Travel Retail consists of Retail operations in travel areas and concessions in three segments: Travel Essentials, Duty Free & Fashion, and Foodservice. The business line breaks its operations down into three geographic areas: Europe, Middle East and Africa (EMEA), Asia-Pacific (ASPAC) and North America.
- ▶ Distribution operates Distribution and Services activities for convenience stores, in both independent and integrated retail networks. It also offers a full range of services to e-tailers. These activities are located as follows:

	Belgium	Hungary	Canada
Distribution			
National retailer	x	x	x
Wholesaler	x	x	x
FMCG ⁽²⁾ distributor	x	x	x
Third-party logistics	x	x	x
Marketing services	x	x	x
Integrated retail	x	x	

(2) Fast-moving consumer goods.

The Spanish activities were deconsolidated on 25 February 2016.

A.1 Travel Retail

Retail sales dedicated to travellers

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

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

- ▶ leveraging its current positions to increase effectiveness and brand awareness;
- ▶ expanding its commercial offering, particularly in Foodservice;
- ▶ intensifying its organic growth, particularly in emerging countries, demonstrated by Lagardère Travel Retail winning the Abu Dhabi concession in partnership with a local operator at the end of December 2015;
- ▶ accelerating its external growth, with the significant acquisition in October 2015 of Paradies, which operates outlets in 75 airports in the United States and Canada, thereby propelling Lagardère Travel Retail to number two in the North American Travel Essentials market.

Lagardère Travel Retail aims to become the leading travel retailer and the preferred partner for licensors on all market segments. It is structured around three geographic areas:

- ▶ Lagardère Travel Retail EMEA covers Europe and expansion in the Middle East and Africa;

- ▶ Lagardère Travel Retail ASPAC covers the Asia-Pacific area. In 2015, a sizeable tender was won for Duty Free activities at Auckland Airport in New Zealand;

- ▶ Lagardère Travel Retail North America covers the retail businesses in Canada and the United States. The acquisitions of Paradies in October 2015 and Saveria in April 2015 (fashion and confectionery outlets at New York's JFK Airport Terminal 4) significantly increased the weighting of the North America area to 11.2% of Travel Retail operations in 2015.

In the wake of the recent market consolidation, and taking into account the acquisition of Paradies (on a pro forma basis), Lagardère Travel Retail is now the fourth-largest operator in Travel Retail, and the biggest operating across the three business lines (Travel Essentials, Duty Free & Fashion and Foodservice). Since 2014, its geographic organisation has been complemented by a matrix-based organisation to optimise the management of its various businesses. As such, Lagardère Travel Retail:

- ▶ runs the largest international network of stores dedicated to Travel Essentials;
- ▶ is a major player in Duty Free & Fashion;
- ▶ is the fourth-largest operator in Foodservice in travel areas worldwide.

The network includes the following sales outlets, operated:

- ▶ under its own international store names (Relay, Hubiz, 1minute, Discover, Tech2go, Aelia Duty Free, The Fashion Gallery, The Fashion Place, Eye Love, So Chocolate, Bread&Co., Hello!, So! Coffee, Rusticelli Mangione, deCanto, Trib's, etc.) or

(1) Formerly Lagardère Services.

store names with a strong local identity (Sydney Opera House, Buy Paris Duty Free, Frankfurter Markthalle);

- ▶ under franchise or licence to retail partners such as Lonely Planet, Fnac, iStore, Marks & Spencer, Hermès, Victoria's Secret, Nespresso, Costa Coffee, Burger King and Paul.

a. World leader in Travel Essentials

With the Relay, Hubiz, 1minute and Discover stores, as well as local store names, Lagardère Travel Retail currently runs the world's largest international network of travel essentials stores located in transport areas, including more than 220 international airports. With new sales outlets opening regularly, Relay offers an increasing number of travellers a comprehensive range of products to occupy transport or travel time: reading matter, travel-related accessories, gifts, souvenirs, drinks, snacks, children's products, etc.

In train stations and airports, Lagardère Travel Retail also operates a large number of stores selling small electronic appliances, telephone accessories and mobile devices under the Fnac, Virgin, iStore and Tech2go names (notably in France, Germany, Poland, China, Australia, New Zealand, Canada and the United States).

Lastly, the Air de Paris stores in France and the Discover stores in North America, Germany, Poland, Australia, China and Singapore sell tourists products and souvenirs that promote local culture and regional produce. Lagardère Travel Retail also operates souvenir concessions at the Eiffel Tower and Sydney Opera House, as well as sales outlets at Niagara Falls.

Competition in convenience stores and news-stands in travel areas previously came from local businesses, but is becoming more international: Hudson News operates in 15 countries and WH Smith in 20; HMSHost operates in North America, Valora and Eckert in Germany, Areas in Spain, and Ruch and Kolporter in Poland, among others.

A top player worldwide in Duty Free & Fashion

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

Following the acquisition of Gerzon in 2014 (12 fashion outlets at Schiphol Airport), the gain of further tenders in Spain in 2014 (8 sales outlets), the purchase of fashion outlets at New York's JFK Airport Terminal 4 in April 2015, and that of Paradises in October 2015 (124 fashion outlets), Lagardère Travel Retail has become a world leader in Fashion sales in travel areas. This segment has grown significantly, counting 378 stores by the end of 2015.

Lagardère Travel Retail also handles onboard sales of high-end products on behalf of certain airlines, including Air France, Alitalia and Iberia, in partnership with the Sevrair group.

Aside from Lagardère Travel Retail, the leading global players in duty-free sales and specialist concept stores in travel areas are Dufry (which recently acquired Nuance and World Duty Free), DFS (LVMH group) and Heinemann.

b. Fast-growing operator in Foodservice

Lagardère Travel Retail operates 784 Foodservice outlets in 15 countries (France, Poland, Czech Republic, Germany, Belgium, Australia, Bulgaria, the United States, Canada, and, since the 2014 acquisition of Italian group Airst, in Italy, as well as Austria, Slovenia, the United Arab Emirates, China and Singapore) under its own store names (Trib's, Business Shark, Sol Coffee, Rusticelli Mangione, Bricco, etc.) and under licence, both to international brands (Paul, Costa Coffee, Subway, etc.) and local brands (SumoSalad, Java U, etc.).

Lagardère Travel Retail is basing its growth in this segment on numerous partnerships forged with major players in Foodservice, which enable it to expand the range of food it offers to customers, while at the same time diversifying and adapting it to customer expectations. At a time when airports worldwide are constantly raising standards and are increasingly demanding, the division's varied concepts, renowned store names and ability to respond skillfully to tenders are major assets when bidding for new concessions.

A.2 Distribution

The Distribution business is in the process of being sold: the sale of the Swiss operations was finalised in late February 2015, Curtis's activities were sold at the end of June 2015 and the Spanish operations on 25 February 2016. An agreement for the sale of activities in Belgium was also signed on 4 February 2016. The sale process is continuing for operations in the remaining two countries, Hungary and Canada.

In this substantially diversified context, the Distribution business is focusing on growth and consolidation, despite lower print media sales, with three main priorities:

- ▶ streamline and improve the performance of Press Distribution operations: harmonise and improve industrial practices and productivity, integrate companies to improve efficiency, gain market share in Press Distribution, capture a greater portion of the value chain, etc.;
- ▶ develop Distribution activities and diversified services: distribute and represent FMCG brands, extend the services (including dematerialised services) provided within the network, in a new and commercially attractive offer, expand into non-press distribution Retail networks;
- ▶ build an offer of B2B services based on skills, logistics assets and appropriate technologies: provide services for e-tailers, Third-Party Logistics (3PL) Providers and PUDO (Pick Up Drop Off) services.

a. National Press Distribution and Press Import/Export

Supplying sales outlets with newspapers and magazines is a crucial function in press sales. LS distribution, a subsidiary of Lagardère Travel Retail, carried out this activity in four countries as of the end of 2015.

LS distribution is the leader in National Press Distribution and is the largest distributor in Belgium, Spain and Hungary. In these countries, it supplies convenience store networks: Lapker in Hungary (6,866 sales outlets, 383 of which are operated by the company) and SGEL in Spain (approximately 20,000 sales outlets).

b. Other Distribution activities

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

It now offers distribution and brand-representation services, FMCG product distribution and logistics for e-tailers, in addition to new services (including dematerialised services such as Western Union money transfers and telephony).

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

LS distribution also has a network of almost 700 convenience stores trading under names with strong national identities such as Inmedio in Hungary and Press Shop in Belgium. Competitors are local independent retailers.

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 specialist concepts.

B) OPERATIONS DURING 2015

Contribution to consolidated sales in 2015: €3,530 million (€3,814 million in 2014).

Breakdown of sales by activity

	2015	2014
Travel Retail	72.5%	63.4%
Distribution of which Integrated Retail	27.5%	36.6%
of which Distribution	6.0%	14.4%
	21.5%	22.2%
Total sales	100%	100%

Breakdown of sales by geographic area (Total)

	2015	2014
France	23.1%	26.2%
Europe (excl. France)	57.7%	59.8%
North America	9.2%	6.0%
Asia-Pacific	10.0%	8.0%
Total sales	100%	100%

Breakdown of sales by geographic area (Travel Retail)

	2015	2014
France	31.7%	41.4%
Europe (excl. France)	42.7%	39.1%
North America	11.2%	7.0%
Asia-Pacific	14.4%	12.5%
Total sales	100%	100%

Sales declined by 8.0% in 2015 on a reported basis and increased by 4.3% on a like-for-like basis.

Travel Retail accounted for 72.5% of consolidated sales in 2015, up from 63.4% in 2014, thanks to acquisitions made in 2015 (Paradies and New York's JFK Airport Terminal 4) and the ramp-up of new concessions (Duty Free in Auckland, New Zealand, Foodservice in France and Europe, notably with the 2014 acquisition of Italian group Airst, Fashion in China and Spain, Warsaw and Krakow in Poland), and despite the impact of the deconsolidation of sales derived from the SNCF network (since September 2014) and the Inmedio network in Poland (since December 2014) following the creation of joint ventures involving a shift to the equity method to consolidate these two entities.

The 2015 market environment was marked by continued growth in air traffic, at a significantly faster pace than in 2014, and a further decline in the press market.

The magnitude of the economic crisis, especially in Europe, geopolitical tension, especially with the attacks in Paris, new Chinese regulatory measures limiting group travel and extravagant spending, and the devaluation of certain currencies (especially the rouble) continued to dampen activity.

- ▶ Continued growth in air traffic

After growth of 6.3% in 2010, 5% in 2011, 4.2% in 2012, 3.9% in 2013 and 4.9% in 2014, 2015 saw a significant increase in the pace of air traffic growth to 6.0% worldwide, breaking down as follows: 5.2% in Europe (as in 2014), 5.0% in North America (3.2% in 2014) and 8.0% in Asia-Pacific (5.4% in 2014⁽¹⁾).

- ▶ Further decline in print media sales

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

Lower volumes have been partially offset by higher prices.

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

- ▶ growth in air traffic;
- ▶ network expansion (through organic and external growth) and the modernisation of stores;
- ▶ the ongoing strategy of modulating concepts and lines in favour of products enjoying growth and/or offering higher margins (Duty Free, Foodservice and convenience stores, for instance);
- ▶ improved purchasing conditions.

(1) Source: ACI, at end-August 2015 and end-December 2014.

Lagardère Travel Retail's concessions portfolio expanded considerably during the year, especially in the Duty Free & Fashion and Foodservice activities, where royalties are traditionally higher, but where operating margins are more attractive.

For Distribution, the drop in profits on a like-for-like basis was partly offset by diversification efforts and reorganisation plans, which helped generate new revenues and further savings in 2015.

B.1 Travel Retail

Europe, Middle East and Africa (EMEA)

In **France**, managed sales⁽¹⁾ on the Relay France network were up 3.7% in 2015. Strong growth in Food & Beverage sales (up 16.9%) helped offset the decline in press sales (down 2.6%). The 13 November terrorist attacks in Paris also had an adverse effect on business. Hospital networks and regional airports reported growth of 9.1% and 10.6% respectively year on year, with the gain of numerous concessions.

Overall, managed sales at directly operated stores in France rose by 2.1% in Travel Essentials and 11.1% in Foodservice.

Sales generated in airports by the equity consolidated Relay@ADP joint venture were satisfactory, growing by 4.6% in 2015, driven primarily by growth in packaged food and souvenirs.

Also in France, Duty Free & Fashion recorded year-on-year growth of 7.6% in managed sales⁽¹⁾ in 2015.

The modernisation of sales outlets, further new business initiatives and the quality of the training policy helped generate earnings growth that outpaced the increase in air traffic (increases of 3.0% for Aéroports de Paris, 3.0% in Lyon and 2.8% in Nice).

Paris-Charles de Gaulle Airport also benefited from the sharp rise in numbers of Chinese visitors and favourable exchange rates (US dollar and pound sterling versus euro).

The entire network of Parisian and regional airports was affected by the 13 November terrorist attacks in Paris.

The **United Kingdom** recorded sales growth of 8.5% year on year thanks to the full-year contribution from new sales outlets in Birmingham opened mid-2014 and a very significant increase in air traffic across all platforms (up 12%). However, as the increase was attributable chiefly to low-cost carriers, there was a corresponding 6% decline in spending per passenger.

With the acquisition of Airst in April 2014, Lagardère Travel Retail has strengthened its presence in **Italy** and diversified into three segments (Duty Free & Fashion, Foodservice and Travel Essentials) and into different distribution channels (airports, train stations, bus stations, motorway services and shopping malls).

Total sales grew by 7.9% in 2015. Despite the fire at Roma Fiumicino Airport on 7 May 2015, which led to the closure of the main store representing over 30% of the total sales area, Rome sales grew by 12.9% compared with 2014 thanks to a transfer effect to other stores and a 5% increase in traffic driven largely by growth in numbers of Duty Paid⁽²⁾ passengers.

As of end-2015, Lagardère Travel Retail had 116 points of sale in Italy.

In **Spain**, sales grew by 8.1% year on year due to the full-year contribution of the 2014 opening of eight fashion outlets in the airports of Madrid, Barcelona, Alicante, Malaga and Valencia. Sales in the legacy Travel Essentials activity grew by 1.2% thanks to the

increasing weight of food products, which offset the decline in press sales (down 4.7% compared with 2014).

With the consolidation of Airst, sales generated in **Germany, Austria and Slovenia** increased by 9.7%.

In Germany, growth was 2.6%. Growth in Travel Essentials sales of 1.9% resulted from a good performance in sales excluding network changes (up 2.9%, thanks notably to Frankfurt), while the contribution from the real network was down 1.0 percentage point. The development of Foodservice activities added 0.7 percentage points to growth.

The acquisition of Airst in 2014 resulted in a 7.1% increase in the contribution to sales growth from Austria and Slovenia.

The region now incorporates a total of 160 sales outlets, including 68 in Foodservice (32 in Germany, 29 in Austria and 7 in Slovenia).

In **Poland**, consolidated sales fell by 26.9%, due mainly to the deconsolidation of the Inmedio business (451 sales outlets as of end-2015) following the sale on 1 December 2014 of 51% of this activity to distributor Eurocash SA.

Excluding this effect, managed sales in Poland grew by 17.0%, resulting chiefly from the opening of 25 new sales outlets in Warsaw Airport's new Terminal T1. This opening gave a boost to the Duty Free activities (up 20.7%), and also to Travel Essentials (up 18.4%) and Foodservice (up 2.4%).

The sales of the deconsolidated Inmedio business were up 4.2% compared with 2014, driven notably by growth in the number of sales outlets (an additional 38).

The Polish network had a total of 811 sales outlets at the end of 2015 (an increase of 68 compared with 2014), including 451 Inmedio outlets (consolidated using the equity method).

In the **Czech Republic**, the 3.8% increase in sales in 2015 was driven by the expansion of the Foodservice network with the opening of six new outlets. Sales in the legacy Relay and Inmedio outlets increased by 5.3% thanks to strong growth in tobacco sales (up 8.1%). Duty Free business (24 sales outlets in airports), which is very sensitive to Russian passengers, saw a decline of 2.8%, affected by lower air traffic and a drop in the average spend by Russians.

Sales in the **Netherlands** grew by 2.2% compared with 2014 despite significant work in Terminal 2 at Schiphol Airport in Amsterdam in 2015.

In **Romania**, the 18.7% increase in sales in 2015 was driven by network expansion with 15 new sales outlets opened in 2015.

In **Bulgaria**, sales increased by 15.8% in 2015 thanks to very good results on a constant-network basis (up 11.9% in 2015) and the strong performance of the Varna and Burgas Food & Beverage outlets opened in 2014 (up 33.4% compared with 2014).

Asia-Pacific

In the **Pacific**, the Duty Free business was marked by the acquisition at the end of June 2015 of part of the Duty Free sales outlets of Auckland Airport in New Zealand, as well as the opening of new concepts in Australia and New Zealand (Amuse Beauty Studio, Victoria's Secret, Desigual, Bath and Body Works). The performance of the Travel Essentials activity was down 4.7% due to the loss of concessions in Terminal 1 at Sydney Airport. Press sales also continued to decline (down 9.9% at constant scope of consolidation) despite the recovery of book sales after three difficult years, particularly in Australia (a 3.8% increase compared with 2014).

(1) Managed sales correspond to 100% of sales from the relevant activities regardless of Lagardère Travel Retail's level of control or ownership.

(2) Duty Paid passengers are those departing for European Union countries, whose purchases are accordingly not eligible for exemptions from excise and customs duties.

In **Asia**, sales growth continued at a strong pace, increasing by 9.0% despite a relatively challenging environment still suffering the effects of (i) moderate traffic growth in Singapore and Malaysia, attributable chiefly to political events in Thailand and the two Malaysia Airlines accidents in 2014, and (ii) the decline in spending per passenger resulting from Chinese regulatory measures aimed at curbing extravagant expenditure, as well as the devaluation of the Malaysian ringgit and Indonesian rupiah.

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

The closure of some outlets in Kuala Lumpur Airport in Malaysia nevertheless had a dampening effect.

Lagardère Travel Retail now has 151 sales outlets in the region, an increase of 24 compared with 2014.

North America

In 2015, North America's operations received a great boost from the acquisition of Paradies in October 2015, which operates a network of over 550 sales outlets in 75 airports in North America.

With 210 sales outlets in its legacy scope, split evenly between Canada and the United States, activity grew by 5.5% on 2015, with sales up 3.9% excluding network changes. The sharp deterioration of 6.2% in press sales was more than offset by the very significant effects of the growth in food, souvenirs and accessories for portable devices.

Network changes added 35 percentage points to sales growth, thanks in part to the acquisition of activities in New York's JFK Airport Terminal 4 (16 fashion and confectionery outlets).

B.2 Distribution

The Distribution business is in the process of being sold, as described in section A.2 above.

Integrated Retail activities

In **Belgium**, Retail sales fell by 4.1% due to the declines in press and telephone card sales, partially offset by the opening of Food & Beverage outlets. As of end-2015, this activity had 220 sales outlets.

In **Hungary**, sales were down 3.8%, with sales in legacy press outlets down 4.4% due to the significant 11.4% decline in press sales. Diversification, with the opening of Food & Beverage outlets, made a positive contribution of 0.6 percentage points to the Retail activity performance. As of end-2015, Hungary had 394 sales outlets.

Distribution activities

The Distribution business was marked by a continuation of the significant decline in the press market in 2015, partially offset by the continued, sustained growth in diversification businesses in all countries.

In **Belgium**, AMP's Distribution activities were down 5.6% in 2015 due to a faster decline in press and telephone card sales (down 5.7% and 5.6% respectively compared with 2014). AMP continues to diversify, with the development of new products and the Burnonville activity.

In **Spain**, Distribution activities grew by 0.6% in 2015, after a 5.0% decline in 2014, thanks to an excellent year for Partworks (up 44%) and textbooks (a 6% improvement due to curriculum reform), and the development of Celeritas, a specialist in logistics and distribution activities for e-tailers (up 30%).

Distribution activity sales in **Hungary** were down 12.4%, primarily due to the discontinuation of the export activity at the end of August 2015. Adjusted for this impact, press sales were down 2.7%, while the LDS (distribution of convenience products) and Sprinter (diversification into logistics) businesses continued to grow.

In **North America**, LS distribution North America reported a 25.7% decline in sales following the discontinuation at the end of 2015 of activities acquired from the distributor, Benjamin. Adjusted for this impact, sales fell by 5.8%.

B.3 Objectives and achievements in 2015

Travel Retail

One of the objectives of 2015 was to develop the product mix in Travel Essentials. To meet this objective, Lagardère Travel Retail focused its efforts on:

- ▶ the development of new product lines, especially in food, souvenirs and accessories;
- ▶ the development of new concepts such as Hubiz, Discover, Tech2go and iStore;
- ▶ the modernisation of a large number of Relay sales outlets in France, with the new Relay concept, extending the offering to new ranges of products and services;
- ▶ the implementation of innovative business initiatives to boost sales.

The second objective involved increasing the pace of expansion in emerging regions. In Asia, sales continued to grow, increasing by 9% year on year, reflecting the strong performance of recent concessions won in Hong Kong, Singapore and China (Shenzhen and Xi'an).

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

- ▶ the acquisition on 22 October 2015 of Paradies, which currently operates more than 550 sales outlets in 75 airports in North America. Building on such recognised brands as Brooks Brothers, Pandora, CNBC, Harley-Davidson, PGA Tour Shop, Travel Mart, Dylan's Candy Bar and countless others, Paradies offers its customers a wide variety of convenience, fashion and sportswear products, and confectionery and souvenirs. Paradies also operates 31 restaurants. This acquisition took Lagardère Travel Retail's North American sales over USD 800 million;
- ▶ the acquisition from Saveria USA of Fashion & Specialties activities in New York's JFK Airport Terminal 4 on 22 April 2015;
- ▶ the gain in February 2015 of a major Duty Free concession at Auckland Airport (opened on 1 July 2015);
- ▶ the renewal in February 2015 of the Duty Free & Fashion concession at London Luton Airport;
- ▶ the opening in March 2015 of seven Foodservice outlets with a local partner in Iceland;
- ▶ the opening in June 2015 of new sales outlets in Terminal 1 of Warsaw Airport (25 stores in three segments: Duty Free & Fashion, Foodservice and Travel Essentials);
- ▶ the renewal in June 2015 of the Nice tender and the gain of additional fashion and high tech sales outlets;
- ▶ the opening in August 2015 of the Marks & Spencer Simply Food sales outlet in the Châtelet-Les Halles RER station in France;
- ▶ the gain by Relay of numerous concessions in France in train stations (Paris and Lille) and airports (Paris and Nice) and the opening of 22 sales outlets in Générale de Santé clinics;
- ▶ the opening in September 2015 of the first high-end luxury concession at Kunming Changshui International Airport in south-west China;
- ▶ the gain in September 2015 of five fashion concessions in Hong Kong International Airport;

- ▶ the gain in December 2015 of a major tender in the new Midfield Terminal in Abu Dhabi International Airport, covering the operation for a period of 10 years of the tobacco, alcohol, confectionery and gourmet food concession (as well as cosmetics at a few points of sale), in partnership with a local operator. The opening is scheduled for late 2017.

Distribution

The Company is committed to refocusing on its core Travel Retail business and has set itself the objective of selling its Distribution business. An update on the sale of the Distribution business is provided in section A.2 above.

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

The year was particularly eventful in terms of diversification:

- ▶ faster migration of retail networks to non-press sales;
- ▶ expansion of the operations of LDS in Hungary (distribution of FMCG products);
- ▶ more services to e-tailers in each of its subsidiaries, notably with the development of the activities of Celeritas in Spain and Sprinter Courier Service in Hungary;
- ▶ development of PUDO activities in Hungary, Spain and Belgium, with the use of AMP's own Karibool brand.

LS distribution continued to gain market share in its legacy business in Spain in 2015.

C) OUTLOOK

Lagardère Travel Retail's 2016 trading outlook is hinged primarily on changes in airport traffic, press markets and broader economic and political trends.

For Travel Retail, the objectives are focused on:

- ▶ successfully integrating Paradies and consolidating the large number of outlets opened in 2015 (Auckland, Warsaw, Nice, Luxembourg, etc.);
- ▶ continuing the diversification of the product mix in Travel Essentials, through the modernisation of concepts and by rolling out the new Relay concept in all countries where Lagardère Travel Retail operates;
- ▶ developing the Duty Free & Fashion and Foodservice segments;
- ▶ increasing the pace of expansion in Asia-Pacific, the Middle East and Africa;
- ▶ making acquisitions.

For Distribution, the objective is to dispose of all residual activities. Lagardère Travel Retail, which is acknowledged for its leadership positions in its business lines, its operational rigour, its performance culture and its international brands, has a number of assets to help it meet these objectives.

5.2.3 LAGARDÈRE ACTIVE

The following comments describe the position of Lagardère Active based on its 2015 scope and business developments. They therefore take into account the acquisition of distribution company The Box in April 2015, and the purchase of a majority stake in Grupo Boomerang TV, a Spanish audiovisual production group, in June 2015.

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

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

A.1 Magazine Publishing

Lagardère Active is one of the leaders in Magazine Publishing for the general public in France, boasting 15 titles plus other licensed titles published internationally (81 publications).

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

Flagship publications include *Elle*, *Paris Match*, *Le Journal du Dimanche*, *Version Femina* and *Télé 7 Jours*, which are available in both print and online editions.

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

Other market players in the Magazine Publishing segment for the general public are either non-specialist groups with operations in one or two countries (such as Time Inc. in the United States and the United Kingdom, Mondadori in Italy and France, etc.), or brands with global ambitions (Hearst and Condé Nast).

A.2 Radio

Roughly a third of Radio sales are generated outside France. Radio station revenues are largely made up of radio and digital advertising sales, which depend greatly on audience ratings and the state of the advertising market.

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

Europe 1

Europe 1, France's benchmark radio station, with nearly 4.9 million listeners every day⁽¹⁾, remains faithful to its traditional fare of general interest, high-quality output for the general public. It is renowned for its coverage and analysis of major news events.

Virgin Radio

Virgin Radio is a music station for 25- to 34-year-olds, blending creativity and a dynamic, interactive format. Virgin Radio plays a mix of well-known pop, rock and electro hits and new tracks. It has nearly 2.6 million listeners every day⁽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. It attracts nearly 2.4 million listeners every day⁽¹⁾.

International radio

Outside France, Lagardère Active Radio International (LARI) has been successfully developing the division's radio broadcasting skills over the last 25 years in eight countries in Eastern Europe, Germany and South Africa, as well as in French-speaking sub-Saharan Africa over the last two years.

(1) Source: Médiamétrie 126,000; average Monday-Friday; 5am-midnight; November-December 2015 wave.

Every day, more than 13 million listeners tune in to its 21 radio stations, mostly music channels.

In all the countries where its operations are well established, LARI is a major player in the private radio station market:

- ▶ number one in the Czech Republic, where it has five radio stations, including Evropa 2 and Frekvence 1, the country's second and third most popular stations respectively⁽¹⁾;
- ▶ number two in Poland, where it has five radio stations, including Radio Zet, one of the country's leading stations, with more than 6 million listeners daily⁽²⁾;
- ▶ number two in Romania, where it has three radio stations, including Europa FM, the country's leading private radio station⁽³⁾;
- ▶ leading radio station in Saarland, Germany, with Radio Saarländ⁽⁴⁾;
- ▶ leading regional radio station in South Africa, with Jacaranda⁽⁵⁾;
- ▶ among the top four radio stations in Slovakia, with Europa 2⁽⁶⁾.

In September 2015, LARI launched its twenty-first international radio station, and its second in West Africa, venturing into Ivory Coast on the heels of its initial foray into Senegal in September 2014.

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) (see section 3.3.1.2).

A.3 Television channels

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

By contrast, freewiew Digital Terrestrial Television (DTT) channels are available to all viewers, and derive most of their revenues from advertising.

Over the last three years, Lagardère Active's channels have focused on two main segments:

- ▶ channels targeting a youth and family audience, including Tiji (for children aged under 7) and Canal J (children aged 6-14). These pay channels are broadcast exclusively by CanalSat and Numericable in France. Both channels are also available in Russia, on a subscription-based business model, where they benefit from satellite broadcasting with dedicated programmes. The youth offer also features Gulli, a freewiew DTT channel, wholly owned by Lagardère Active since November 2014.

Lagardère Active's package for the youth and family market is the leader in its segment, and is also the best-known offer in France (97% of households with children know at least one of these channels⁽⁷⁾);

- ▶ the entertainment offering for young adults of both sexes consists of music channels MCM, RFM TV (formerly MCM Pop) and MCM TOP, as well as June. June is broadcast exclusively by CanalSat and Numericable, 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. In the same music universe, two offshoots of the division's music radio stations were launched in 2014: Virgin Radio TV and RFM TV. They are distributed by Internet providers, CanalSat and Numericable.

Lagardère Active's offer also extends outside France, through Mezzo and Mezzo Live HD, which are now available to 28 million homes in over 50 countries. They have carved themselves a reputation as the international benchmark for classical music, jazz and dance on television. Mezzo is 40%-owned by France Télévisions. Mezzo Live HD has also been available in the Asia-Pacific region since 2014, and in North America (mainly Canada) since April 2015. Gulli has also diversified internationally, with the March 2015 launch of Gulli Africa, in partnership with the Canal+ group.

Thanks to this diverse offering, Lagardère Active is a major player in the television market. In 2015, Gulli logged the sixth-largest audience share⁽⁸⁾ of all DTT channels, with 1.6% of viewers aged 4 years and over across the whole of France. It was also the leading offer for children aged 4-10 during the day (6am-8pm), with 17.6% audience share⁽⁹⁾ (well ahead of TF1, with 13.7%).

Note that France 4 repositioned itself as a youth channel on 31 March 2014, and has therefore naturally progressed in the 4-10 age group. Its daytime (6am-8pm) audience share increased from 4.2% in 2014 to 7.1% in 2015, although it remains well behind Gulli. Three years ago, in late 2012, six new channels were added to the DTT line-up. They have been available throughout France since mid-2015.

A.4 Audiovisual Production and Distribution

In the field of Audiovisual Production and Distribution, Lagardère Active, through its Lagardère Studios subsidiary (formerly Lagardère Entertainment), provides archive programmes (drama, documentaries) and programmes for immediate broadcast (features, light entertainment, prime-time access) to a large majority of freewiew, cable and satellite channels in France, and to the three major television groups in Spain.

In 2015, Lagardère Studios maintained its position as the leading producer of drama in France, with more than 68 hours of original programming broadcast in prime time between 1 September 2014 and 31 August 2015⁽¹⁰⁾. Lagardère Studios is also the second-largest producer of programmes for immediate broadcast, with over 1,000 hours broadcast over the same period on French channels.

The acquisition of Grupo Boomerang TV made Lagardère Studios Spain's leading independent producer in 2015, with more than 1,000 hours delivered.

These companies' sales consist of broadcaster financing. Other sources of financing such as co-producers, local and regional authorities, and the French national cinema board (CNC) help fund production.

Audiovisual Distribution sales consist of the sale of broadcasting rights for audiovisual works for specific markets and specific lengths of time.

(1) Source: Radio Project Q2 + Q3 2015; LV12+.

(2) Source: SMG KRC Radio Track July-September 2015; LV15+.

(3) Source: IMAS May-August 2015; LV11+ Urban.

(4) Source: AS&S MA II 2015 and EMA II 2015; LV10+.

(5) Source: RAMS 2015/3; LV15+.

(6) Source: MML SK; Q1 + Q2 2015; LV14+.

(7) Source: CSA; 2015 study conducted on awareness of additional channels; April 2015.

(8) Source: Médiamétrie – Médiamat 2015; consolidated audience. Audience share is expressed as a percentage and calculated by dividing the audience for a given channel by the total audience for the media as a whole.

(9) Source: Médiamétrie – Médiamat 2015; consolidated audience. Audience share is expressed as a percentage and calculated by dividing the audience for a given channel by the total audience for the media as a whole. Consolidated audience until 29/12/2015, live and deferred audience from 28/12/2015 to 03/01/2016.

(10) Source: *Écran Total*; Ranking of drama producers; end-September 2015.

A.5 Advertising Sales Brokerage

The Advertising Sales Brokerage markets a rich and varied media offering and smart media solutions closely matched to the needs of advertisers, media agencies and consultancies.

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

- ▶ the leading French press advertising sales brokerage, with leadership positions in women's, current affairs, decorating, cooking and TV magazines⁽¹⁾: 22.3 million readers, or 43% of individuals aged 15 and over read at least one title with connections to Lagardère Publicité;
- ▶ in television, a major brokerage catering to all audiences, through its Youth branch (Gulli, Canal J and TiJi) and its Adult branch (RTL9, MCM and June);
- ▶ in radio, a strong position among influential targets: it is the leader in advertising sales targeting managers and executives^(*), with a commercial audience share of 26%⁽²⁾;
- ▶ a digital offering consisting of 50 websites (including 20 premium sites) providing a gateway to nearly half of the connected population, or more than 20 million unique visitors⁽³⁾. Lagardère Publicité is positioned as the seventh-largest advertising sales brokerage in the market. With its offering of 11 smartphone

applications and nine tablet applications, Lagardère Publicité is the benchmark advertising sales brokerage in digital applications, driving innovation.

A.6 Digital Pure Player

Besides being one of the leading media groups in both desktop Internet, with over 16 million unique visitors (UVs)⁽⁴⁾ in France, and the mobile Internet, with over 9 million UVs⁽⁵⁾, Lagardère Active has pure digital assets in diverse markets.

- ▶ Doctissimo.fr publishes the leading health information and wellness website;
- ▶ MonDocteur.fr offers a unique service for booking medical appointments in France;
- ▶ Doctipharma.fr allows French chemists to create their own online pharmacy;
- ▶ Newsweb, France's leading financial information service and publisher of Boursier.com, markets monetisation expertise for third-party websites;
- ▶ BilletReduc.com offers discounted theatre and concert tickets;
- ▶ LeGuide group, publisher of price comparison websites, operates with a team of 111 employees in 14 European countries under a number of brands including LeGuide.com, Ciao, Dooyoo.com, Webmarchand.com and Choozen.com. It indexes 156 million offers from 82,822 e-tailers.

B) OPERATIONS DURING 2015

Contribution to consolidated sales in 2015: €963 million (€958 million in 2014).

Breakdown of sales by activity

	Real 2015	Real 2014
Press	46.5%	52.4%
of which Magazine Publishing	40.0%	45.6%
Other activities, of which Digital Pure Player	6.5%	6.8%
Audiovisual	53.5%	47.6%
of which Radio	21.1%	21.6%
Television production and channels	32.3%	26.0%
Total sales	100%	100%
<i>of which Digital activities</i>	8.5%	9.5%

Breakdown of sales by geographic area

	2015	2014
France	80.8%	85.5%
International	19.2%	14.5%
Total sales	100%	100%

(1) Source: Audipresse One 2014-2015; Audipresse One Global 2015 V3 30-day readership (One 2014-2015/Médiamétrie MNR-PIM-Tablet Panel June 2015); Premium 2014.

(*) Managers and executives = company heads, executives and managers, intellectual professions; cumulative audience share of Lagardère Publicité, IP Radio, NRJ Global, TF1 Publicité Radios, RMC, Radio Classique, Skyrock, Nova & Friends brokerages.

(2) Source: Médiamétrie 126,000 Radio, September-October 2015; Monday-Friday 5am-midnight.

(3) Source: Médiamétrie NetRatings; desktop 2015.

(4) Source: Médiamétrie NetRatings; all connection sites; December 2015.

(5) Source: Médiamétrie; November 2015.

B.1 France Magazine Publishing

In 2015, Lagardère Active maintained its position among the leaders in Circulation and Advertising in Magazine Publishing, both overall and in virtually all of its markets.

There was a great deal of pressure on per-issue sales, and sales from Circulation were down 5.3% on a like-for-like basis. Lower volumes of per-issue sales were offset by the impact of price increases on key titles.

- ▶ In the highly competitive environment of high-end women's magazines, *Elle* displayed stronger per-issue sales than its competitors in 2015. It is one of the only paid weekly magazines for women to have sold an average of more than 100,000 copies on news stands.
- ▶ In a declining decoration magazine market, Lagardère Active titles confirmed their position among the leaders. Over the year, *Art & Décoration* performed in line with the high-end market, maintaining its leadership. *Elle Décoration* posted virtually stable paid circulation⁽¹⁾ in France, with a decline of just 1.0% thanks to strong growth in per-issue sales (5.2%).
- ▶ Like the majority of the national dailies, *Le Journal du Dimanche* recorded a decline in paid circulation in 2015, but its performance in terms of change in per-issue sales over the year was among the best in its segment.
- ▶ *Paris Match* boasted one of the strongest trends in its segment in terms of per-issue sales in 2015, consolidating its lead over competitors.
- ▶ Lagardère Active maintained its leading position in celebrity magazines, with market share of 53.1%. Amid a downturn in this market, *France Dimanche* and *Ici Paris* held up particularly well, faring better than the broader market. Along with its competitors in the celebrity youth market, *Public* had a tougher year.
- ▶ *Télé 7 Jours* delivered one of the best performances in its market: its paid circulation was down 4.3% in a broader market down 5.3%. It continues to boast France's biggest subscriber portfolio among paid magazines.

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

- ▶ In a depressed market, *Elle* remained the undisputed leader in its segment, with market share of 27.8%, 9.1 percentage points above its main competitor, *Madame Figaro*.
- ▶ *Version Femina* recorded an increase in advertising page volume in 2015, in a contracting market. Its market share grew at the expense of *Femme Actuelle*, *Avantages* and *Prima*⁽²⁾.
- ▶ *Elle Décoration* showed remarkable resilience in the sharply declining decorating market, edging down by just 1.1%. Its market share rose by 1.1 percentage points⁽²⁾. *Art & Décoration* stabilised its market share at 12.3%⁽²⁾, demonstrating resilience in relation to its broader market.
- ▶ Despite a very slight reduction in advertising page volume, *Paris Match* outperformed the market, gaining 0.2 percentage points of market share in the news segment⁽²⁾.
- ▶ Like its competitors, *Le Journal du Dimanche* reported a fall in its advertising page volume in 2015⁽¹⁾.

Despite the structural decline in the TV press, *Télé 7 Jours* managed to increase advertising page volume by 8.4%, thereby gaining 1.8 percentage points of market share⁽²⁾.

- ▶ *France Dimanche*, *Ici Paris* and *Public* recorded increases in their advertising page volume.
- ▶ *Parents* remained the leader in its segment, gaining 0.8 percentage points of market share⁽²⁾.

Licensed press titles published internationally benefited in 2015 from the launch of *Elle* in Kazakhstan in February and *Elle Décoration* in the Middle East in March, as well as three new websites (*Elle Mexico*, *Elle Indonesia* and *Elle Singapore*).

The Elle.fr website consolidated its audience, attracting more than 2.6 million UVs⁽³⁾ each month.

With 387,000 UVs⁽⁴⁾, the Public app remains leader in the celebrity and women's segment. The Public.fr site once again attracted more than 2 million UVs⁽⁵⁾, and considerably expanded its selection of video content, with growth of 111% over the year (2.8 million video views per month)⁽⁶⁾.

The Télé 7 Jours website continued to grow, with a 58%⁽⁶⁾ increase in visits year on year (4.1 million visits per month in December 2015).

With 1.6 million UVs⁽³⁾ on its website each month (up 64% on 2014) and nearly 1 million UVs⁽⁷⁾ on its mobile applications and site (up 137% on 2014), *Paris Match* continued to grow in the digital segment and pushed ahead with efforts to match its offer to new uses.

B.2 Radio

Europe 1

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

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

Europe 1 is France's number two private radio station, attracting 4,630,000 listeners every day⁽⁸⁾.

The latest results released by Médiamétrie⁽⁶⁾ confirm that the work done on programming is paying off. Europe 1 was the only general interest radio station to see an increase in ratings over the year, with:

- ▶ cumulative audience share of 9.1%, up 0.4 percentage points year on year (239,000 additional listeners);
- ▶ audience share of 7.4% among listeners aged 13 and over, up 0.2 percentage points year on year;
- ▶ audience share of 5.9% among listeners aged 25-59 (target consumers), up 0.6 percentage points year on year.

Thomas Sotto's morning programme is a big asset in terms of audience, attracting 3,332,000 listeners between 6am and 9am, the best figures for Europe 1 in this time slot since 2010.

In the morning slot, Europe 1 remains the leader among private general interest radio stations among upper occupational groups.

(1) Paid circulation in France, 2014-2015. This is used to measure the advertising potential of a magazine and corresponds to the average number of copies sold per issue. It mainly includes copies sold at news-stands and through subscriptions.

(2) Source: Kantar Media; January-December 2015 (pages excluding inserts, miscellaneous advertising, humanitarian and infomedia excluding TV).

(3) Source: Médiamétrie NetRatings; desktop; average January-December 2015.

(4) Source: Médiamétrie NetRatings; November 2015.

(5) Source: Médiamétrie; average January-December 2015.

(6) Source: At; 2015 vs 2014.

(7) Source: Médiamétrie NetRatings; mobile; average January-November 2015.

(8) Médiamétrie 126,000; average Monday-Friday; 5am-midnight; November-December 2015 wave.

Le Grand Direct, Jean-Marc Morandini's 9am-12pm talk show, enjoyed the same trend, breaking a nearly six-year record by attracting just under 2 million listeners.

Les pieds dans le plat, Cyril Hanouna's afternoon programme, gained 58,000 listeners over the year. It helps attract new, younger audiences who did not necessarily listen to Europe 1 previously (204,000 additional listeners aged between 25 and 59, an increase of 31%).

Music radio

With over 1.5 million listeners each morning between 6am and 9:30am and audience share of 3.1% for the *Virgin Tonic* morning programme hosted by Camille Combal, Virgin Radio logged its best performance in CA⁽¹⁾ and audience share in seven years (since September-October 2008).

Virgin Radio has intensified its presence in the field with the *World Tour de France*, hosted by Camille Combal, the *Electroshock* evenings and regional showcases.

In the space of a year, it gained 352,000 listeners (the biggest increase in the market), who tend to stay tuned for longer (ten more minutes of listening time). With 2.8% audience share, the station gained 0.6 percentage points over the year. All musical slots

recorded increases in cumulative audience and audience share over the year.

A total of 2,623,000 listeners tune into Virgin Radio for an average of 1 hour and 23 minutes every day.

With its mix of pop, rock and electro music, its programmes, music events, and TV and digital offshoots, Virgin Radio is becoming the preferred radio station of an active, laid-back and connected generation.

Since September 2015, three women hosts have joined RFM's daily line-up:

Every morning from 6am to 9am, Élodie Gossuin joins Bruno Roblès, Pat Angeli and Julie. Their programme attracts 1,093,000 listeners daily.

Justine Fraioli has joined the 5pm-8pm slot to host the drive-time programme with Vincent Richard.

Since September, Karine Ferri has been offering weekend listeners exclusive interviews ("*A Sunday with...*", on Sundays from 6pm to 7pm) and also hosts Hit RFM (Saturdays between 6pm and 7pm).

RFM now ranks as France's second most popular adult music station, with 2,363,000 listeners and market share of 3.1%.

Changes in Lagardère Active's cumulative radio audience in France are as follows (5am to midnight, 13 years and over, Monday to Friday):

	Nov.-Dec. 2015	Sept.-Oct. 2015	Nov.-Dec. 2014	Nov.-Dec. 2013	Nov.-Dec. 2012	Nov.-Dec. 2011
Virgin Radio	4.9%	4.9%	4.3%	4.1%	4.1%	4.6%
RFM	4.4%	4.3%	4.8%	4.7%	4.2%	4.6%
Europe 1	9.1%	8.6%	8.7%	9.4%	9.1%	9.4%

Source: Médiamétrie 126,000; average Monday-Friday; 5am-midnight; November-December 2015 wave.

Europe 1 has the leading radio site on mobile⁽²⁾. A new record was set in November when the site registered 3.1 million unique visitors, putting it at the top of the 15 current affairs sites.

Europe 1's digital strategy has three main thrusts: mobile, video and social.

With 90 million video views in 2015, growth was 37% year on year.

With 2 million fans and followers (total Facebook, Twitter, etc.), over 20% of audiences now come from social networks.

Lastly, in terms of editorial appeal, average monthly visits increased by 41% after September⁽³⁾, following a difficult first half. The Europe1.fr site registered:

- ▶ an average of 2.1 million UVs⁽⁴⁾ each month between January and December 2015;
- ▶ nearly 8 million podcasts downloaded in France on average (excluding summer), an increase of 13% in download volumes compared with 2014.

Since the beginning of the 2015-2016 season, the three programmes with the most downloads have been:

- ▶ *La revue de presque*, with Nicolas Canteloup;
- ▶ *Au cœur de l'histoire*, with Franck Ferrand;
- ▶ *Les pieds dans le plat*, with Cyril Hanouna.

International radio

Internationally, 2015 was another year of strong growth in terms of advertising activity, driven to a large extent by excellent performances in Poland, Romania and Germany.

In September 2015, Lagardère Active Radio International (LARI) strengthened its portfolio of activities in French-speaking sub-Saharan Africa, launching Vibe Radio in Abidjan (Ivory Coast) to round out the brand established in Dakar (Senegal) a year earlier.

Vibe Radio programmes, which are primarily musical but also feature broadcasts devoted to education, health and professional integration, specifically target young listeners, and more broadly the growing middle classes of these areas of Africa.

Plans to open other stations in Africa are also being explored, with the aim of establishing a new radio network on the continent, and another in Asia.

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

- ▶ 7.4 million listeners in Poland⁽⁴⁾ (up 0.1 million year on year);
- ▶ 2.1 million listeners in Romania⁽⁵⁾ (down 0.1 million year on year);
- ▶ 1.8 million listeners in the Czech Republic⁽⁶⁾ (stable year on year);
- ▶ 0.9 million listeners in South Africa⁽⁷⁾ (stable year on year);
- ▶ 0.6 million listeners in Germany⁽⁸⁾ (stable year on year);
- ▶ over 300,000 listeners in Slovakia⁽⁹⁾ (stable year on year).

(1) Cumulative audience.

(2) Source: Médiamétrie eStat; Catch Up Radio; January-December 2014; France.

(3) Source: Médiamétrie; average January-December 2015.

(4) Source: SMG/KRC Radio Track; July-September 2015; LV15+.

(5) Source: IMAS; May-August 2015; LV11+ National and IMAS; May-August 2015; LV11+ Bucharest.

(6) Source: Radio Project Q2, Q3 2015; LV12+.

(7) Source: RAMS 2015/3; LV15+.

(8) Source: AS&S MA II 2015 and EMA II 2015; LV10+.

(9) Source: MML SK; Q1 + Q2 2015; LV14+.

Overall, LARI attracts over 13 million listeners every day.

LARI also continued its digital expansion in 2015 by:

- ▶ modernising its digital media with the redesign of several sites, the unveiling of mobile versions and applications, and the use of video;
- ▶ creating new products related to the world of radio, such as Azorek.pl. This infotainment offer was launched in Poland in May 2015 (200,000 unique visitors in eight months);
- ▶ optimising the marketing of its digital offering: monetisation of content, development of marketable content (video, mobile or display via programming) and diversification of methods (special operations, partnerships, native advertising and brand content, for instance in Poland with the creation of the dedicated zdrowobardzo.pl website).

In 2015, LARI's digital offer totalled 6 million unique visitors per month (a 50% year-on-year increase) and 30 million page views (up 50% year on year) in its eight host countries.

B.3 Television channels

Between 2014 and 2015, first-generation DTT channels (launched in 2005) recorded audience share of 21.6%, up 3% year on year⁽¹⁾.

The six new HD DTT channels, launched in late 2012 and whose coverage was gradually extended until mid-2015, saw their audience share increase to 5.5% in 2015 (up 45% year on year).

The new HD channels are therefore progressing primarily at the expense of incumbent terrestrial channels and special interest channels, which fell by 2 percentage points (62.9% audience share) and 7 percentage points (10% audience share), respectively.

Against this backdrop, Gulli set a new record on its 4-10 year target in the 6am-3pm slot, with audience share of 17.6%, compared with 17.5% in 2014.

In 2015, Gulli reached an average 31,586,000 viewers⁽²⁾ aged 4 and over every month. The record audience was achieved during the screening of the film *The Snow Queen*, which attracted an average of 855,000 viewers aged 4 and above.

Lagardère Active's youth channels hold 34% of the audience for children's channels⁽³⁾. Lagardère Active's offer makes it the leader in this segment.

Canal J and TiJi are respectively in the eighth and ninth positions on cable and satellite television (for pay channels) in the 4-10 age group, with audience share of 1.9% and 2%, respectively⁽⁴⁾.

June is the top-ranking channel in terms of affinity among women aged between 15 and 24, with 1% of audience share (for pay channels).

The channels in the Lagardère group's musical offer – MCM, MCM TOP and RFM TV (formerly MCM POP) – attract nearly 5.2 million viewers on average each month⁽⁴⁾.

The Mezzo brand continued to be marketed in Asia in 2015.

The localised versions of TiJi and Gulli in Russia, broadcast in Russian and launched in May 2009 on the NTV+ satellite platform, continued to increase their viewing figures in Russian-speaking regions. At the end of November 2015, a total of 14.4 million households were subscribed to TiJi (up from 9.1 million in 2014) and 6.5 million to Gulli (up from 5.3 million in 2014)⁽⁵⁾.

Moreover, the TV division has stepped into the digital age in order to optimise brand positioning, raise profiles and anticipate new television consumption patterns by imagining new ways of supplying content, developing apps for mobiles, tablets and connected TV, Xbox, catch-up TV, video on demand and websites. In 2015, it renewed the practice initiated in 2013 and 2014 of offering split screens to its key advertisers.

Examples include:

- ▶ nearly 20.5 million monthly views on average for Gulli Replay in 2015, up from 13.4 million in 2014. Consumption was up 53% compared with the previous year, and a record of more than 25.3 million video views was set in September 2015⁽⁶⁾;
- ▶ more than 2.9 million downloads of the Gulli app, available on iOS, Android and Windows, up from 2.0 million in 2014 and 1.3 million in 2013.

Diversification also continued, notably around the Gulli brand. The fourth and fifth Gulli Parks opened in France, in Toulouse and La Ville-du-Bois, the marketing of new generation Gulli touch pads continued, and numerous special events were held in winter sports resorts.

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

B.4 Audiovisual Production and Distribution

2015 was marked by the May acquisition of Grupo Boomerang TV, Spain's largest independent producer. The acquisition dovetails with Lagardère Studios' European development strategy, making it a key player in audiovisual production in Spain, both in drama, through programmes such as *El Secreto del Punte Viejo* and *Acacias*, and in immediate broadcast, with Spanish versions of international formats including *The Voice* and *Top Chef*. Boomerang also has a subsidiary in Chile, allowing Lagardère Studios to take its first steps in Latin America.

2015 also saw the start of Lagardère Studios' development in Africa via the acquisition of Keewu, a Senegalese production company specialising in drama, and the creation of Diffa, a company specialising in the distribution of African programmes, with a minority partner.

In France, Lagardère Studios' recurring prime time series continued to attract good viewing figures, particularly *Joséphine, ange gardien*, *Clem* and *Boulevard du Palais*, as did its short programmes (*Pep's* and *Nos chers voisins*). Programmes for immediate broadcast, such as *Toute une histoire* and *C dans l'air*, continued to enjoy good ratings. In 2015, Réservoir Prod also produced updated versions of former successful formats including *C'est mon choix* and *Vis ma vie*.

Lagardère Studios also began production of *Jour polaire*, a new international coproduction for Canal+, via its Atlantic Productions subsidiary.

A slight decline in the number of hours spent watching television was noted in France in 2014 compared with 2013 (down five minutes to 3 hours and 41 minutes per day according to a Médiamétrie survey published in 2015). This decline was attributable partly to new formats for watching TV programmes (including tablets and computers). Atresmedia, Grupo Boomerang TV's main customer,

(1) Source: Médiamétrie – Médiamat; consolidated audience.

Historical terrestrial TV channels: TF1, France 2, France 3, Canal+, France 5 24/24, Arte 24/24 and M6.

DTT channels: BFM TV, D8, France 4, Gulli, i>Télé, LCP, NRJ12, NT1, TMC, D17, W9 and France Ô.

New HD DTT channels: HD1, L'Équipe 21, 6ter, Numéro 23, RMC Découverte and Chérie 25.

Special interest channels: Total TV (historical terrestrial TV channels + DTT channels + HD DTT channels).

(2) Source: Médiamétrie – Médiamat; consolidated audience. Until 29/12/2015, live and deferred audience from 28/12/15 to 03/01/2016.

(3) Source: Médiamétrie – Médiamat; Thématic; January-June 2015; consolidated audience; audience share four- to ten-year-olds;

extended channels; average Monday-Sunday; 3pm-3am.

(4) Source: Médiamétrie – Médiamat; Thématic; January-June 2015; consolidated audience; pay channels.

(5) Source: Local reporting, Russia.

(6) Source: Estat, Free, SFR, Bouygues, Orange, YouTube, AT Internet, Samsung and Xbox.

is now one of Lagardère Studios' three main customers, alongside France Télévisions and TF1.

Lastly, Lagardère Studios continued to expand into corporate and Internet video production in 2015 through its Tempora Prod and LED labels.

B.5 Digital

In 2015:

Doctissimo.fr, the leader in health and wellness information with nearly 6 million unique visitors (VUs)⁽¹⁾, consolidated its position in the e-health sector.

MonDocteur.fr, the number one portal for booking medical appointments in France, continued its expansion. It manages more than 1 million appointments per month, and works with more than 2,500 medical professionals and health institutions (practitioners, health centres and clinics) in 250 towns and cities in France.

Doctipharma.fr, which allows French chemists to create their own online pharmacy, witnessed further growth.

BilletReduc.com consolidated its leading position in discount ticket bookings in France, with over 3 million tickets sold.

Newsweb, which publishes Boursier.com and is France's leading financial information service, developed a monetisation activity for third-party websites.

The LeGuide group's business was affected by the update of Google's SEO algorithms in the fourth quarter of 2014 and in April 2015. The fall in traffic from Google was only partially offset by numerous initiatives designed to diversify traffic, including the development of the partner network. The European Commission sent a statement of objections to Google, arguing that Google should treat its own price comparison service in the same way as those of its competitors.

The restructuring of Ciao helped to reduce operating expenses in the second half. The activities are now run from the Paris site.

LeGuide.com launched a new "price intelligence" service, which gives merchants a competitive intelligence tool for prices by drawing on the wealth of Guide.com data and big data technologies.

B.6 Objectives and achievements in 2015

2015 was marked by the ongoing development of Lagardère Active's core brands, particularly in Digital media.

Lagardère Active pressed ahead with its international expansion in the audiovisual sector, with the acquisition of Grupo Boomerang TV and the launch of a second radio station in West Africa. For the first time, Audiovisual activities now represent the majority of the division's sales.

The digital transformation continued, with the development of new activities (Doctipharma.fr and MonDocteur.fr) and the striking success of BilletReduc.com.

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

C) OUTLOOK

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

To achieve this, six key levers have been activated:

- ▶ consolidate Lagardère Active's strong positions by expanding its share in contracting markets, notably magazines;
- ▶ rebalance the portfolio in favour of audiovisual activities;
- ▶ continue and expand the development of digital media;
- ▶ propose, outside media, B2B services and enhance data offers;
- ▶ seize international opportunities around Lagardère Studios, Lagardère Active Radio International, the TV business and Doctissimo;
- ▶ improve operating performance through cost-containment measures.

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

(1) Source: Médiamétrie NetRatings; all connection sites; average January-December 2015.

5.2.4 LAGARDÈRE SPORTS AND ENTERTAINMENT⁽¹⁾

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

Lagardère Sports and Entertainment is an integrated global sports marketing agency offering a comprehensive range of services for sports rights holders, brands, athletes and the media. It offers the following main services:

- ▶ Marketing, sponsorship and public relations;
- ▶ Content creation, media rights management, production and distribution;
- ▶ Brand consulting, rights activation and digital services;
- ▶ Stadium management;
- ▶ Athlete management;
- ▶ Events management;
- ▶ Theatre management;
- ▶ Live entertainment production.

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

A.1 Lagardère Sports

A.1.1 Football

Europe

Lagardère Sports works with more than 70 football clubs across Europe. In Germany, Lagardère Sports has signed exclusive comprehensive marketing agreements with some 15 clubs in the top three divisions. Lagardère Sports is also a non-exclusive partner of many other clubs.

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

In the United Kingdom, Lagardère Sports is the leading advertising sales agency for football clubs. Lagardère Sports also works with clubs in Sweden, the Netherlands, Poland and Hungary.

Africa

In Africa, Lagardère Sports manages the media and marketing rights of the Confédération Africaine de Football (CAF), with events including the AFCON (Africa Cup of Nations), the qualifying matches for the FIFA World Cup and the CAF Champions League.

Asia

In Asia, Lagardère Sports' football portfolio includes all the commercial media and marketing rights of the Asian Football Confederation (AFC), with events including the AFC Asian Cup, the qualifying matches for the FIFA World Cup and the AFC Champions League.

Lagardère Sports works with the South Asia Football Federation (SAFF), and is also involved in Asian football at regional level and in clubs, delivering the highly successful AFF Suzuki Cup, an event followed avidly throughout South East Asia.

A.1.2 Golf

Lagardère Sports' golf business combines athlete and event management.

Lagardère Sports is the largest golf talent agency, with a unique portfolio of more than 90 golf players, including more than 50 PGA Tour card holders.

It is also involved in managing golf events in regions around the world, including:

- ▶ United States: notably the Web.com Tour tournaments and charity events;
- ▶ Europe: the Nordea Masters (European Tour) and Helsingborg Open (Ladies European Tour) in Sweden;
- ▶ Asia-Pacific: notably the Emirates Australian Open.

A.1.3 Tennis

Lagardère Sports' tennis business includes sponsorship rights management (mainly athletes), events management, content production and media rights sales.

Lagardère Sports represents WTA and ATP players.

Lagardère Sports is involved in the management of tennis events across three continents. In Europe, Lagardère Sports and Entertainment is owner and organiser of the ATP 250 Skistar Swedish Open and the WTA Collector Swedish Open in Båstad, and also organises the ATP 250 If Stockholm Open. In Asia, Lagardère Sports has since 2014 organised the BNP Paribas WTA Finals tennis tournament, presented by SC Global, in Singapore, and will do so until 2018. In the United States, Lagardère Sports organises the Citi Open tennis tournament in Washington D.C. (ATP 500 and WTA International event).

Lagardère Sports commercialises a high-quality and diversified portfolio of tennis media rights, comprising the Davis Cup and Fed Cup (in Asia), Grand Slams (e.g., the French Open and the US Open in Asia), a wide range of WTA events (e.g., the WTA Premier series) and a large selection of ATP 250 events.

A.1.4 Olympics and other major events

Lagardère Sports' Olympics and other major events business includes sponsorship rights management, consulting services and media rights sales.

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

Its portfolio of media rights includes the Rio de Janeiro 2016 Summer Olympics and international federations of Olympic sports such as the International Swimming Federation (ISF) and the International Gymnastics Federation (IGF).

(1) Formerly Lagardère Unlimited.

A.1.5 Media

Lagardère Sports represents more than 200 sports rights holders. Its portfolio includes broadcasting rights for major events including the Olympic Games (Rio 2016 in selected European countries).

Lagardère Sports has established itself as a leading player in sports media rights, with a portfolio containing more than 10,000 hours of programmes and the equivalent of 600 days per year of sports events in 30 different countries. Its portfolio of media rights mainly comprises rights to tennis tournaments, including the sale of the international broadcast rights to the US Open and the French Open in various markets.

Lagardère Sports also provides rights holders with production and post-production services globally (e.g., WTA Premier Series).

A.1.6 Brand consulting and rights activation

Lagardère Sports advises global brands on their sponsorship strategy and rights activation. Its portfolio includes many customers, primarily in the United States and Europe. Lagardère Sports offers innovative digital solutions to its partners, and delivers consultancy assignments to rights holders and brands to help them redesign their digital strategies and grow their digital revenues.

A.1.7 Stadiums and arenas

Lagardère Sports advises its clients on developing, managing and operating stadiums and arenas. It also provides advice to rights holders of European football stadiums and sporting bodies. The solutions offered to customers by Lagardère Sports cover the entire range of necessary services from design and financing to operation and marketing.

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

A.2 Lagardère Live Entertainment**A.2.1 Live entertainment production**

Lagardère Live Entertainment produces and co-produces several musicals, including *Salut les copains*, *Dracula*, *Cendrillon*, *Elle en scène*, *DISCO* and *Love Circus*.

A.2.2 Theatre management

Lagardère Live Entertainment holds a 20% share in the company that operates the Zénith de Paris, 100% and 99.99% shares in the companies that respectively operate Folies Bergère and Casino de Paris, and 100% in the company that operates the Floirac venue under construction in Bordeaux. In September 2015, Lagardère Live Entertainment also acquired the Bataclan.

B) OPERATIONS DURING 2015

Contribution to consolidated sales in 2015: €516 million (€394 million in 2014).

Breakdown of sales by activity

	2015	2014
TV rights and production	26.2%	19.5%
Marketing rights	41.6%	47.9%
Other	32.2%	32.6%
Total	100%	100%

Breakdown of sales by geographic area

	2015	2014
Europe	57.6%	56.9%
Asia-Pacific	17.3%	20.1%
United States and South America	8.8%	14.1%
Africa	12.9%	6.3%
Middle East	3.4%	2.6%
Total	100%	100%

The share of **"Media"** activities expanded (26% in 2015, up from 20% in 2014). This is mainly due to the scheduling of major sporting events in 2015, namely the AFC Asian Cup 2015 and the Orange Africa Cup of Nations 2015, which generated significant media revenue.

"Marketing" activities also grew for the same reasons as Media activities, but to a lesser extent, and to a lesser extent than other activities too. The gap in growth explains the decline in the relative weighting of Marketing in total sales (42% in 2015, down from 48% in 2014).

Lastly, the share of **"Other"** activities was stable at 32% in 2015, compared with 33% in 2014. These activities mainly cover:

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

The major growth in brand consulting in 2015 explains why the relative weighting of the other activities remained stable despite the fast growth in total sales.

Geographically speaking, the weighting of the **Africa** region increased significantly (13% in 2015, up from 6% in 2014) due to the scheduling in 2015 of the Orange Africa Cup of Nations (held every two years).

The relative weighting of Asia fell from 20% in 2014 to 17% in 2015. In absolute terms, the sales achieved in this geographic area grew, especially following the AFC Asian Cup early in 2015 (held only every four years), but its relative weighting decreased due to stronger growth in other regions, particularly Africa and Europe.

The share represented by the **United States** and **South America** fell significantly from 14% in 2014 to 9% in 2015. This resulted chiefly from the non-recurrence in 2015 of sales generated during the 2014 FIFA World Cup in Brazil (hospitality packages mainly). The decline was nevertheless partially offset by the development of brand consulting and by golf.

The weighting of **Europe** increased from 57% in 2014 to 58% in 2015. This modest increase, absorbed by the overall growth of sales, actually covers significant growth in Europe resulting from a substantial increase in brand consulting, stadium management (notably the Friends Arena in Stockholm) and theatre management activities, as well as the legacy marketing activity in the United Kingdom.

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

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

In view of Lagardère Sports and Entertainment's current portfolio, 2015 was a peak in comparison with the previous year, as was the case in 2011.

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

B.1 Lagardère Sports

B.1.1 Football

Europe

In 2015, Lagardère Sports consolidated its leading position in German football, notably through contract renewals with 1. FC Nürnberg, MSV Duisburg and Hertha BSC, and the acquisition of sports marketing agency UFA Sports.

Lagardère Sports' portfolio of exclusive commercial relationships was bolstered by the arrival of new clubs, notably in Sweden (Halmstads BK and Helsingborgs IF), France (Red Star FC) and the Netherlands (NEC Nijmegen), and the negotiation of a jersey sponsorship contract in Hungary (Ferencváros TC).

In the United Kingdom, Lagardère Sports developed its portfolio of clubs it partners for perimeter advertising, and brokered a jersey sponsorship deal for Southampton FC.

Africa

In 2015, Lagardère Sports renewed its partnership agreement with the Confédération Africaine de Football (CAF) for a period of 12 years (2017-2028). The agreement covers the sale of the 'CAF's media and marketing rights for all of the main regional football competitions in Africa, including the Africa Cup of Nations, the African Nations Championship and the CAF Champions League. It reinforces Lagardère Sports' dominance in the business of football globally, and highlights its ability to maintain and build long-term strategic partnerships with key rights holders.

Lagardère Sports also took part in organising and successfully marketed the Orange Africa Cup of Nations 2015 in Equatorial Guinea.

Asia

In 2015, Lagardère Sports managed the marketing and media rights of the Asian Football Confederation (AFC), including the Champions League and the AFC Cup. Lagardère Sports also took part in organising and successfully marketed the AFC Asian Cup, which was held in Australia in January.

B.1.2 Golf

In 2015, Lagardère Sports confirmed its position as the leading agency in golf, representing more than 50 PGA Tour players including Jordan Spieth, Phil Mickelson, Keegan Bradley and Brandt Snedeker.

Lagardère Sports organised tournaments in the United States, including two Web.com Tour events and numerous charity events.

Similarly, in Europe, Lagardère Sports organised two events: the Nordea Masters (European Tour) and Helsingborg Open (Ladies European Tour) in Sweden.

In Asia-Pacific, Lagardère Sports organised several events tournaments, including the Emirates Australian Open and SMBC Singapore Open.

B.1.3 Tennis

In 2015, Lagardère Sports once again organised the BNP Paribas WTA Finals tennis tournament in Singapore, presented by SC Global. This is the final tournament of the women's tennis season; five editions are set to be held in Singapore from 2014 to 2018.

In Europe, Lagardère Sports continued to organise the ATP 250 Skistar Swedish Open and the WTA Collector Swedish Open in Båstad in Sweden, as well as the ATP 250 If Stockholm Open.

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

Lagardère Sports continued to operate its diversified portfolio of prestigious tennis media rights (mainly ATP 250 and WTA International events, Davis Cup and Fed Cup, Grand Slams, WTA Premier Series, etc.), and to commercialise them to broadcasters around the globe.

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

B.1.4 Olympics and other major events

In 2015, Lagardère Sports successfully distributed the IOC media rights for the 2016 Summer Olympics in Rio de Janeiro. Lagardère Sports also signed a representation agreement with the 2018 Commonwealth Games to be held on the Gold Coast in Australia.

In addition, Lagardère Sports has partnered with the Olympic Committee of French Sport, and continued to maximise sales for the Australian Olympic Committee, making it a worldwide benchmark. Lagardère Sports continues to represent a number of sports bodies at all levels within the Olympic Movement.

B.1.5 Brand consulting and rights activation

In 2015, Lagardère Sports invested in developing its consulting business through the acquisition of key agencies in Germany (akziol ajoint.) and in France (Sponsorship 360). akziol ajoint. designs customised solutions for brands in the fields of sport and culture. Sponsorship 360 is active from the definition of partnership strategy through to the deployment of 360-degree activation programmes.

B.1.6 Stadiums and arenas

Lagardère Sports organised five stages of the ITU World Triathlon Series in Hamburg, London, Chicago, Stockholm and Auckland in 2015. Lagardère Sports and Entertainment also organised the Berlin, Stockholm and Wales velothons (endurance cycling competitions) and the Vattenfall Cyclassics (a cycling race that is part of the UCI World Tour).

B.2 Live Entertainment**B.2.1 Live entertainment production**

Lagardère Live Entertainment enjoyed great success with the Florent Pagny tour, which sold out in every city (99% fill rate). At the Casino de Paris, Lagardère Entertainment Live also launched the show of the illusionist Enzo, *Enzo l'insaisissable*.

B.2.2 Theatre management

In 2015, Lagardère Live Entertainment acquired the Bataclan concert venue, thereby enriching a portfolio that already included the Folies Bergère and the Casino de Paris.

B.3 Objectives and achievements in 2015

In 2015, Lagardère Sports and Entertainment consolidated its leading position in football worldwide by renewing its partnership with the Confédération Africaine de Football (CAF) for a 12-year period starting in 2017. Lagardère Sports and Entertainment will continue to commercialise the marketing and media rights for all of the main regional football competitions in Africa, including the Africa Cup of Nations, the African Nations Championship and the CAF Champions League. Lagardère Sports and Entertainment took part in the success of the Orange Africa Cup of Nations in Equatorial Guinea and the AFC Asian Cup, held in Australia in January. Lagardère Sports and Entertainment strengthened its position with football clubs in the United Kingdom and the rest of Europe by extending or signing marketing rights management

agreements. Lagardère Sports and Entertainment also continued to expand and reinforce its brand consulting and rights activation activities, particularly in digital media, by strengthening its teams and acquiring key agencies in Germany and France.

The golf business continued to grow at a steady pace, with player representation activities – Lagardère Sports and Entertainment is the lead agency on the PGA Tour – and events organisation.

Lastly, Lagardère Sports and Entertainment has combined all of its sports marketing agencies under the Lagardère Sports name. It also increased profitability, as expected. All of this was achieved with a focus on consolidating its activities and developing an integrated global sports marketing network.

C) OUTLOOK

In 2016, Lagardère Sports and Entertainment plans to continue to develop its business portfolio in key fields including football, golf, Olympics and other major events, tennis, media, brand consulting and rights activation.

In football, the final qualifying rounds of the FIFA 2018 World Cup will begin in Africa and Asia in 2016. A new edition of the AFF Suzuki Cup will also be held in South East Asia. With the UEFA Euro 2016 taking place in France, Lagardère Sports and Entertainment will work closely with UEFA to sell its hospitality programmes. It will also partner with the City of Paris, which has entrusted it with the organisation of the largest fan zone during the competition.

In golf, Lagardère Sports and Entertainment will be on hand for the SMBC Singapore Open's return to the international spotlight and for the organisation of the first PGA Tour Safeway Open.

Overall, Lagardère Sports and Entertainment will continue to consolidate its leading position and focus on making 2016 another great year. The sports market is constantly growing, and the division is well placed to expand in this extremely vibrant segment.

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5.3 CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE CITIZENSHIP – ETHICS

AFR

5.3.1 CSR – KEY PRIORITIES, POLICY AND RESPONSIBLE GOVERNANCE

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

The new CSR roadmap set for 2015-2020, submitted to the stakeholder panel formed in 2015 and guided by responsible governance, is built on the priorities of innovation and diversity, responsible digital management, accessibility and diversity of content and operational sustainability.

In implementing its CSR programme, Lagardère remains or is now included in the following four ESG indices: Euronext Vigeo Europe 120, Eurozone 120, MSCI (MSCI Global Sustainability Indices) and STOXX® (Global ESG Leaders index). The Lagardère group also holds a place in the RobecoSAM ranking as a Sustainability Leader 2016 in the media industry.

5.3.1.1 CSR POLICY OBJECTIVES

A) MEETING INCREASINGLY STRINGENT REGULATORY REQUIREMENTS

The CSR reference framework applies both nationally and internationally.

In France, non-financial disclosure requirements have become stricter over the years. For the fourth year in a row, in application of the implementing order of article 225⁽¹⁾ of France's Grenelle 2 law of 12 July 2010, the Lagardère group⁽²⁾ has the disclosure and fairness of the social and environmental information in this report verified by an independent third party⁽³⁾. For the 2015 report, this chapter on CSR information has been divided into two sections to improve readability and to differentiate between information provided on the strategic priorities of the CSR roadmap (with some information stipulated in the above-mentioned implementing order) and additional social and environmental information included in line with the French Commercial Code.

An initial cross-reference index is provided at the end of the chapter to compare the information disclosed in this report with the requirements listed in article R. 225-105-1 of the French Commercial Code, in line with article 225 of the Grenelle 2 law. A second cross-reference index is also included to find the information corresponding to the indicators set out in the G4 Guidelines⁽⁴⁾.

Internationally, Lagardère follows a number of founding documents on CSR, such as the ILO⁽⁵⁾ principles and the OECD⁽⁶⁾ guidelines aimed at multinational corporations.

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

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

(1) Decree 2012-557 of 24 April 2012 on companies' disclosure requirements concerning social and environmental matters, amending articles R. 225-105-1 and R. 225-105-2 of the French Commercial Code.

(2) For 2015, Hachette Livre is also subject to the verification requirement concerning the disclosure of information listed in the French Commercial Code.

(3) The report of the independent third-party entity is included at the end of this chapter.

(4) G4 Guidelines are the fourth version of the sustainability reporting guidelines published by the Global Reporting Initiative, which the Lagardère group has used as a reference since 2009.

(5) International Labour Organization. Its principles are included in the commitments of the United Nations Global Compact.

(6) Organisation for Economic Co-operation and Development.

With operations on all continents, the Lagardère group is one of the world's leading media companies. As an international Group, we must be rigorous and exemplary in promoting rights and principles that are universally recognised and adopted to ensure that globalisation is more respectful of man and his environment. This international commitment is expressed through the Group's membership of the United Nations Global Compact, which we joined in 2003, and which encourages businesses to operate responsibly. In addition to this basic commitment, Lagardère is a member of the Global Compact France non-profit organisation, which represents France in the Global Compact's National Networks.

To reassert our commitment, each year we report on the progress made by our Group in the Compact's ten principles.

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Businesses should make sure that they are not complicit in human rights abuses.

LABOUR

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

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

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

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

ENVIRONMENT

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

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

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

ANTI-CORRUPTION MEASURES

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

Arnaud Lagardère

General and Managing Partner of Lagardère SCA

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

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

B) ALIGNING CSR WITH THE GROUP'S DEVELOPMENT STRATEGY

The Lagardère group aligns its CSR policy with its strategy for its various businesses. Its roadmap is designed to support:

- ▶ *the development of digital businesses:* although the responsible management of the entire paper life cycle remains a priority, especially for Lagardère Publishing and Lagardère Active, CSR priorities related to digital activities (training in new digital fields, personal data protection, piracy, waste electrical and electronic equipment recycling, etc.) are increasingly crucial for Lagardère;
- ▶ *the development of new businesses,* such as the Lagardère Travel Retail division's Foodservice business. While the expansion of Travel Retail implies greater attention paid to the eco-efficiency of its stores (which can be an advantage when responding to tenders), the growth of the Foodservice businesses by definition makes food hygiene a key issue;

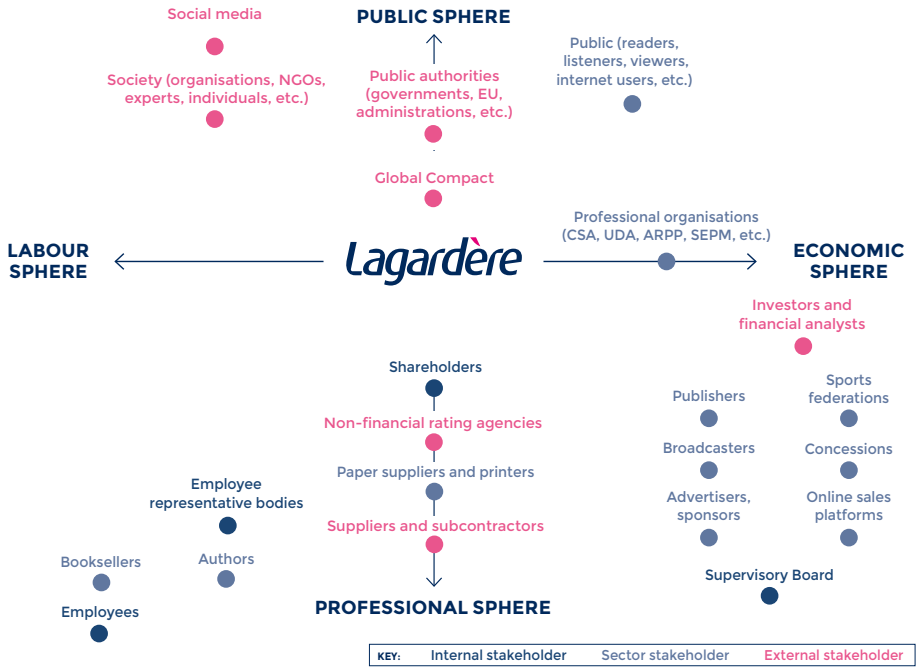
- ▶ *the development of businesses in new markets.* In addition to its economic impact on local populations, the confirmed growth of Lagardère Entertainment's Audiovisual Production businesses in Africa and of LARI radio stations⁽¹⁾ coincides with the development of the CSR priorities of promoting talent and cultural diversity and providing access to content.

C) STRENGTHENING STAKEHOLDER RELATIONS

Authors and other artists, readers and listeners, internet users and television viewers, employees and suppliers, rights holders and advertisers, concession granters and the travelling public, customers and investors, consumers and shareholders, and others. Lagardère's numerous stakeholders – internal, external, public or sector – are mapped out in the diagram below.

To strengthen relations with its stakeholders, in 2015 Lagardère set up an advisory body to improve the Group's CSR practices. This stakeholder panel was formed after bringing together all Group departments in 2014 to find ways of positioning CSR to drive performance and innovation. Lagardère's stakeholder panel is chaired by Thierry Funck Brentano, one of the Co-Managing Partners of Lagardère SCA, and coordinated by the Sustainable Development Department. Its 13 members are appointed for two years and represent the Group's main CSR priorities, business lines and expertise, as well as both its internal and external stakeholders.

(1) Lagardère Active Radio International.



The panel met twice in 2015 with the aim of:

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

Its recommendations were used to adapt the 2015-2020 CSR roadmap and refocus it in line with its four strategic priorities (see section 5.3.2).

5.3.1.2 CSR PLAYERS AND GOVERNANCE

The Group's divisions are independent and autonomous, and each has its own CSR policy led by a Sustainable Development/CSR manager, who coordinates the networks of internal correspondents or forms local steering committees. Generally, each business line draws on the relevant departments for the environmental priority concerned (e.g., use of paper, energy consumption, etc.), including the purchasing, technical, office management, financial, legal and human resources departments.

Each division coordinates its own employee training and awareness programmes on environmental protection issues. For example, Lagardère Publishing and Lagardère Active ran environmental awareness campaigns about the paper cycle and organised training on carbon audits, in particular for employees involved in the third carbon audit carried out at Hachette Livre in 2015. The divisions have also implemented various certification initiatives.

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

This Committee is in charge of devising the Group's CSR strategy and action to be undertaken, and liaising with the different stakeholders.

The Sustainable Development Department coordinates various focus groups to work on key issues, such as responsible purchasing, in collaboration with the Group's Purchasing Department, and non-financial communication, working in liaison with the Internal Control, Human Resources, Investor Relations, Legal and Audit Departments. Additionally, the department oversees the activities of the stakeholder panel formed in 2015.

In 2015, the Supervisory Board began incorporating CSR into the scope of duties of the Appointments, Remuneration and Governance Committee. Two of this committee's meetings were dedicated to CSR in 2015.

5.3.2 IMPLEMENTATION OF THE CSR POLICY, THE FOUR STRATEGIC PRIORITIES

Responsible governance forms the basis of the Lagardère group's new CSR roadmap, which is guided by four strategic priorities:

- ▶ boosting diversity and innovation within the Group;
- ▶ supporting responsible digital management;
- ▶ promoting access to culture and entertainment;
- ▶ strengthening operational sustainability.

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

The Lagardère group Code of Conduct, revised in 2012, sets out a collection of guidelines at Group level, deriving directly from the values of Lagardère and providing a set of shared standards for all Lagardère employees. The Code of Conduct is one of the founding documents used to define the Group's CSR policy. Lagardère's Code of Conduct is a minimum set of standards, which is applied at all Group entities. Its guidelines apply to all Lagardère group companies and to all subcontractors, consultants, freelance workers and volunteers it works with.

It includes provisions on prohibiting corruption in France and abroad in the chapter entitled "Relations with external partners and competitors".

Lagardère may also adopt and disseminate additional specific rules of conduct or compliance programmes as it deems necessary, adding to the Code of Conduct's guidelines, as long as they do not infringe on local and international rules.

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

A Charter on trading in Lagardère SCA shares by the Lagardère group's employees describes all the legal obligations binding Company employees who possess "inside information" (ban on securities trading and on the disclosure of related information), along with the administrative and/or criminal sanctions applicable if these obligations are breached.

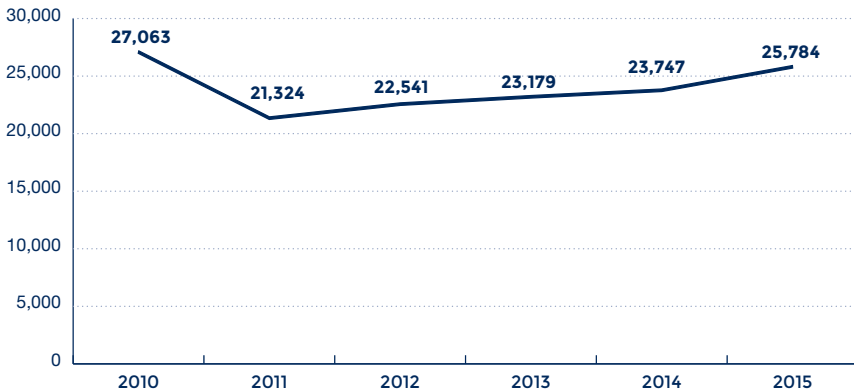
An IT Charter setting out the rules for using IT systems also applies to all Group employees.

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

5.3.2.1 BOOSTING DIVERSITY AND INNOVATION WITHIN THE GROUP

The Lagardère group's performance depends directly on the skills of its employees and the suitability of its resources. To allow for optimum leverage of human resources and adaptation to the nature of the Group's various business lines, the operating units manage their own human resources but follow priorities, principles and commitments common to all the divisions and formalised at Group level in agreement with the business lines' human resources directors.

The strategic social priorities of CSR focus on information and initiatives taken in the areas of diversity and training and of innovation to move the Group forward in its support of its talent. The other labour information required by regulations is covered in the section on compliance information (see section 5.3.3.1).

Changes in permanent workforce at 31 December 2015⁽¹⁾

(1) Permanent workforce numbers set out here and in the following paragraphs correspond to the number of employees on permanent contracts who were actually in service on the last day of the year concerned.

Permanent workforce by division at 31 December 2015

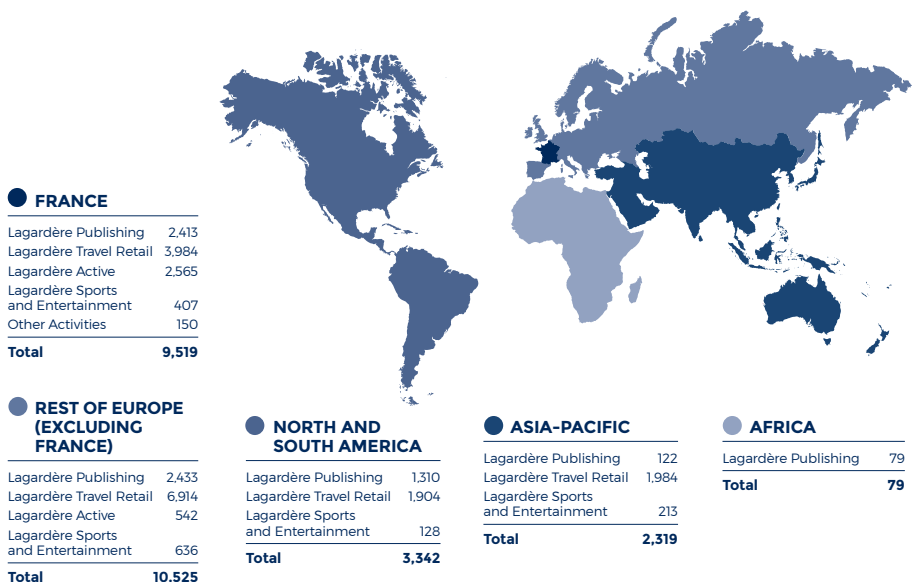
Division	Women	Men	Total	2014/2015 change
Lagardère Publishing	3,757	2,600	6,357	0.74%
Lagardère Travel Retail	9,552	5,234	14,786	15.13%
Lagardère Active	1,757	1,350	3,107	-2.91%
Lagardère Sports and Entertainment	501	883	1,384	18.49%
Other Activities	80	70	150	-33.63%
Total	15,647	10,137	25,784	8.58%

The main changes include:

- ▶ **Lagardère Travel Retail:** the sharp rise in headcount due to new companies entering the reporting scope and organic growth from the development of the Foodservice businesses.
- ▶ **Lagardère Active:** the drop in headcount resulting from the continued voluntary departure programme initiated in 2014.

- ▶ **Lagardère Sports and Entertainment:** the strong increase in headcount due to new companies entering the reporting scope and organic growth from the development of consulting businesses and Olympic sports and the division's higher involvement in European football.
- ▶ **Other Activities:** the significant decrease in headcount with the sale of electric bike businesses.

Permanent workforce by geographic area at 31 December 2015



A) PROMOTING DIVERSITY AND EQUAL OPPORTUNITY

A.1 Strategy

Adapting to local cultures, the diversity of consumers and the increasing number of markets are strategic to the development of all Group businesses. The Lagardère group is highly diverse, as reflected in its wide range of business activities and their employees' broad array of expertise.

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

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

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

- ▶ giving greater importance to the place of women in the company;
- ▶ integrating employees with a disability;
- ▶ breaking stereotypes based on race or social class.

They have a particular obligation to reflect the society to which they belong. In keeping with the development of the cultural and content diversity of the Group's activities (see section 5.3.2.3), the diversity of its teams presents the opportunity for the Lagardère group both to attract new talent and to boost its growth and innovation.

A.2 Application

Measures were taken to promote equal opportunity at both division and Group level in the priority areas identified in the policy:

Giving greater importance to the place of women in the media

As regards equality and the representation of women in the media, the Radio-Television unit of Lagardère Active applied the recent requirement from the French regulator CSA to track and promote the presence of women on the air. For example, Europe 1 meticulously examined the many people brought in for its broadcasts – journalists, hosts, reporters, experts, politicians and other guests – over the last few months of 2015.

Over the course of 2015, Europe 1 continued to spotlight women by incorporating news segments, female guests and women's issues into its programming. For the second year running, the radio station joined the CSA's initiative "24 hours in women's sports", which took place on Saturday 24 January 2015 and aims to increase the visibility of women's sports in radio and television broadcasts.

Gulli also counted and assessed the representation of women and female personalities in its animated series and children's and family programming.

The Elle Active forum created by Elle magazine and in partnership with Europe 1 was again organised in 2015 at the French Economic, Social and Environmental Council in Paris on 27 and 28 March and in Marseille on 5 October, to promote women at work.

Denis Olivennes, Chairman of Lagardère Active, alongside other prominent male public figures, supported the #HeForShe solidarity campaign for gender balance launched in France on 26 March 2015 by the French national committee of UN Women.

Integrating employees with a disability

In its partnership with Michaël Jérémiasz, the wheelchair tennis champion, the Lagardère group led initiatives aimed at its employees to raise their awareness about disability, including the campaign "Comme dans un fauteuil".

The Mission Handicap organisation set up by Lagardère Publishing at the end of 2014 held a reading workshop in total darkness for its Hachette Livre employees in Varves in late 2015, with the participation of two of its writers.

At Lagardère Active, the Charter for promoting the training and professional integration of people with a disability in the audiovisual communications sector signed in 2014 went into effect, bringing several people with a disability into the Audiovisual unit.

Lagardère Active's Mission Handicap project also continued its action, hosting the Handiréseau Awards in Levallois to promote the work of women in adapted companies that hire predominantly disabled employees.

Breaking stereotypes based on race or social class

The findings from the analysis of the Group's recruitment procedures begun in 2013 and from the Group's audits conducted in late 2014 on the perception of the place of women and the representation of social and ethnic diversity, both led by independent organisations, led to a number of initiatives in 2015:

- ▶ The analysis of the Group's recruitment procedures was used to test the selection criteria for candidates applying for full employment and work placements at all of its entities. This analysis was completed in 2015, and its findings were presented to the Human Resources Department and division Management Committees.
- ▶ The management of Lagardère Publishing and Lagardère Travel Retail organised, for their extended Executive Committees, an awareness programme on the efforts made to break stereotypes. This programme is expected to be implemented for other managerial functions within the Group in 2016.

Other programmes launched in previous years continued:

- ▶ In terms of community engagement programmes and partnerships, the Group, its divisions and its Foundations Elle and Jean-Luc Lagardère have maintained or established alliances with various organisations including *École Miroir*, *Nos Quartiers ont des Talents*, *Sport dans la ville*, the *Mozaik RH* recruitment firm and the *Divertimento* Symphony Orchestra.
- ▶ Lagardère Active continued its partnership with the organisation *Un stage et Après*, which sets up short-term work placements for students from secondary schools in education priority areas to teach them about the media industry. In 2015, the division set up a committee to monitor these students.

A.3 Performance

Gender balance

Permanent workforce by occupational group and gender⁽¹⁾

Division	Executives		Managers		Journalists and photographers		Other employees		Total		
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Total
Lagardère Publishing	183	157	1,626	1,052	0	0	1,948	1,391	3,757	2,600	6,357
Lagardère Travel Retail	43	109	1,075	1,092	0	0	8,434	4,033	9,552	5,234	14,786
Lagardère Active	21	46	770	618	490	404	476	282	1,757	1,350	3,107
Lagardère Sports and Entertainment	3	56	97	249	0	2	401	576	501	883	1,384
Other Activities	5	23	36	41	0	0	39	6	80	70	150
Group total 2015	255	391	3,604	3,052	490	406	11,298	6,288	15,647	10,137	25,784
Group total 2014	237	366	3,322	2,886	532	437	9,830	6,137	13,921	9,826	23,747

Division	Executives		Managers		Journalists and photographers		Other employees		Total	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Lagardère Publishing	54%	46%	61%	39%	0%	0%	58%	42%	59%	41%
Lagardère Travel Retail	28%	72%	50%	50%	0%	0%	68%	32%	65%	35%
Lagardère Active	31%	69%	55%	45%	55%	45%	63%	37%	57%	43%
Lagardère Sports and Entertainment	5%	95%	28%	72%	0%	100%	41%	59%	36%	64%
Other Activities	18%	82%	47%	53%	0%	0%	87%	13%	53%	47%
Group total 2015	39%	61%	54%	46%	55%	45%	64%	36%	61%	39%
Group total 2014	39%	61%	54%	46%	55%	45%	62%	38%	59%	41%

(1) Actual workforce in service at 31 December 2015.

Recruitments, conversions⁽¹⁾, promotions and mobility by gender

Division	Recruitments		Contract conversions		Internal mobility		Promotions	
	Women	Men	Women	Men	Women	Men	Women	Men
Lagardère Publishing	361	214	87	77	49	24	71	47
Lagardère Travel Retail	2,799	1,765	152	89	8	10	143	85
Lagardère Active	90	109	89	71	18	13	30	24
Lagardère Sports and Entertainment	80	131	21	41	15	12	26	24
Other Activities	4	7	3	1	1	2	1	1
Group total 2015	3,334	2,226	352	279	91	61	271	181
Breakdown 2015	60%	40%	56%	44%	60%	40%	60%	40%
Breakdown 2014	61%	39%	58%	42%	40%	60%	65%	35%

Permanent workforce given a pay rise in 2015, by gender

Division	Employees given a pay rise			Breakdown	
	Women	Men	Total	Women	Men
Lagardère Publishing	2,628	1,861	4,489	59%	41%
Lagardère Travel Retail	6,238	3,801	10,039	62%	38%
Lagardère Active	567	472	1,039	55%	45%
Lagardère Sports and Entertainment	281	505	786	36%	64%
Other Activities	56	46	102	55%	45%
Group total 2015	9,770	6,685	16,455	59%	41%
Group total 2014	8,676	6,476	15,152	57%	43%

Training expenditure by gender⁽²⁾

Division	Training expenditure (in €)			Breakdown in expenditure	
	Women	Men	Total	Women	Men
Lagardère Publishing	595,893	500,668	1,096,561	54%	46%
Lagardère Travel Retail	2,853,356	1,982,699	4,836,055	59%	41%
Lagardère Active	916,054	498,917	1,414,971	65%	35%
Lagardère Sports and Entertainment	120,590	144,076	264,666	46%	54%
Other Activities	64,432	118,810	183,242	35%	65%
Group total 2015	4,550,325	3,245,170	7,795,495	58%	42%
Group total 2014	4,919,035	3,454,119	8,373,155	59%	41%

(1) Conversion from a fixed-term contract to a permanent employment contract.

(2) The average budget per employee who participated in at least one training course came to more than €470 in 2015.

Hours of training by gender

Division	Training hours			Breakdown in hours	
	Women	Men	Total	Women	Men
Lagardère Publishing	21,164	20,916	42,079	50%	50%
Lagardère Travel Retail	120,458	70,087	190,545	63%	37%
Lagardère Active	22,495	15,205	37,699	60%	40%
Lagardère Sports and Entertainment	2,514	3,772	6,286	40%	60%
Other Activities	978	907	1,884	52%	48%
Group total 2015	167,608	110,886	278,494	60%	40%

Employees who participated in at least one training course by gender

Division	Women	Men	Total	Women	Men
	Lagardère Publishing	1,768	1,519	3,287	54%
Lagardère Travel Retail	7,271	3,815	11,086	66%	34%
Lagardère Active	967	658	1,625	60%	40%
Lagardère Sports and Entertainment	139	220	359	39%	61%
Other Activities	46	42	88	52%	48%
Group total 2015	10,191	6,254	16,445	62%	38%

Women represent 61% of the Group's total permanent workforce and generally enjoy gender balance in terms of pay rises and skills development. In 2015, 59% of the pay increases went to women, and they represented the majority of training participants (women took 60% of the training hours given, and 62% of trained employees were women).

Promotions also broke down evenly between men and women.

Although the Group has achieved an overall balance, disparity can be noted in some divisions due to the nature of their businesses. At Group level, 39% of executives are women, while this percentage can vary from 5% at Lagardère Sports and Entertainment to 54% at Lagardère Publishing.

Disability

Number of employees with a disability⁽¹⁾

Division	France	Europe	North and South America	Asia-Pacific	Africa	Total
Lagardère Publishing	53	18	1	1	0	73
Lagardère Travel Retail	44	87	5	0	NA	136
Lagardère Active	35	3	NA	NA	NA	38
Lagardère Sports and Entertainment	6	3	0	0	NA	9
Other Activities	2	NA	NA	NA	NA	2
Group total 2015	140	111	6	1	0	258
Group total 2014	147	100	3	0	0	250

(1) Actual workforce in service at 31 December 2015.

Breaking stereotypes**Number of formal litigation cases involving discrimination⁽¹⁾**

Four formal litigation cases involving discrimination were registered in the United States in 2015 and are currently under review.

B) BOOSTING INNOVATION CAPACITY**B.1 Strategy**

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

Innovation is a driving force for all of the Lagardère group's businesses. Offering support for employees, by boosting their innovation capacity throughout their time with the company and by encouraging them to get involved in their community, is a vital approach to any social responsibility policy.

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

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

This over-arching strategy reflects the Lagardère group's pledge to invest in the skills of staff and foster fulfilling career development.

B.2 Application

Employee guidance starts early, by establishing regular dialogue with students when they are still potential candidates, and continues with their hire and orientation at the Lagardère group.

Talking to them about their professional career upstream is both a strategic priority (to hire the best talent) and a responsibility (to steer and guide them towards the highest-growth businesses). Consequently, Lagardère makes a point of sending recruiters from its different divisions to forums organised by France's top schools (HEC, ESCP Europe, ESSEC, EDHEC and EM Lyon) to present students and young graduates with work placements, work-study contracts or jobs. These events also provide a unique opportunity for candidates to ask for advice about their first career choice and for recruiters to present the Lagardère group and its brands.

In its effort to stand out and develop original experiences for sharing, Lagardère has partnered an exciting and meaningful event since it was created six years ago: the World Academic Sport Challenge with France's top schools and universities. This one-day sports competition brings together students and companies and includes actions to promote the integration of employees with a disability, along with the chance to discuss the businesses of partner companies.

Offering employees guidance throughout their career, the Lagardère group has a vast selection of training options available for all its employees in a broad range of areas, including digital, management, communication, health and safety, foreign languages, businesses, and more.

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

This training begins with orientation day, an annual event which brings together 100 recently hired managers to present Lagardère's different businesses through creative activities and meetings with executives, thereby contributing to the emergence of a common culture.

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

A programme was developed in 2014 to give managers the chance to discuss some common issues, such as management basics, conflict management, negotiation, managerial communication and public speaking. This programme was extended in 2015 and a total of 170 managers have received training.

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

In 2015 Lagardère Active also organised a series of conferences for its employees on CSR in the media sector, with the participation of experts in the fields discussed, including climate change, child protection, media education and promoting diversity.

Guidance in new technology

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

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

Lagardère has been involved in Netexplo's development since it was created and in 2015 participated in devising the Netexplo Academy training programme.

This online training course, featuring adaptive content, includes tests and videos on digital technology to expand employees' knowledge about digital content and new technologies.

In addition to this training course, Group employees can take part in Netexplo's annual forum (which chooses ten award winners every year) and its various management and marketing workshops.

Equally pivotal in developing the skills and expertise of its employees, and a key priority for the Lagardère group, is internal mobility. In 2013, Lagardère developed a special mobility process, which was implemented in 2014 and 2015. An inter-divisional committee (made up of HR representatives in charge of mobility) meets every two months to discuss current and future openings and the profiles of candidates who have expressed a request for mobility. This process led to about 20 mobility transfers in 2015 and the review of more than 110 jobs and 30 candidates.

Offering support beyond the internal talent pool, the Group and divisions also take initiatives to promote young outside talent

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

specialising in fields related to Lagardère's businesses. These initiatives have taken different forms, including a number of competitions and awards to honour young journalists, writers, animators, musicians, photographers, and so on.

For example, every year Europe 1 awards the Lauga-Delmas scholarship to a top journalism school student. In 2015 it went to Théo Maneval, who was then offered a six month contract as a writer for Europe 1.

Some Group entities, such as Hatier (with its "*Le Tremplin Prepabac*" for secondary school students) and Editions JC Lattès, hold competitions awarding scholarships to the successful students and young entrepreneurs.

On top of awarding scholarships to twelve students every year (see below), the Jean-Luc Lagardère Foundation, in partnership with Sciences Po, supports educational programmes for high-level athletes who are still in their sporting career to prepare their professional future after retirement from sport. Since their launch in 2007, 105 athletes have taken the programme, and 32 are enrolled for the 2015-2016 academic year.

In promoting social innovation, the Lagardère group also wants to encourage its employees to get involved in their community.

Seven years ago, the Elle Foundation was a pioneer in supporting Lagardère Active employees in their community involvement (260 to date). For example, in 2015 twelve "Skype sponsors", all female Lagardère Active executives, devoted 30 minutes a week to teaching French to female Moroccan students.

In 2014, the Jean-Luc Lagardère Foundation set up a scholarship to promote community involvement. One to three scholarships of

€5,000 each are awarded each year to support community projects developed by Group employees. Under this programme, the Jean-Luc Lagardère Foundation selected three charitable projects in 2015. The first organises classical music concerts for young people from low socio-economic backgrounds, while the second backs sports and professional training for two disadvantaged young talented athletes. The third project in Mali involves training seven young people in video camera operation and editing.

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

Hachette Livre's Charitable Action Committee granted eight scholarships in 2015 to charitable projects developed by employees. The winning projects included the production of a web documentary on illiteracy and supplying furniture and equipment to a youth and cultural centre in a Burkina Faso village.

Lagardère Travel Retail employees are keenly encouraged to get involved in various social initiatives through local Green Teams or, for Aelia employees, the NGO Action Against Hunger (*Action Contre la Faim*) (see section 5.3.3.3 B). In 2015, the company also organised Duty Fair Days in partnership with the charity *Les Compagnons d'Emmaüs*.

B.3 Performance*Offering guidance for young people***Number of work placements and work-study programmes**

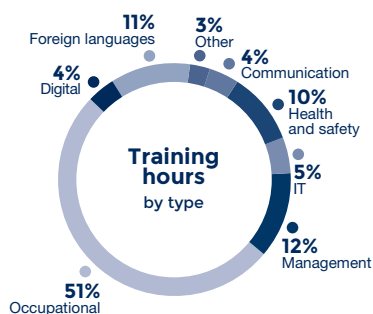
Division	Number of work-study programmes	Number of interns
Lagardère Publishing	238	436
Lagardère Travel Retail	155	178
Lagardère Active	164	568
Lagardère Sports and Entertainment	43	299
Other Activities	9	32
Group total 2015	609	1,513
Group total 2014	902	1,480

Training**Number of training hours by occupational group**

Division	Executives	Managers	Journalists and photographers	Other employees	Total
Lagardère Publishing	2,084	20,046	NA	19,950	42,079
Lagardère Travel Retail	3,705	45,859	NA	140,981	190,545
Lagardère Active	339	16,893	6,407	14,061	37,699
Lagardère Sports and Entertainment	118	912	0	5,257	6,286
Other Activities	601	983	NA	301	1,884
Group total 2015	6,846	84,692	6,407	180,550	278,494
Group total 2014	4,625	78,610	11,005	178,000	272,240



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



The breakdown in training hours by type highlights how well adapted the Group's training policy is, as 63% of total training hours focus on "business" and "management". These training courses closely tie in with employee performance in their current position and their professional development potential.

5.3.2.2 SUPPORTING RESPONSIBLE DIGITAL MANAGEMENT

The increasing importance of digital technology brings with it new challenges for the Lagardère group, which will have to create new financial models, rethink jobs and understand new forms of public relations. Digital technology also causes new concerns over responsibility. As such, the Group is taking steps to ensure that its expected future growth from digital businesses does not compromise trust.

A) STRATEGY

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

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

B) APPLICATION

Digital activities accounted for a growing proportion of the Lagardère group's businesses in 2015, reflected in the set-up of a Lagardère innovation lab, the creation of a data engineering and management unit, the Group's investment in two innovation funds and division partnerships with digital technology leaders, mainly at Lagardère Active and Lagardère Publishing.

This growth has led to increased awareness about the social responsibility issues involved in digital technology, such as personal data protection and intellectual property.

Protecting personal data

The Group IT Department and Risk Department, in collaboration with the Legal Department, oversee the system for personal data protection. It does this partly through a self-assessment questionnaire, which is intended to raise awareness among the people concerned and ensure that best practices are being used at the IT Department and in the Group's digital solutions. A measurement campaign was led in 2015, with each entity concerned receiving specific recommendations. The system focuses on three main areas:

1. regulatory compliance;
2. the creation of IT policies and guidelines;
3. the implementation of technical protection resources (encryption, electronic signatures, the right to know).

The Group applies regulatory and statutory provisions in force in France (the French Data Protection Act, CNIL reporting) and equivalent provisions in other countries in which it operates. When a data processing system is centralised, agreements between the

parties define the rules and use based on the regulations in the respective countries.

An employee awareness campaign was launched in 2015 featuring an online educational game, and reminders of its availability will be sent out regularly in 2016.

As part of a plan to strengthen the Group's IT security, new tools will be rolled out in 2016 to:

1. monitor the Group's assets online;
2. provide a certificate management platform (encryption, digital signatures);
3. strengthen the vulnerability detection system for websites;
4. strengthen the notification management system (subscription available for local managers);
5. review centralised intrusion detection solutions.

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

Divisions are responsible for data protection and digital security, and each division took measures to raise awareness in 2015 in both France and abroad.

Protecting intellectual property

At **Lagardère Publishing**, the legal departments are responsible for intellectual property protection, filing lawsuits when any infringement is noted, such as plagiarism, parasitism or overuse of quotations. In order to counter the pirating of digital files – which is the most serious infringement of authors' rights – Lagardère Publishing uses a specialised company that carries out web monitoring, detects fraudulent use of files that are the property of the business line, and serves the offenders with notices to terminate their activities.

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

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

The environmental impact of digital tools

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

Progress has been made to extend the useful life of devices, but the Group also requires a high level of certification for the computer hardware it rents and buys. Lagardère continues to implement virtualisation technologies for both its hosting service contracts and its own infrastructure to optimise its assets (servers, networks, data storage), thereby reducing the carbon footprint of data centres.

C) PERFORMANCE

Indicador	Unit	2015	2014	2013
Weight of WEEE collected for recycling	Tonne	36.9	25.7	33
Total weight of WEEE collected for recycling	Tonne	95.6	58.7	33

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

The change in weight collected between 2014 and 2015 is due to different interpretations of inventory management and minimum amounts.

Hachette Livre is primarily responsible for the higher weight of WEEE collected in 2015. The entity enlisted a new environmental organisation in 2015 to collect its waste and improved its information traceability system, which is now centralised and monitored by the Information Services Department for all sites.

5.3.2.3 PROMOTING ACCESS TO CULTURE AND ENTERTAINMENT

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

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

The Lagardère group offers a vast range of cultural entertainment (from books written by authors expressing diverse ideas, to the distribution of local cultural products in airports worldwide, to sports events in different regions, etc.). As a cross-media operator, the Group must continuously reassess its impact on society. This has prompted Lagardère to co-found the Media CSR Forum with CSR departments from other media groups⁽¹⁾. This body leads the development and exchange of best practices specific to the responsibility of the media sector. Through this forum, Lagardère's Sustainable Development Department helped draft a guide to CSR in the media industry which is available on the ORSE (French CSR monitoring body) website⁽²⁾. A booklet on CSR and advertising was integrated into the guide in 2015.

Community involvement in culture – the Lagardère group's foundations

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

This role is mainly embodied at Group level by the **Jean-Luc Lagardère Foundation**, which was created in 1989 under the auspices of the Fondation de France. It was set up to implement Lagardère's commitment to culture, community, youth and sport and develops a number of programmes to promote cultural diversity, encourage creation and drive success.

Every year since 1990, the Foundation has awarded culture and media scholarships to talented young people under the age of 30 (or under 35 for certain categories). Scholarships are awarded by prestigious juries in ten categories: Writer, Film Producer, Television

Scriptwriter, Musician, Bookseller, Print Journalist, Photographer, Documentary Film-maker, Animated Film-maker and Digital Artist.

Since it was created, 261 beneficiaries (13 in 2015) have received a total of €5,630,000, including €255,000 awarded in 2015.

The Jean-Luc Lagardère Foundation extended its support in 2015 for the French Academy in the Villa Medici in Rome and the cultural programme aimed at teenagers at Studio 13/16 at the Pompidou Centre. It also formed a partnership with the organisation *Lire pour en sortir* which gives prime importance to reading in the reintegration of former prisoners into society and *École Miroir*, a free school that trains people from socially and culturally diverse backgrounds in France's lower-income neighbourhoods to become professional actors, directors and authors.

The panel of judges of the third Prix de la Littérature Arabe – chaired by Pierre Leroy, Co-Managing Partner of Lagardère SCA and made up of eminent figures from the media, arts and culture and experts on the Arab world – handed its literary award to the Saudi Arabian writer Mohammed Hasan Alwan for his novel *Le Castor*, published by Seuil. A special honour was also given to the Yemeni author Ali Al-Muqri for his novel *Femme interdite*, published by Liana Levi.

This literary prize created by the Jean-Luc Lagardère Foundation and the Institut du Monde Arabe (IMA) in 2013, worth €10,000 (€5,000 for the special award), honours authors from Arab League countries writing about the young generation in the Arab world.

At Lagardère Active, the Elle Foundation kicked off its third five-year term in 2015, giving financial support to eleven projects⁽³⁾, including five new initiatives. Three of these projects were in France, representing a total budget of €78,300, and eight abroad with a total budget of €100,747.

The 11th edition of *Elle Solidarité Mode*, sponsored by Jean-Paul Gaultier, financed the education of young girls from underprivileged backgrounds, enabling them to attend prestigious fashion schools.

In April 2015, the Foundation, representing *Elle* magazine, teamed up with the Comptoir de l'Innovation to create the first *Elle Impact*² award in honour of female social entrepreneurship. The award is growing internationally, now with about ten local editions of *Elle*. In 2016 *Elle Impact*² will become the *Elle Women Impact*.

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

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

(2) http://www.orse.org/rse_dans_le_secteur_des_medias-98.html.

(3) A twelfth project was launched in Burkina Faso in 2015, which will be given financial support in 2016.

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

A.1 Strategy

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

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

A.2 Application

Accessibility

The Group's youth channels (Tiji, Gulli, Canal J) surpass the requirements set by the French broadcasting authority (*Conseil supérieur de l'audiovisuel* – CSA) on the number of hours of subtitled programmes aired.

All three channels regularly broadcast different programmes that teach sign language, such as *Fais-moi signe*, *Mes tubes en signe* and *Devine quoi*.

On 15 January 2015, Lagardère Active signed the Quality Charter for using French Sign Language on Television Programmes (*Charte de qualité pour l'usage de la Langue des Signes Française dans les programmes télévisés*), which sets quality standards for using sign language on television based on accuracy in meaning, differentiation between multiple speakers in complex conversations and visibility of the sign language interpreter.

Since 2008, Lagardère Publishing's audiobook brand Audiolib has helped people with a visual impairment or with reading difficulties, such as young dyslexics. Audiolib regularly improves the accessibility of its website for people with a visual impairment.

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

Whether through the diversity of the books published by Hachette, reflecting a broad spectrum of opinions in some 60 countries and 15 languages, the number of countries (180) in which Lagardère Studio broadcasts its audiovisual content, the number of editions of *Elle* worldwide, the reach of the Lagardère Travel Retail network (more than 4,600 retail outlets in about 20 countries) and the broad range of products on offer, or the variety of sports and cultural talent represented by Lagardère Sports and Entertainment, diversity is the lifeblood of the Lagardère group.

In 2015, Africa was one of the focuses for the geographic expansion of the Group's media operations, starting with the launch of Gulli Africa in 22 French-speaking sub-Saharan African countries. Programming is exclusively in French, and the channel aims to produce 30% of its content in Africa within the next four years.

Lagardère Studios formalised its commitment with a production company in Senegal and a distribution company in Ivory Coast and plans to set up a training academy for future African directors and artists.

After launching Vibe Radio in Senegal in 2014, Lagardère Active Radio International (LARI) moved further in its expansion strategy in Africa, targeting French-speaking countries, followed by English-speaking countries.

Promoting diversity also carries implications for labour and social issues. For a media group, the diversity of in-house teams (see section 5.3.2.1) must be reflected in the content broadcast through its various media and its radio and television programming, which is closely monitored by the CSA. The commitments made by the Radio-Television unit in the area of diversity for 2016 were submitted to the CSA as they are every year. The managers were audited in November and December 2015.

In representing diversity, Lagardère held to the commitments made by its radio and television channels in 2015.

For example, Gulli has taken steps to ensure that, from the programme order to the production phases and ultimately to broadcast, social and cultural diversity is fairly represented in all of its programming, fiction, events, games, and so forth.

The many initiatives off the air include *Les Espoirs de l'animation* organised by Gulli, Canal J and Tiji in June 2015 as part of the Annecy International Animation Film Festival, in partnership with the CNC⁽¹⁾ and animation schools with the theme "All Equal, All Different" (*Tous égaux, tous différents*). For the 2015 edition, 60% of the participants were young women.

For International Women's Day on 9 March 2016, the channel June TV aired the documentary *Lucie à la conquête de l'Ouest*, about the producer Jérémy Michalak who travels across the United States with a young disabled woman confined to a wheelchair, Lucie Carrasco, in a funny, heart-warming road movie that tackles the clichés and stereotypes about disability.

The Gulli 2015 Novel of the Year award went to *Dans les yeux d'Anouch* by Roland Godel, a story about an Armenian girl who is forced to leave her home and takes refuge in Turkey.

Throughout 2015, Europe 1 was careful to ensure that all aspects of French society were properly represented in the participants on the air (hosts, journalists, guests, listeners) and its programming, in addition to the topics covered in its news broadcasts and shows. The initiatives on the air highlighted the vast diversity of French society, in terms of the ethnic and cultural backgrounds of the national community, socio-economic categories, gender and disability. Reflecting its support for these issues alongside Virgin Radio and RFM, Europe 1 was excited to be the first radio station to broadcast the segment developed and produced to promote diversity from 11 to 14 July 2015.

Europe 1 also supported diversity off the air through cultural partnerships and special campaigns, including the rebroadcast of the Tolérance concert produced by Lagardère Studios and its involvement in the Femmes en Or Awards, which recognise the achievements of women in diverse areas whose action, experience and dedication has made them exceptional and inspirational to all.

Freedom of expression, i.e., the right to inform and be informed as specified in article 19 of the Universal Declaration of Human Rights, is one of the fundamental values of democracy and of the Lagardère group.

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

Hachette Livre is a founding member of the PEN International Publishers Circle. PEN International is an NGO formed in 1921 to protect freedom of expression, particularly that of persecuted writers, and to promote literature worldwide.

(1) CNC: National Centre for Cinema and the Moving Image (*Centre national du cinéma et de l'image animée*).

The Group reacted to the tragic events that occurred in 2015 by firmly reiterating the importance it attaches to freedom of expression. In January, the Jean-Luc Lagardère prize for journalist of the year was awarded to the editorial staff of *Charlie Hebdo* by the panel of judges, of which Georges Wolinski had been a member.

Livre de Poche paperback books brought together 60 writers in defence of freedom of expression in a book combining fundamental classic literature and the words of contemporary authors. All proceeds went to *Charlie Hebdo*.

Led by the SNE and with the participation, free of charge, of the printer, paper supplier, and distributor (Hachette), several publishers

including Hachette came together to produce a collective work, *La BD est Charlie*, featuring 183 drawings donated by 173 press cartoonists and comic book artists.

Éditions du Chêne also promoted the freedom of expression with the publication of the paperback *La Déclaration Universelle des Droits de l'Homme illustrée*, an illustrated version of the Universal Declaration of Human Rights, and a high-quality hardcover, *Déclaration universelle des droits de l'homme illustrée. Rien à déclarer? Si ! Les droits de l'homme*, while Livre de Poche published *Lettres à la France* in January 2016 to reaffirm our role in passing on the universal values that unite us.

A.3 Performance

Indicator	Unit	2015	2014	2013
Number of new books published in the Audiolib catalogue during the year	No.	78	70	55
Number of titles available in the Audiolib catalogue at year-end	No.	458	380	310
Percentage of Gulli air time per year with subtitled programmes	%	30.4	30.01	40.80
Percentage of Canal J air time per year with subtitled programmes	%	46.3	47.14	41.85
Number of hours of subtitled programmes devoted to the hearing impaired broadcast on youth channels during the year	Hours	6,521	6,460	-

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

B.1 Strategy

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

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

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

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

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

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

B.2 Application

In addition to their activity of publishing youth works and teaching manuals on all markets, Hachette and Hatier are involved in Savoir Livre, a non-profit organisation that works with the French national education authority and the Books and Reading Department of the Ministry of Culture. Savoir Livre monitors the education system through studies, surveys, conferences and debates with the underlying aim of giving children the best chance of succeeding in life.

In addition to this work, the Youth Works publishers at Lagardère Publishing offer a number of online activities for children. Hatier's Annabac.com site is one of the most widely viewed websites among students (4.3 million UVs in 2015) during their schooling. Annabac.com provides tips and resources to succeed in secondary school and the first steps beyond.

In 2013, Hatier also launched a contest called "*Le Tremplin Prépabac*" for secondary school students, with a prize of €5,000 to finance the winner's career project. Since its launch, 1,500 students have participated in the programme.

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

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

As a youth channel, Gulli must comply with certain legal and regulatory requirements, and this new Code of Conduct lays down a set of specific commitments that it must meet, regarding for example the French language, corporate citizenship, representation of equality and diversity and awareness about sustainable development.

The Group's radio stations and advertising sales brokerages are also involved in efforts to protect children by broadcasting advertisements and displaying online banner ads for organisations dedicated to this cause.

In preventing obesity, the Group's youth channels take action to promote balanced and healthy diets among their young viewers. The youth channels took part in discussions organised by the CSA on drawing up a new five-year Charter, which was signed in November 2013. This text came into force in January 2014.

In November 2013, the CSA launched <http://education-medias.csa.fr/>, a media literacy website aimed at the general public. Certain media of the Lagardère group (in particular Europe 1 and Gulli) contributed to developing the site.

In March 2015, as in 2014, Europe 1 and Gulli teamed up to take part in the 26th Press and Media Week at School (*Semaine de la*

presse et des médias dans l'école), an event coordinated by the centre for liaison between teaching and information media, or Clerm, and the French Ministry of Education to help children to understand the media system, to develop their critical analysis skills and their interest in current issues, and to forge their identity as a citizen. Two of the Lagardère group's media entities invited 150 children aged 10 to 14 from across France to their offices to discover the world of radio and television by participating in a variety of activities.

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

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

B.3 Performance

Indicator	Unit	2015	2014	2013
Number of hours of obesity prevention programmes broadcast on youth channels during the year	Hours	536h	330h18m	314h49m
Total number of hours of obesity prevention programmes broadcast on youth channels since 2009	Hours	2,040h	1,506h37m	1,176h19m
Number of UVs on annabac.com during the year	Millions	4.3	3.8	-
Number of formal litigation cases involving child labour	No.	0	0	0

C) RAISING AWARENESS ABOUT SOCIAL ISSUES AND SUSTAINABLE DEVELOPMENT

C.1 Strategy

Through their content, the media can contribute to providing their audiences with the skills to understand major issues in contemporary society (environment, social justice, diversity, health, human rights, etc.). As direct or indirect information providers, the media have a power of influence that can be instrumental in raising public awareness.

C.2 Application

With the year closing on the high note of the COP21 Climate Conference in Paris, 2015 put this particular responsibility of the Lagardère group in a new perspective. All Lagardère Active media and its advertising sales brokerage, Lagardère Publicité, got involved in the event.

Lagardère published content on environmental issues in its news magazines and organised a campaign including quizzes, a challenge and conferences to raise employee awareness about climate change priorities.

The Jean-Luc Lagardère Foundation supported the certified COP21 exhibition Footprint, which tells the story of successful environmental initiatives taken throughout the world.

C.3 Performance

Europe 1 organised a number of exclusive events before, during and after COP21: a special full-day of programming aired from Ile de Sein, an island off the French coast threatened by rising sea levels, a special morning broadcast on climate change live from Beijing, another special day of programming focused on anticipating the

impact of climate change, and more. These events culminated in the Europe 1 environment awards, which honoured seven initiatives offering solutions for a healthier planet. Lagardère's magazines were also mobilised. *Elle aime la planète* (*Elle Loves the Planet*), a special round-shaped edition with Mélanie Laurent as its environmental activist chief editor, made a strong impact. *Paris Match* wrapped up its six-month series of special reports, *L'appel de la Terre*, with a book featuring professional and amateur landscape photography, *Ma terre en photos*, which was offered to the chiefs of state who attended COP21.

Éditions du Chêne published a book covering the Footprint exhibition held at the Paris City Hall, while Relay stores displayed the event's promotional posters.

5.3.2.4 STRENGTHENING OPERATIONAL SUSTAINABILITY

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

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

The Group and its divisions can then each organise their own approach to sustainability, developing awareness campaigns and training programmes to help their employees understand the

priorities specific to their particular business and the tools and measures available for managing them.

Paper-related activities, which concern two Group divisions, are targeted by several environmental priorities, including climate change, protection of natural resources and waste management, but the Group has decided to focus its action on climate change and social responsibility in the supply chain.

A) FIGHTING CLIMATE CHANGE

A.1 Strategy

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

This fight also requires a policy of responsible paper management, which tends to limit emissions throughout the paper life cycle.

A.2 Application

In offices:

In line with the Lagardère group's objective of increasing its use of low-carbon energy sources, several of its premises in Paris are heated by a district heating system supplied by Compagnie Parisienne de Chauffage Urbain (CPCU). Out of the energy supplied by CPCU, which combines several sources of power (2013 figures), 64% comes from natural gas or gas produced by cogeneration (25%) and recycled domestic waste (39%). The remaining 36% comes from coal (24%) and ultra-low sulphur heating oil (12%).

Similarly, the headquarters of the Lagardère group opted for the same energy mix several years ago to heat one of its two sites in Paris.

The building in Vanves that is home to Hachette Livre since April 2015 obtained HQE NF high environmental standard certification for commercial buildings and the BBC energy efficiency label. Hachette UK's new headquarters in Carmelite House meets BREEAM certification standards, while Hachette Book Group reduced its energy consumption at its New York offices by 70% in 2015.

Two of the office buildings housing Lagardère Active in Levallois are heated by Levallois Énergie Maintenance (LEM), which is comparable to the above-described Paris district heating system.

When Lagardère Studios relocated to Boulogne, it chose a building certified as HQE (built to High Quality Environmental Standards) and BBC (the French standard for low-energy buildings).

At Lagardère Sports and Entertainment, the Croix Catelan site and the Folies Bergère and Casino de Paris entertainment venues use district heating.

In 2015, the Lagardère group began its programme of 43 energy audits to be conducted in France. This programme was led by the Real Estate and Sustainable Development Departments in liaison with the Group's four divisions to meet the EU Energy Efficiency Directive and to anticipate France's energy transition law.

In the business lines:

Lagardère Publishing works to reduce the greenhouse gas emissions from energy consumption at its offices and is involved in an ambitious programme, Cap Action Carbone, to reduce the greenhouse gas emissions related to its book publishing activities. For the past three years, Lagardère Publishing has displayed on its French works the type of paper used in printing, if it is certified or recycled, and the carbon footprint of each copy.

The division has carried out three carbon audits for Scope 3 emissions, in 2008, 2012 and 2015. Scope 3 goes a step beyond Scopes 1 and 2, which meet the legal requirement, to account for indirect emissions from sold products, i.e., books for Lagardère Publishing. The entire value chain is covered, from the forests which produce the wood transformed into fibre and then paper, to printing and transportation before moving onto Hachette Livre's direct emissions from storage, distribution, delivery and office operations.

The calculation method must be continuously updated to keep it in line with other international methods, even if that involves raising or lowering previous audit findings to make the comparison meaningful. The 2012 audit had initially come out at 196,000 tonnes of CO₂ equivalent and was revised to 189,000 tonnes after factoring in the new criteria.

That did not prevent Hachette Livre's efforts from resulting in a 10% reduction in its greenhouse gas emissions between 2012 and 2015 to 169,000 tonnes of CO₂ equivalent.

This remarkable progress, which followed a 16% reduction between 2009 and 2012, mainly results from the efforts made to rationalise the print run and reprint processes. The average carbon footprint of a book is now 1.03 kg of CO₂ equivalent.

Using paper from sustainably managed forests (see below) has clearly contributed to fighting climate change. But print-on-demand technology, used to print only books that have been ordered, has also played a role in limiting greenhouse gas emissions from production, storage and transportation. The Group has developed the use of this technology in France, the United States and the United Kingdom, and its catalogue was enlarged in 2015.

In France, Hachette Livre is also using this technology as part of a large-scale project it has launched in association with France's national library (Bibliothèque Nationale de France). As part of this project an initial 100,000 copyright free titles will be marketed via Hachette Livre's bookstore network, selected from the 200,000 digitised books available through Gallica, the Bibliothèque Nationale de France's digital library.

Lagardère Active, alongside its paper management policy, constantly seeks to optimise transport in the manufacturing cycle by working with closely situated paper suppliers, printers, binders and transporters, and opting for transport methods with lower greenhouse gas emissions (train or boat where possible).

With the resources of the Technologies Department, the main physical flows required in its business operations have been transformed into digital flows, using electronic transfer and validation circuits. This has helped the business line to reduce the transportation of documents and physical media, streamline validation circuits and increase the efficiency of these operations. Digitisation has been adopted for financial and purchasing applications, for press and multimedia editorial flows (electronic flatplan, integration of digital pre-press), for advertising sales brokerage (digital transfer of advertising materials for press and audiovisual media, portal for adverts appearing in the press, electronic data interchange) and for TV channels (tape-free sending of productions and advertisements).

Lagardère Travel Retail's programme to refurbish its Relay stores in France has provided the opportunity to test an upcycling project at about 30 outlets. This involved transforming existing structures to adapt to the new product mix, which has limited greenhouse gas emissions, saved time and cut costs.

Efforts were also made in transportation. Aelia now has a fleet of twelve hybrid vehicles for its warehouse deliveries.

A.3 Performance

The Group's energy consumption in France and Western Europe in 2015

Division	Year	Gas (kWh)	Oil (kWh)	Electricity (kWh)	District heating system (kWh)
Lagardère Publishing	2015	12,388,715	2,699,245	26,713,516	1,811,817
	2014	12,159,065	3,650,804	26,763,170	2,394,711
Lagardère Travel Retail	2015	7,398,909	421,245	67,517,122	106,393
	2014	14,738,827	3,692,519	46,470,843	152,000
Lagardère Active	2015	2,433,763	162,062	18,351,073	2,447,425
	2014	4,777,040	37,538	21,128,545	1,463,000
Lagardère Sports and Entertainment	2015	5,813,072	53,919	4,242,181	642,234
	2014	3,269,456	2,535,370	4,495,733	1,411,770
Other Activities	2015	0	0	1,016,341	340,000
	2014	15,837	5,507	5,018,339	400,000
Total	2015	28,034,459	3,336,471	117,840,234	5,347,869
	2014	34,960,225	9,921,738	103,876,630	5,821,481

Year-on-year increases and decreases in energy consumption varied by branch and source. The Group's energy consumption in France and the rest of Western Europe showed a downward trend, except for electricity, due to a change in scope (see below).

The considerable decrease in district heating at Lagardère Publishing is a direct result of the relocation of the division's French registered office, which was the largest consumer of this form of energy.

The increase in electricity consumption at Lagardère Travel Retail comes from France, as the sales outlets from the joint venture with SNCF entered the reporting scope.

The drop in gas consumption at Lagardère Active was offset by its higher consumption of district heating.

And at Lagardère Sports and Entertainment, the drop in oil consumption and the rise in gas consumption is due to Lagardère

Paris Racing in France. The site underwent major renovation works in 2014 when the gas-fired boilers were replaced with temporary oil-fired boilers. After the renovation works were completed in late 2015, the gas-fired boilers were reinstalled.

In general the changes in reported consumption reflected:

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

CO₂ equivalents of the Group's tertiary energy consumption in France and Western Europe (in eq. t CO₂)

Division	Year	Scope 1			Scope 2			Total Scope 1 + Scope 2
		Gas	Oil	Total	Electricity	District heating system	Total	
Lagardère Publishing	2015	2,291.91	718.00	3,009.91	4,936.94	348.89	5,285.82	8,295.74
	2014	2,644.40	2,135.09	4,779.49	6,603.46	466.97	7,070.43	11,849.92
Lagardère Travel Retail	2015	1,368.80	112.05	1,480.85	13,833.21	20.75	13,853.95	15,334.80
	2014	3,162.89	1,195.85	4,358.74	7,645.75	29.64	7,675.39	12,034.13
Lagardère Active	2015	450.25	43.11	493.35	4,013.55	700.35	4,713.90	5,207.26
	2014	1,045.80	12.39	1,058.19	4,408.56	364.29	4,772.85	5,831.04
Lagardère Sports and Entertainment	2015	1,079.76	14.34	1,094.10	656.68	300.88	957.56	2,051.66
	2014	715.14	836.48	1,551.62	634.09	572.42	1,206.51	2,758.13
Other Activities	2015	0.00	0.00	0.00	79.27	66.30	145.57	145.57
	2014	3.47	17.90	21.37	391.43	78.00	469.43	490.80
Total	2015	5,190.71	887.50	6,078.21	23,519.65	1,437.16	24,956.81	31,035.03
	2014	7,571.70	4,197.71	11,769.41	19,683.29	1,511.32	21,194.61	32,964.02

As energy consumption for the Group's French and European operations decreased overall in 2015, so did the related greenhouse gas emissions.

Lagardère is gradually extending its reporting scope to cover energy consumption outside France. For 2015, the Group disclosed its energy consumption and greenhouse gas emissions for its entire Eastern Europe scope (Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia).

The Group's energy consumption in Eastern Europe in 2015

Division	Year	Gas (kWh)	Oil (kWh)	Electricity (kWh)	District heating system (kWh)
Lagardère Publishing	2015	0	0	0	0
Lagardère Travel Retail	2015	1,764,694	1,201,081	39,510,975	3,526,391
Lagardère Active	2015	635,493	236,627	2,324,135	138,425
Lagardère Sports and Entertainment	2015	1,850,704	134,935	2,850,579	16,668
Total	2015	4,250,891	1,572,643	44,685,689	3,681,484

CO₂ equivalents of the Group's tertiary energy consumption in Eastern Europe in 2015 (in eq. t CO₂)

Division	Year	Scope 1			Scope 2			Total Scope 1 + Scope 2
		Gas	Oil	Total	Electricity	District heating system	Total	
Lagardère Publishing	2015	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Lagardère Travel Retail	2015	326.47	319.49	645.96	26,761.90	4,052.67	30,814.58	31,460.53
Lagardère Active	2015	117.57	62.94	180.51	1,546.10	0.00	1,546.10	1,726.60
Lagardère Sports and Entertainment	2015	342.38	35.89	378.27	910.59	24.64	935.23	1,313.50
Total	2015	786.41	418.32	1,204.74	29,218.59	4,077.31	33,295.90	34,500.64

The substantial amount of greenhouse gas emissions at Lagardère Travel Retail in Eastern Europe clearly comes from the significant consumption of electricity, but is especially due to the emissions factors for electricity which are higher on average in this region than in Western Europe. For example, in Poland, where electricity accounts for nearly half of total Eastern European electricity consumption, the emissions factor is ten times higher than in France, where electricity accounts for 60% of consumption in Western Europe.

B) SOCIAL RESPONSIBILITY IN THE SUPPLY CHAIN

B.1 Strategy

The Lagardère group has had a Procurement Policy since 2008. This Procurement Policy was revised in 2013 to become the Sustainable Procurement Policy. This new policy offers the Group's procurement specialists information on respect for the environment, diversity and social inclusion, the quality of governance, easier access for VSEs and SMEs, as well as on taking into account the cash flow of small suppliers and selecting sustainable suppliers.

In addition to its Sustainable Procurement Policy, which defines the basic principles that each employee concerned should apply and uphold, the Lagardère group has also had a suppliers' charter since 2005. Updated in 2012 and renamed the Responsible Supplier Charter, it is based on a certain number of international standards, such as the OECD Guidelines, the ILO Conventions and the UN Global Compact. All new suppliers working with a Group company have been required to systematically sign up to this Charter since 2013.

Despite the decline of the press and magazine businesses at Lagardère Active, Lagardère is fully aware that its paper use remains a crucial environmental priority. The Group has long led a policy of rigorous responsible paper management which applies throughout the paper life cycle. From supply to production and ending with the management of returns, Lagardère works with all its trade partners involved at every stage.

B.2 Application

In assessing suppliers, the Lagardère group signed a framework agreement with EcoVadis at the end of 2014, which provides a collaborative platform for companies to assess the environmental and social performance of their suppliers. The first supplier scorecards (164) were gradually implemented in 2015. EcoVadis sends detailed CSR questionnaires to selected suppliers and

requests documented evidence to support their answers. EcoVadis analyses and assesses the suppliers and gives them a rating. Buyers now use these scorecards when choosing new suppliers or in managing active suppliers.

As a matter of policy, **Lagardère Publishing** also promotes environmental and labour issues with its paper suppliers and printers, both in and outside France, by encouraging certification. As regards the environmental management system, 90% of Lagardère Publishing's paper suppliers and 99.5% of Lagardère Active's paper suppliers are ISO 14001 certified.

In terms of raising awareness on labour issues, Lagardère Publishing primarily focuses on subcontractors operating in countries where labour legislation is less strict than in Europe. Most of Lagardère Publishing's printers in Asia have already obtained OHSAS 18001 certification (a universally recognised standard for health, safety and working conditions) or have signed a framework agreement including a labour clause.

As regards production in Asia of books published in French, 90% of the printers Lagardère Publishing works with have signed the Responsible Supplier Charter or obtained OHSAS 18001 certification. These awareness-raising operations apply to both subcontractors outside Europe and to Lagardère Publishing's European printers, which currently handle over 80% of the business line's printing work.

As a result, an increasing number of Lagardère Publishing's French and European printers have signed framework agreements including a labour clause or have obtained labour-related certification.

The Responsible Supplier Charter (called the Code of Ethics at Hachette Collections) stipulates that the publisher can initiate compliance audits at the suppliers' and subcontractors' premises or at any of their production sites, with penalties applied for any infringement. Hachette Collections commissioned four audits at two of its plants in 2015, one of which was delisted as the second audit detected major non-compliance issues.

In managing paper purchases, Lagardère's objective is to increase the proportion of certified paper (paper from sustainably managed forests) it purchases every year and to use recycled paper whenever possible.

Initiatives focusing on traceability and monitoring of the quality of paper purchased by printers have made it possible to significantly reduce the proportion of fibres used for publications whose origin cannot be traced and/or to ensure that no fibres are used from forests that are not replanted. Lagardère Publishing asks its

suppliers in Asia to ban certain qualities of paper that do not meet the requirements set (traceability, fibres from sustainably managed forests, etc.).

In 2010, Lagardère Active launched a PEFC chain-of-custody certification process for paper. Following this process completed in early 2011, the division received authorisation to include the certification logo in magazine mastheads or credits. This PEFC chain of custody certification process is now audited annually by an accredited independent firm⁽¹⁾.

Recycled paper is very well suited to the production of newsprint. *Le Journal du Dimanche* is printed entirely on recycled paper. On the other hand, the supply of recycled paper for magazines is still limited because of the volumes required and the number of suppliers in the market. As a result Lagardère mainly uses certified paper.

B.3 Performance

The main raw material used to make paper is wood, which is a renewable resource. The wood is processed into a pulp which is used to make reels of paper. The reels are shipped to the printer

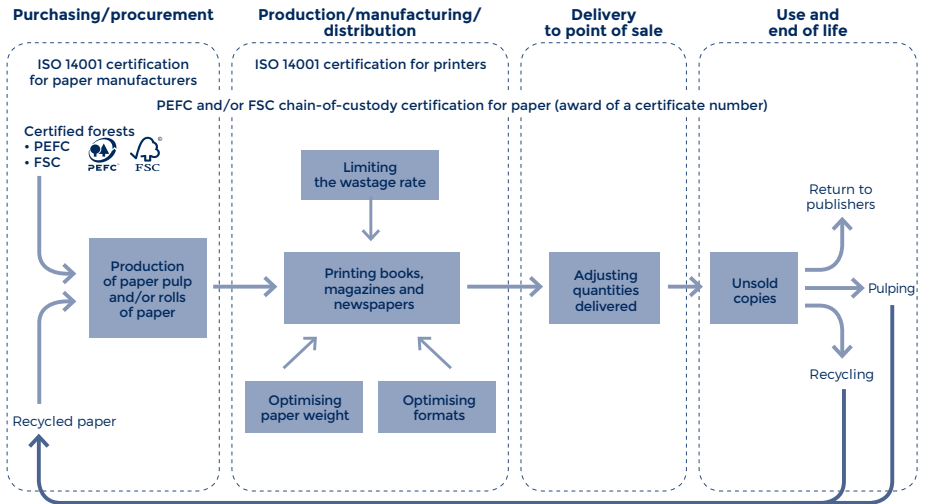
to be made into books, magazines and newspapers. Once used, these products can be collected and recycled to be used as a raw material for the production of recycled paper pulp.

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

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

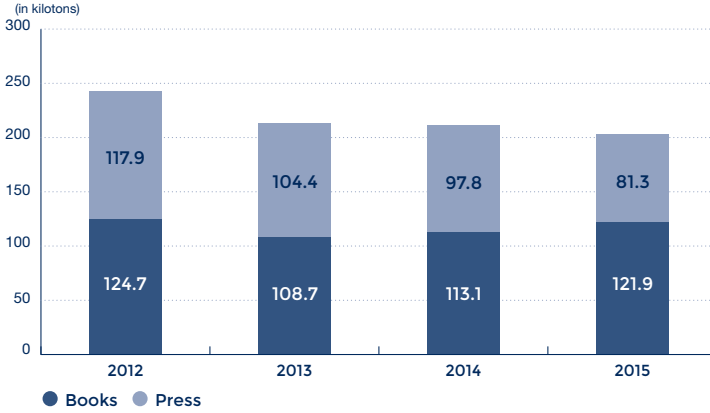
This sustainable use of natural resources helps gradually eliminate any negative impact of the Group's operations on endangered forests.

The paper cycle

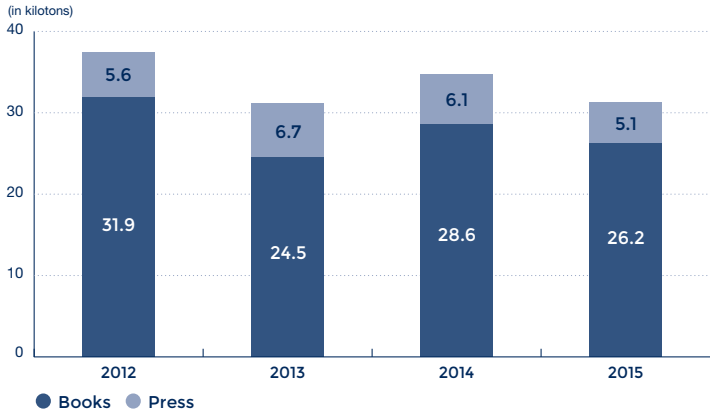


(1) The purpose of this audit is to check that all the physical and administrative flows provide adequate traceability throughout the service chain up to the layout service, which applies the logo to the magazine, certified under a unique number.

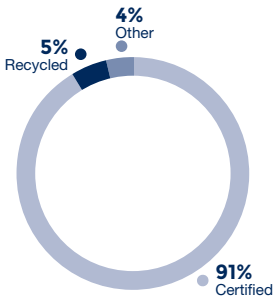
Total weight of paper purchased directly



Total weight of paper supplied by printers



Breakdown of paper purchased and supplied in 2015



Indicator	Unit	2015	2014	2013
Total weight of paper purchased directly	kiloton	203.2	210.9	213.1
Total weight of paper purchased and supplied	kiloton	234.5	245.6	244.3
Percentage of certified paper	%	91	88	88
Percentage of recycled paper	%	5	4	4
Number of PEFC-certified magazines	No.	28	29	37
Number of pages of advertising granted to Ecofolio in Lagardère Active magazines	No.	42	68	70
Number of active responsible supplier charters at year-end	No.	248	-	-
Number of suppliers and subcontractors assessed via the EcoVadis platform at 31 December 2015	No.	164	-	-
Percentage of revenue generated with ISO 14001 certified printers – Lagardère Publishing	%	50	48	-
Percentage of revenue generated with ISO 14001 certified printers – Lagardère Active	%	25	22	-
Percentage of ISO 14001 certified paper suppliers – Lagardère Publishing	%	90	78	97
Percentage of ISO 14001 certified paper suppliers – Lagardère Active	%	99.5	99	99

5.3.3 MONITORING OTHER REQUIRED DISCLOSURES

In addition to the information provided on the four strategic priorities (see section 5.3.2) and in line with article R. 225-105-1 of the French Commercial Code (as shown in the cross reference index at the end

of this chapter), the disclosures in this section cover the other labour, environmental and social information required by law.

5.3.3.1 LABOUR INFORMATION

Permanent workforce by age group

Division	Under 30	Age 31-40	Age 41-50	Age 51-60	Over 60	Total
Lagardère Publishing	1,116	1,772	1,811	1,378	280	6,357
Lagardère Travel Retail	5,083	3,920	3,258	2,087	438	14,786
Lagardère Active	429	1,095	986	541	56	3,107
Lagardère Sports and Entertainment	374	561	306	110	33	1,384
Other Activities	21	36	41	37	15	150
Group total 2015	7,023	7,384	6,402	4,153	822	25,784
Percentage	56%		25%		19%	100%

Staff recruitments/separations

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

Staff recruitments and separations by type

Division	Recruitments	Contract conversions	Internal mobility	Promotions	Total
Lagardère Publishing	575	164	73	118	930
Lagardère Travel Retail	4,564	241	18	228	5,051
Lagardère Active	199	160	31	54	444
Lagardère Sports and Entertainment	211	62	27	50	350
Other Activities	11	4	3	2	20
Group total 2015	5,560	631	152	452	6,795
Group total 2014	3,995	318	251	653	5,217

Division	Resignations	Retirements	Redundancies	Dismissals for personal reasons	Separations by mutual agreement	Other reasons	Total
Lagardère Publishing	405	77	68	84	40	74	748
Lagardère Travel Retail	2,582	47	208	590	1,353	652	5,432
Lagardère Active	116	17	86	103	176	53	551
Lagardère Sports and Entertainment	154	3	43	32	40	40	312
Other Activities	4	5	1	1	5	2	18
Group total 2015	3,261	149	406	810	1,614	821	7,061
Group total 2014	2,550	147	584	886	1,007	887	6,061

In 2015, most staff recruitments at the Group – 91% of staff recruitments versus 83% in 2014 – involved new hires and conversions of fixed-term contracts into permanent contracts. Mobility and promotions, however, were halved, falling from 17% of staff recruitments in 2014 to 9% in 2015.

Most staff recruitments and separations took place at Lagardère Travel Retail. Operating in the retail sector, its businesses are more susceptible to turnover than other Group activities.

Remuneration, employee welfare benefits

It is Group policy to use remuneration and pay rises to recognise and reward individual performance levels, based on quantitative and qualitative criteria defined by the subsidiaries.

To take into account employees' levels of skills, training and responsibility and the specific nature of the sectors they work in, individual rather than collective pay rises are increasingly common.

Regarding remuneration, most of the Group's entities make use of individual and collective performance incentives such as bonuses and variable pay. These practices allow an employee's remuneration to be linked to the achievement of personal objectives and collective objectives at the level of the subsidiary concerned.

In return for these individually tailored pay measures, to ensure optimum transparency between staff and their management on remuneration, the Group encourages annual interviews, which give employees a better perception of their fulfilment of the requirements of their job.

Lagardère also seeks to build loyalty among fast-track employees with the regular allocation of shares in the parent company, Lagardère SCA.

Until 2006, this allocation took the form of share options but since 2007 the Group has used free share awards (see the special reports of the Managing Partners).

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

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

Average annual gross salary by occupational group and by geographic area (in €)

Continent	Executives	Managers	Journalists and Photographers	Other employees
France	201,739	54,358	63,458	23,984
Rest of Europe	137,161	49,944	22,110	24,336
North and South America	294,361	81,783	NA	29,472
Asia-Pacific	227,764	63,993	34,320	30,884
Africa	85,524	46,203	NA	8,764
Group average 2015	177,875	55,470	55,792	25,676
Group average 2014	179,532	57,749	53,891	25,187

Behind these salary averages – which are provided for information purposes – lie widely varying situations (due to the nature of the activities and their location, with lifestyles and the cost of living differing greatly from country to country), and no general conclusions or comparisons should be drawn from them.

Organisation of labour relations

Labour relations are an essential part of the Lagardère group's human resources policy, based on the acknowledged principle of maintaining a balance between economic and labour priorities, at all levels of the organisation (entities, divisions and Group).

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

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

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

In terms of labour relations, although it practices a policy of independence for its business lines, the Group also promotes cooperation and dialogue with employee representative bodies and between the various subsidiaries in France and the rest of the world.

Two committees have been set up to meet this objective: the European Works Committee, set up in January 2003, and the Group Employees' Committee, set up in January 2002.

These two bodies have regular exchanges with Management about the key priorities and changes necessary for the Group's business activities.

The Group Employees' Committee comprises 30 members representing employees of the Lagardère group.

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

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

The articles of association of the Group Employees' Committee and the European Works Committee stipulate that each of these bodies must hold an annual ordinary meeting.

In addition to these annual meetings, extraordinary meetings or meetings between committee members and union representatives may be held if the situation so requires.

In 2015, as every year, the Group Employees' Committee and the European Works Committee held two ordinary general meetings. At these meetings, the committees assessed the activity of each division and reviewed their strategies.

2015 was another active year for the Group's labour relations. The Lagardère group maintains its plan to sell Lagardère Travel Retail's distribution operations. The situation is being discussed among its employee representative bodies, and the European Works Committee held an extraordinary meeting to keep them informed of the Group's progress on the deal.

Collective agreements signed during the year and agreements in place⁽¹⁾

Continent	Collective agreements in place at 31 December	Collective agreements signed during the year
France	549	46
Rest of Europe	105	20
North and South America	9	6
Asia-Pacific	2	0
Group total 2015	665	72
Group total 2014	680	84

(1) At 31 December 2015.

Percentage of the workforce covered by collective agreements, by type

Type of agreement	Gender balance	Hygiene, safety, working conditions	Integration of employees with a disability	Employee welfare benefits	Working hours	Training	Remuneration
Group total 2015	51%	61%	33%	62%	78%	31%	73%
Group total 2014	46%	66%	27%	55%	70%	35%	72%

Employee representation

Percentage of employees covered by employee representation

Group total 2015	71%
Group total 2014	74%

Organisation of working hours

Group entities have put in place work organisation schemes that provide the flexibility to meet the specific requirements of their operations, with overtime hours, fixed-term contracts and temporary employment.

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

This flexibility – which is required for the organisation of working time – does not, however, jeopardise the Lagardère group's compliance

with legal regulations specific to each country, particularly in terms of working hours and overtime.

Based on the indicators relating to the organisation of working hours, Lagardère carefully monitors how its companies use work flexibility arrangements, such as overtime hours, agency staff and fixed-term work contracts.

It is therefore important to note that the total number of employees on fixed-term contracts and agency staff accounted for 12.3% (versus 11.98% in 2014) of the Lagardère group's total workforce.

The Group also carefully monitors the total number of part-time staff.

Average daily and annual working hours

Region	France	Rest of Europe	North and South America	Asia-Pacific	Africa	Group total 2015
Days worked per year	219.3	240.6	250.0	252.4	286.0	234.6
Hours worked per day	7.1	7.9	7.6	8.0	8.0	7.6
Hours worked per year	1,565.1	1,902.8	1,892.9	2,018.7	2,288.0	1,782.1

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

Division	2015	2014
Lagardère Publishing	346.90	350.17
Lagardère Travel Retail	1,585.49	1,479.96
Lagardère Active	299.06	249.79
Lagardère Sports and Entertainment	170.94	123.10
Other Activities	5.88	3.19
Group	2,408.27	2,206.21

(1) Non-permanent employees = employees on fixed-term contracts.

(2) The FTE figure is obtained by adding together all the employees who worked for the Group during the year, based on their standard working hours and the hours they actually worked over the twelve months concerned. For example, an employee who works half a week for six months of the calendar year is counted as 0.25 FTE (0.50 x 0.50). This measure is particularly relevant for analysing the non-permanent workforce, given that reporting a figure as at 31 December would not reflect the actual situation for this occupational group.

Occasional employees⁽¹⁾ (Full-Time Equivalent basis)

Division	2015	2014
Lagardère Publishing	16.90	23.61
Lagardère Travel Retail	471.00	19.00
Lagardère Active	1,049.63	1,091.84
Lagardère Sports and Entertainment	1,043.08	152.73
Other Activities	25.00	1.90
Group	2,605.61	1,289.08

Number of overtime hours worked during the year

Division	Number of hours	FTE
Lagardère Publishing	117,792.17	67.89
Lagardère Travel Retail	457,398.79	263.63
Lagardère Active	9,083.74	5.24
Lagardère Sports and Entertainment	7,522.35	4.34
Other Activities	35.83	0.02
Group total 2015	591,832.88	341.11
Group total 2014	476,552.00	274.67

Number of temporary hours worked⁽²⁾ during the year

Division	Number of hours	FTE
Lagardère Publishing	814,694.92	469.56
Lagardère Travel Retail	609,404.20	351.24
Lagardère Active	33,698.80	19.42
Lagardère Sports and Entertainment	104,204	60.06
Other Activities	113	0.07
Group total 2015	1,562,114.92	900.35
Group total 2014	1,573,375.73	906.84

Percentage of part-time employees

Division	Women	Men	Total
Lagardère Publishing	13%	2%	8%
Lagardère Travel Retail	23%	14%	20%
Lagardère Active	10%	5%	8%
Lagardère Sports and Entertainment	17%	8%	11%
Other Activities	9%	7%	8%
Group total 2015	19%	9%	15%
Group total 2014	16%	10%	14%

(1) Occasional employees alternate between periods worked and periods not worked to meet the company's specific requirements.

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

Health and safety at work

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

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

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

France was hit by a number of terrorist attacks in 2015. Some Group employees were directly involved. The human resources teams at the entities concerned took the necessary measures to offer support to those affected.

Number of work accidents and sick leave cases

Division	Number of accidents	Number of sick leave cases
Lagardère Publishing	128	3
Lagardère Travel Retail	425	1
Lagardère Active	19	0
Lagardère Sports and Entertainment	12	0
Other Activities	0	0
Group total 2015	584	4
Group total 2014	586	4

Frequency and severity rate of work accidents⁽¹⁾

Division	Frequency rate and change		Severity rate and change	
Lagardère Publishing	11.50	↗	0.37	↗
Lagardère Travel Retail	18.86	↘	0.52	↘
Lagardère Active	3.39	↗	0.06	→
Lagardère Sports and Entertainment	5.09	↘	0.05	↘

Days' absence and lost time⁽²⁾ rate due to work accidents and sick leave

Division	Lost time due to sick leave and change		Lost time due to work accidents and change	
Lagardère Publishing	3.04%	↑	0.28%	↗
Lagardère Travel Retail	4.06%	↑	0.39%	↘
Lagardère Active	3.32%	↑	0.05%	→
Lagardère Sports and Entertainment	2.01%	↑	0.10%	→
Other Activities	1.07%	↓	NA	
Group total 2015	3.56%	↑	0.30%	→

(1) Frequency rate = (number of work accidents resulting in lost time x 1,000,000)/number of hours worked. Severity rate = (number of days of lost time x 1,000)/number of hours worked.

(2) Lost time = (number of days absence x average number of hours worked per day)/(number of permanent FTEs over the year x average number of hours worked per year).

5.3.3.2 ENVIRONMENTAL INFORMATION

The information relating to the identification of environmental risks and pollution, along with any provisions or guarantees is provided in section 3.5.1 of this Reference Document.

A) WATER CONSUMPTION AND SUPPLY IN ACCORDANCE WITH LOCAL CONSTRAINTS

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

Several initiatives (closed loop recycling, isolation transformers) have been taken by the main paper suppliers, resulting in marked progress over the past ten years. The total amount of water used in

the paper manufacturing process has been substantially reduced, now standing at nearly half the amount recorded 15 years ago. By continuously improving their paper manufacturing processes, paper suppliers also recycle most of their wastewater and release clean water back into their natural environment.

Printers have also taken an active approach to limiting water consumption and use all the advanced technology available to them (especially in closed loop rinse water systems) to reduce their consumption and return clean water to the environment.

To maintain transparency, the Lagardère group monitors its tertiary water consumption along with that of certain partners. This refers to the amount of water used at all types of physical sites where employees from the different divisions work (offices, warehouses, retail outlets, etc.). The table below shows the amount of water used at each division worldwide in 2015.

Division	Year	Water (m ³)
Lagardère Publishing	2015	55,865
Lagardère Travel Retail	2015	304,240
Lagardère Active	2015	30,486
Lagardère Sports and Entertainment	2015	87,340
Group total	2015	477,931

B) MEASURES TAKEN TO PREVENT, RECYCLE AND ELIMINATE WASTE

Measures to improve the management of office waste are taken independently and often locally at each Group division worldwide. For example, in 2015 Lagardère Active Radio International in Poland introduced its Eurozet Ecooffice sustainability programme. But the Group also gives top priority to dealing with book and magazine returns, which is Lagardère's main environmental priority related to waste prevention and recycling.

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

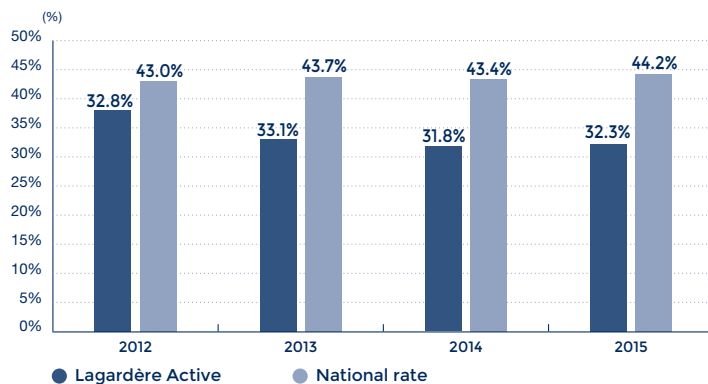
Faced with the important economic, environmental and social priorities of the recovery and recycling of press titles that are sold or distributed free of charge, a group of professional bodies

from the press industry in France (including SEPM, the French Union of Magazine Publishers) have agreed on the wording of a "Voluntary Agreement to Raise Awareness on Sorting, Recovering and Recycling Paper in the Press Industry", jointly with the French Ministry of Ecology, Sustainable Development and Energy, the Ministry of Culture and Communication and Ecofolio (an organisation accredited by the French government that promotes the recycling of graphic paper).

The objective of the agreement – which was signed in July 2013 and includes Lagardère Active as a member of the SEPM – is to provide a three-year framework on how press publishers can contribute to raising the public's awareness by providing free advertising space and including in their publications information related to the campaign to promote waste sorting. The first campaigns were launched in 2013 and continued in 2014 and 2015. In 2015, 42 pages of advertising were donated to Ecofolio in Lagardère Active magazines.

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

Comparison of rates of magazine return in France



Indicator	Unit	2015	2014	2013
Rate of returns for Lagardère Publishing	%	22	24.71	23.91
Percentage of returns pulped and recycled	%	76	57	60
Percentage of returns added back to inventories	%	24	43	40
Rate of returns for Lagardère Active	%	32.3	31.8	33.1
Percentage of returns recycled	%	94	92	93
Percentage of returns re-released on the market	%	6	8	7

C) SUSTAINABLE USE OF RESOURCES

To reduce the use of paper, Lagardère Publishing and Lagardère Active have adopted a number of initiatives to limit wastage in their production process. The wastage rate refers to the percentage of paper wasted during the book and magazine manufacturing process (printing and after-press). It is calculated by comparing the amount of paper used in the printing process with the amount of paper delivered in the form of books or magazines. This rate varies greatly depending on the printing technology used (type of machine, colours) and the number of books and magazines produced (print-run).

As part of the policy for reducing the paper wastage rate, the teams concerned at Lagardère Publishing and Lagardère Active determine the best technical parameters and carry out detailed calculations of the amount of paper to be allocated to the printer. Improving wastage rates is a key factor in negotiations with printers.

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

- ▶ validate the choices of printers, optimal printing techniques and paper (optimisation of reel width and paper size);
- ▶ calculate the number of copies of magazines and newspapers to print according to sales statistics;
- ▶ identify new technologies that could be used (rotating rapid-calibration tools, automatic setting of ink devices);

- ▶ implement rigorous printing press control procedures and optimised machine calibration (inking, size of paper cuts, etc.);
- ▶ inform editorial managers of the most economical formats to help them best meet market requirements;
- ▶ define and validate the best paper allocation schedules in conjunction with each supplier;
- ▶ identify areas for continuous improvement in conjunction with suppliers.

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

D) MEASURES TAKEN TO PRESERVE AND DEVELOP BIODIVERSITY

The Lagardère group's activities do not have a significant impact on biodiversity. The only aspects of its operations for which the protection of biodiversity could potentially be relevant are the use of wood and paper and responsible forestry management.

5.3.3.3 SOCIAL INFORMATION

A) TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF OPERATIONS

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

Lagardère Publishing employs a large number of people outside major cities and pays close attention to the local characteristics of each region. Most of the business line's distribution centres are also located outside capital cities, such as the Maurepas site (Yvelines, France), Bookpoint (Oxfordshire, England), LBS (West Sussex, England) and HBG Distribution Services (Indiana, United States).

Lagardère Travel Retail's dense network of more than 4,600 stores is highly integrated into the transport infrastructures used by numerous people on a daily basis and also plays an important role in the development of the surrounding areas.

The supply chain is another important factor in social responsibility. About 90% of the fine foods sold at Lagardère Travel Retail's French sales outlets are made in France to limit transportation and promote employment in the country.

Outside France, more than 90% of the Group's executives were hired locally in 2015.

B) RELATIONS WITH PEOPLE OR ORGANISATIONS WITH AN INTEREST IN THE COMPANY'S ACTIVITIES

In addition to the Lagardère group's sponsorship programmes, the work of its foundations, and its support for employee engagement at the community level, each Group division is involved in community partnerships with a variety of organisations.

There are several examples of these initiatives.

Lagardère Travel Retail set up a partnership in 2011 with the organisation Action Against Hunger (*Action Contre la Faim*), which continued in 2015 in both the Duty Free & Luxury sales networks and at the Duty Free Global headquarters. In 2015, a total of €239,322 was raised, i.e., 15% more than in 2014, mainly through mini-donations for the NGO from travellers and employees.

Lagardère Active was involved in a number of community initiatives and partnerships developed by the Elle Foundation along with the Version Femina Community Involvement award. Europe 1 named three winners in 2015 and provided work space for organisations free of charge.

The Asian subsidiary of Lagardère Sports and Entertainment took different initiatives to support social inclusion in local communities and teach its surrounding society about what it does. These actions include donating tickets to sporting events, organising charity events for community causes (women's rights, education and medical research) and donating equipment to disadvantaged youths so that they can practise their sport.

C) FAIR BUSINESS PRACTICES AND ACTION UNDERTAKEN TO PREVENT CORRUPTION

In 2015, the four divisions continued to roll out the anti-corruption programme implemented by the Compliance Department (see section 7.4.1.6 D). The divisions have also developed an awareness plan to target and train a growing number of employees. The Group plans to continue these efforts in 2016.

This rollout is overseen by division heads of compliance who draw on the network of correspondents formed within the division's operating units. The anti-corruption programme was developed

further in 2015 with a programme on compliance with international economic sanctions.

D) MEASURES TAKEN TO ENSURE CONSUMER HEALTH AND SAFETY

To achieve this success, all Lagardère group employees must constantly strive for excellence and be completely dedicated to customers to build solid relationships based on trust. Lagardère works to inspect, assess and improve its products, services and manufacturing processes continuously to ensure their quality, safety and innovation at every stage of development, production and distribution.

At the Lagardère group, consumer health and safety cover a number of issues that vary depending on the business sector, including physical products (box sets, plus products), foodservice products (food hygiene), content and responsibility in advertising.

At **Lagardère Publishing**, suppliers that produce box sets and accessories go through a listing procedure, and all production is checked to ensure that products comply with new product safety regulatory requirements or standards (toys, items in contact with food, etc.).

Since the end of 2012, Hachette Livre has provided compliance certificates on both a systematic and intermittent basis on a dedicated portal to French retailers and booksellers for products requiring certification.

Hachette Livre is a member of the French committee in charge of defining toy safety standards and has implemented new incident and crisis management procedures concerning product safety to better handle all incidents. These procedures went into effect in early 2015.

Lagardère Travel Retail now offers foodservice at more than 450 sales outlets in nine countries. As a result, hygiene and food safety have become a key priority in the division's social responsibility. Meanwhile, Lagardère Travel Retail France has taken various measures to guarantee safe, healthy products for consumers. These include:

- ▶ Setting up an HACCP⁽¹⁾ system for controlling food safety for both foodservice operations and the sale of packaged food items.
- ▶ Performing daily food hygiene and safety checks at each sales outlet, following strict and precise criteria, from the supplier delivery phase to final sale to the consumer. External controls are also performed by independent bodies that carry out hygiene audits and microbiological analyses of finished products, raw materials, the water supply and equipment.

In Italy, Airst, in partnership with the Umberto Veronesi Foundation specialised in cancer research, continued to develop the Vivibene programme. The purpose of this programme is to offer balanced meals at its airport foodservice shops to raise consumer awareness about the benefits of a healthy lifestyle.

When entering into agreements with brands – which are generally owned by large French and international corporations that are subject to the same rules and requirements – a commitment to comply with international agreements on the environment, protection, consumer health and safety, and product traceability is systematically required. Lagardère Travel Retail also pays particular attention to all forms of advertising (posters, promotional displays, etc.) practised in all the business line's sales outlets.

With the development of its foodservice activities, Lagardère Travel Retail also focuses on food wastage, implementing projects to redistribute unsold items to charitable organisations. These programmes are most active in Nice and Paris. The division

(1) HACCP: Hazard Analysis Critical Control Point.

will pay close attention to France's new law of 11 February 2016 prohibiting food waste.

At **Lagardère Active**, Lagardère Publicité has self-regulation procedures concerning the advertisements it sells. It ensures compliance with advertising regulations with the support of Lagardère Active's Legal Department, which reviewed nearly 350 advertising messages in 2015 before broadcasting them. The Legal Department answers any specific questions operational staff may have about the content of advertising messages broadcast through all media (television, radio, magazines and the Internet).

Lagardère Publicité also follows the recommendations of the French advertising self-regulatory agency (*Autorité de régulation professionnelle de la publicité* – ARPP) and regularly submits the content of advertising messages (systematically for television advertisements) for prior verification of compliance with the standards. One message was subject to regulation in 2015.

As an advertising sales brokerage, Lagardère Publicité also provides advice to agencies and advertisers to ensure that their advertising messages comply with the ARPP's recommendations.

5.3.4 CSR METHODOLOGY AND INDICATORS

In terms of environmental issues, as the majority of Lagardère's activities are carried out in the services sector, not all of the data concerned is considered relevant to the Group, particularly data relating to the primary and secondary sectors of the economy.

This notably concerns:

- ▶ data relating to land use and measures taken to prevent, reduce and clean up discharges into the air, water and soil that seriously affect the environment;
- ▶ data on the mitigation of noise and other forms of pollution related to a business activity.

5.3.4.1 SCOPE OF CONSOLIDATION

The reporting system used to collect labour, social and environmental information is deployed in all the consolidated subsidiaries⁽¹⁾ whose operations are managed by the Group, with the exception of:

- ▶ entities that were disposed of or deconsolidated during the fiscal year;
- ▶ certain joint ventures at 31 December 2015 whose operations are managed by the Group;
- ▶ entities acquired during the year (after 30 June), for which the reporting system will be implemented gradually as they are integrated into the Group (provided that the business line wants to immediately include the newly-acquired companies in the reporting system);
- ▶ certain entities with fewer than five employees for labour data and fewer than ten employees for environmental data.

Beyond these four parameters, the decision to include or not include entities in the reporting system are left, to a certain extent, to the discretion of the divisions which are better placed to assess whether it is relevant from an operating perspective to include or exclude an entity. The following exclusions were made from the reporting on 2015:

- ▶ akzio! ajoint, acquired by Lagardère Sports and Entertainment in early June 2015, from labour reporting;
- ▶ the Spanish audiovisual production group Grupo Boomerang TV, acquired by Lagardère Active at the end of May 2015, from labour reporting;
- ▶ the press distribution businesses in Spain, whose sale was finalised by Lagardère Travel Retail in early 2016, from environmental reporting.

Labour, social and environmental information presented in this document is reported using a dedicated software package, which covered a total of more than 300 Group operating companies in 2015.

As expected from the work to improve the reliability of its environmental reporting process, the Group is gradually extending its reporting scope to cover energy consumption outside France.

In 2015, the Group posted energy consumption for Western Europe as well as its entire Eastern Europe scope (Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia), which accounted for 13% of employees, as at 31 December 2015.

By covering France, Western Europe and Eastern Europe, the information on energy consumption and greenhouse gas emissions encompasses 77.7% of the Group's workforce.

5.3.4.2 REFERENCE BASE FOR INDICATORS AND REPORTING METHODS

Labour reporting follows the Group's Human Resources policy, taking the specific needs of each business line and/or geographic area into account. After an initial update in 2006, the reference base was revised again in 2010, to redefine the reporting base for indicators. This redefinition, which was more in line with the spirit of the GRI, provided an opportunity to streamline the reference base and make it more accessible to contributors.

The reference base for labour indicators was reviewed in detail in 2012 in order to make it easier to understand for contributors and more relevant as regards the Group's divisions and activities, and to take into account the provisions of the implementing order of article 225 of France's Grenelle 2 law.

Following the modest update in 2013, the labour reporting guidelines were revised again in 2014 in order to factor in the comments formulated by contributors during the 2013 reporting campaign. Days of absence are monitored in business days or calendar days, depending on the practices of each country. The method for qualifying absence due to long-term illnesses, which is not included in the calculation of lost time, is based on local legislation. The number of days' absence and the number of training hours were partly determined based on declarations at some Group entities, but this practice is not widespread in the reporting scope.

The social reporting procedure is updated annually, and was updated in 2015. The method used to calculate lost time was revised and is now based on the theoretical total number of hours worked over the year.

Environmental reporting follows the Group's sustainable development policy, also taking the specific needs of each business line and/or geographic area into account.

In 2012, specific work was carried out on the reference base for environmental indicators in order to simplify it and make it more reliable, and most importantly to make it more relevant in view of the Group's many activities. The environmental reporting guidelines were also updated in 2013, with a particular focus on

(1) The list is provided in note 38 to the consolidated financial statements of this Reference Document.

harmonising the methods used for calculating the proportions of certified and recycled paper contained in the paper purchased by Lagardère Publishing and Lagardère Active. The update also enabled a Group-wide monitoring indicator to be added for WEEE in France. Work continued in 2014 and 2015 to enhance the reference base for environmental indicators.

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

The data on energy consumption disclosed therefore concerns the energy used to produce and supply the goods and services related to the Group's activities in France as well as that used to heat and light the premises and sites where the Lagardère group's employees work in France (offices, storage warehouses and retail outlets). Data on Lagardère Active's electricity consumption also includes electricity used by the radio broadcasting sites that are directly managed by the Group.

Starting in 2015, all this information is reported on a per-building basis.

The greenhouse gas emissions data shown only concerns the above-mentioned energy consumption. The emissions are specified for each type of energy consumed (gas, oil, electricity, district heating) and then grouped together by "Scope", i.e., by category of emissions.

Scope 1 includes direct greenhouse gas emissions, and notably direct emissions from fixed sources of combustion (gas and oil). Scope 2 comprises indirect emissions related to purchases of energy, and notably consumption of electricity and district heating.

The emissions factors used by the Group in its calculations of greenhouse gas emissions and conversion into CO₂ equivalents are determined by reference to the Base Carbone, which is a French

public database of emissions factors needed to establish carbon accounting periods.

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

The reporting method for labour, social and environmental data follows the same process. Data is entered by a contributor for each Group subsidiary included in the reporting scope. This information is then validated/verified by the business line's Management (Human Resources Department or Finance Department) before being sent to the Group Sustainable Development Department, which checks the consistency of all the data reported.

Consistency checks aim to ensure the quality and fair presentation of the data reported and include a comparison with the data for previous periods, contributing to the reliability of the reporting system.

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

- ▶ inaccurate assessments;
- ▶ calculation errors;
- ▶ poorly understood questions;
- ▶ data entry errors;
- ▶ problems defining an indicator;
- ▶ problems responding because of legal and/or political reasons.

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5.3.4.3 CROSS-REFERENCE INDICES

A) CROSS-REFERENCE INDEX WITH THE FRENCH COMMERCIAL CODE

Cross-reference index with article R.225-105-1 of the French Commercial Code				
Information	Subject	Paragraph	Section	Pages
Labour	Employment	Total workforce and breakdown of employees	5.3.2.1	51-52
		Recruitments and redundancies/dismissals	5.3.3.1	72
		Remuneration and pay rises	5.3.3.1	72-73
	Organisation of working hours	Organisation of working hours	5.3.3.1	74
		Lost time	5.3.3.1	76
	Labour relations	Organisation of labour relations	5.3.3.1	73
		Summary of collective agreements	5.3.3.1	74
	Health and safety	Health and safety conditions at work	5.3.3.1	76
		Summary of health and safety agreements	5.3.3.1	74
		Frequency and severity of work-related accidents and sick leave	5.3.3.1	76
	Training	Policies implemented	5.3.2.1 B1 & B2	57
		Total number of training hours	5.3.2.1 B3	59
	Equal opportunities	Measures taken to promote gender balance	5.3.2.1 A	52
		Measures taken to promote the employment and integration of people with a disability	5.3.2.1 A	52
		Anti-discrimination policy	5.3.2.1 A	52
	Promotion of and compliance with the fundamental principles of the ILO	Compliance and freedom of association and right to collective bargaining	5.3.3.1	73
		Elimination of discrimination in respect of employment and occupation	5.3.2.1 A2	53
		Elimination of forced or compulsory labour	5.3.2.1 A	52
Effective abolition of child labour		5.3.2.3 B1	63	

Cross-reference index with article R.225-105-1 of the French Commercial Code					
Information	Subject	Paragraph	Section	Pages	
Environmental	General policy	Organisation of the company and assessment and certification processes	5.3.1.2 & 5.3.2.4 A2	50 65	
		Employee information and training initiatives	5.3.1.2	50	
		Measures taken to prevent environmental risks and pollution	3.5.1	16	
		Provisions and guarantees set aside for environmental risks	3.5.1	16	
	Pollution and waste management	Measures taken to prevent, reduce and clean up discharges into the air, water and soil		Not relevant	
		Measures taken to prevent, recycle and eliminate waste		5.3.3.2 B	77
		Mitigation of noise or other forms of pollution related to a business activity		Not relevant	
	Sustainable use of resources	Water consumption and supply in accordance with local constraints		5.3.3.2 A	77
		Consumption of raw materials and measures taken to improve efficiency of use		5.3.2.4 B & 5.3.3.2 C	68 & 78
		Energy consumption, measures taken to improve energy efficiency, and use of renewable energy		5.3.2.4 A	65
		Land use		Not relevant	
	Climate change	Greenhouse gas emissions		5.3.2.4 A	65
		Adaptation to the consequences of climate change		5.3.2.4 A	65
	Preservation of biodiversity	Measures taken to preserve and develop biodiversity		5.3.3.2 D	78
Social	Territorial, economic and social impact of the company's activities	Regional employment and development	5.3.3.3 A	79	
		Resident and local populations	Not relevant		
	Relations with people or organisations with an interest in the company's activities	Relations with people or organisations		5.3.1.1 C & 5.3.3.3 B	49 & 79
		Partnership or sponsorship operations		5.3.2.1 A2 & B2 5.3.2.3 & 5.3.3.3 B	53 & 57 61 79
	Subcontractors and suppliers	Recognition of social and environmental priorities in the procurement policy		5.3.2.4 B	68
		Importance of subcontracting and recognition of subcontractors' and suppliers' corporate social responsibility in relations with them		5.3.2.4 B	68
	Fair business practices	Action undertaken to prevent corruption		5.3.3.3 C	79
		Measures taken to ensure consumer health and safety		5.3.3.3 D	79
	Other action undertaken to promote human rights	-		5.3.1.1 A	49

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G4-3	20	6.3.10 – 6.4.1 – 6.4.2 – 6.4.3 – 6.4.4 – 6.4.5 – 6.8.5 – 7.8	
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5.3.5 REPORT OF THE INDEPENDENT THIRD-PARTY**Independent third-party report on consolidated social, environmental and societal information published in the management report****Year ended December 31, 2015****To the Shareholders,**

In our capacity as independent third-party, members of Mazars' network, statutory auditor of Lagardère SCA, whose accreditation was accepted by COFRAC under the number 3-1058⁽¹⁾, we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31, 2015, included in the management report (hereinafter named "CSR Information"), pursuant to article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

COMPANY'S RESPONSIBILITY

The Managing Partners of Lagardère SCA are responsible for preparing a company's management report including the CSR Information required by article R. 225-105-1 of the French Commercial Code in accordance with the protocol used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L. 822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

INDEPENDENT THIRD PARTY'S RESPONSIBILITY

On the basis of our work, our responsibility is to:

- ▶ attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R. 225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- ▶ express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved 7 persons and was conducted between December 2015 and March 2016 during a 7 week period.

We performed our work in accordance with the French professional standards and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000⁽²⁾ concerning our conclusion on the fairness of CSR Information.

I. ATTESTATION REGARDING THE COMPLETENESS OF CSR INFORMATION

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R. 225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R. 225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L. 233-1 and the controlled entities as defined by article L. 233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in section "5.3.4 CSR methodology and indicators" of the management report.

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

II. CONCLUSION ON THE FAIRNESS OF CSR INFORMATION**Nature and scope of our work**

We conducted about 20 interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- ▶ assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- ▶ verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

(1) Whose scope is available at www.cofrac.fr

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

Regarding the CSR Information that we considered to be the most significant⁽¹⁾:

- ▶ at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- ▶ at the level of a representative sample of entities⁽²⁾ selected by us based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents.

The selected sample represents 21% of headcount and between 38% and 72% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient

to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

CONCLUSION

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

French language original signed at Paris La Défense, on 30 March 2016

The independent third party entity

MAZARS SAS

Thierry BLANCHETIER

Partner

Emmanuelle RIGAUDIAS

CSR & Sustainable
Development Partner

(1) Permanent staff as of December 31st, permanent staff as of December 31st broken down by gender, age group, and geographical area, recruitments and departures of permanent staff by type and by gender, measures to promote equality of treatment between women and men, number of disabled employees as of December 31, anti-discrimination policy, training and skills development policies, total number of training hours and breakdown by type and gender, organisation of the company to take into account environment and, when appropriate, environmental evaluation or certification, overall weight of paper purchased by the Group and breakdown between certified and recycled paper, overall weight of paper purchased by printers and breakdown between certified and recycled paper, tertiary energy consumption of the Group in France and in Europe: electricity, gas, fuel and district heating, greenhouse gas emissions related to the energy consumption, conditions for dialogue with third people or organizations interested in company's activities, partnerships and sponsorship, actions in favour of health and safety of consumers.

(2) Social and societal information: Hachette Livre SA (France); Anaya (Spain); pôle Presse (France); Europe 1 (France); Relay (France); LTR Polska and Aelia Polska (Poland); Sportfive (France); Environmental information: Hachette Livre SA (France); Anaya (Spain); HFA (France); Relay (France); LTR Polska et Aelia Polska (Poland) for energy consumptions.

6

NET ASSETS, FINANCIAL POSITION AND RESULTS

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

6.1 PER SHARE DATA, DIVIDEND POLICY AND SHARE PERFORMANCE

AFR

6.1.1 PER SHARE DATA

(in euros)	2015		2014		2013	
	basic	diluted ⁽¹⁾	basic	diluted ⁽¹⁾	basic	diluted ⁽¹⁾
Profit attributable to owners of the Parent, per share	0.58	0.57	0.32	0.32	10.22	10.09
Equity attributable to owners of the Parent, per share	15.53	15.37	15.50 ⁽⁶⁾	15.32 ⁽⁶⁾	22.27	21.98
Cash flow from operations before change in working capital, per share	3.48	3.44	3.15	3.11	3.55	3.50
Share price at 31 December	27.51		21.60 ⁽⁴⁾		27.02	
Dividend	1.30 ⁽⁵⁾		1.30		10.30 ⁽²⁾	
Extra dividend	-		-		6.00 ⁽³⁾	

(1) The method used to calculate diluted earnings per share is described in note 15 to the consolidated financial statements.

(2) Including €1.30 corresponding to the ordinary portion of this dividend and €9 corresponding to the extra portion paid as an interim dividend following the decision of the Managing Partners on 21 May 2013.

(3) The General Meeting of 6 May 2014 approved the payment of an extra dividend of €6 per share, the entire amount of which was deducted from "Share premiums".

(4) After the payment of the extra dividend indicated in footnote (3).

(5) Dividend submitted for approval to the General Meeting to be held on 3 May 2016.

(6) 2014 data have been restated to take account of the retrospective application of IFRIC 21 (see note 1.1 to the consolidated financial statements).

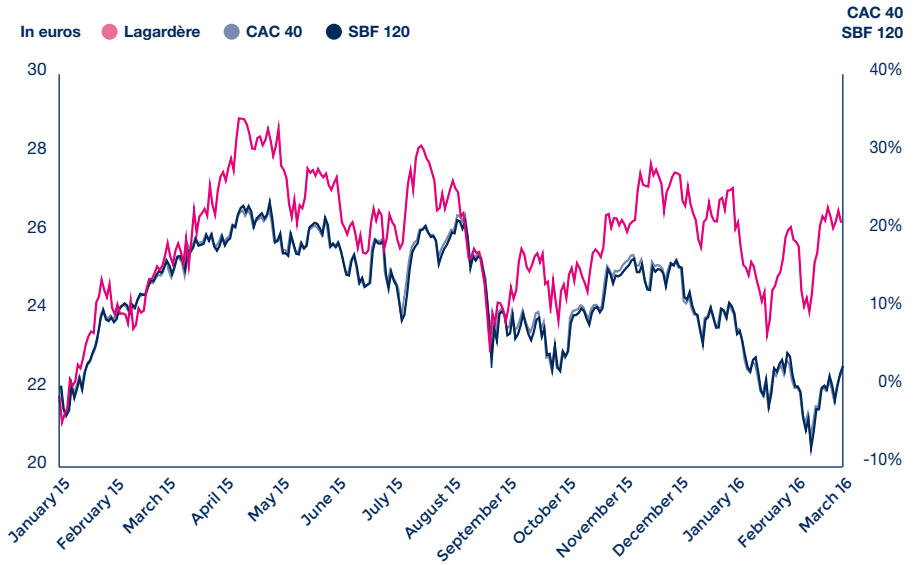
6.1.2 DIVIDEND POLICY

Total dividends paid for the years 2012, 2013, and 2014 amounted to €167.1 million, €2,100.9 million and €167.2 million, respectively.

The dividend payouts represented 160.7% and 403.7% of profit attributable to owners of the Parent in 2013 and 2014.

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

6.1.3 SHARE PERFORMANCE SINCE JANUARY 2015



Source: Euronext.com

6.2 PRESENTATION OF THE FINANCIAL POSITION AND CONSOLIDATED FINANCIAL STATEMENTS OF LAGARDÈRE SCA



Comments on the Lagardère SCA consolidated financial statements at 31 December 2015

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as described in note 1 to the consolidated financial statements, "Accounting principles".

Lagardère's Operating Activities are carried out through four divisions: Lagardère Publishing, Lagardère Travel Retail, Lagardère Active and Lagardère Sports and Entertainment.

Business is also carried out through "Other Activities", which correspond to activities not directly related to the four operating divisions.

The main changes in the scope of consolidation in 2014 and 2015 are described in note 4 to the consolidated financial statements.

6.2.1 CONSOLIDATED INCOME STATEMENT

(in millions of euros)	2015	2014
Sales	7,193	7,170
Recurring operating profit of fully consolidated companies ^(*)	378	342
Income (loss) from equity-accounted companies ^(**)	11	9
Non-recurring/non-operating items	(215)	(142)
Profit before finance costs and tax	174	209
Finance costs, net	(66)	(73)
Income tax expense	(37)	(87)
Profit for the year	71	49
Attributable to:		
- Owners of the Parent	74	41
- Minority interests	(3)	8

(*) Recurring operating profit of fully consolidated companies corresponds to profit before finance costs and tax excluding the following income statement items:

- Income (loss) from equity-accounted companies
- Gains (losses) on disposals of assets
- Impairment losses on goodwill, property, plant and equipment and intangible assets
- Restructuring costs
- Items related to business combinations:
 - Acquisition-related expenses
 - Gains and losses resulting from purchase price adjustments and fair value adjustments due to changes in control
 - Amortisation of acquisition-related intangible assets

(**) Before impairment losses

In 2015, the Lagardère group delivered consolidated sales of €7,193 million, up 0.3% on a reported basis and up a solid 3.0% like-for-like⁽¹⁾, driven by good momentum in Travel Retail, an improved performance for Lagardère Sports and Entertainment and a string of publishing success stories for Lagardère Publishing.

The difference between reported and like-for-like figures mainly reflects a €393 million negative impact of changes in Group structure. This primarily results from the application of equity accounting to the Relay newsagent activities in most French railway stations following the creation of a joint venture with SNCF, and city centre retail businesses in Poland (Inmedio), as well as the sale of Press Distribution operations and Payot bookstores in Switzerland.

These impacts were partially offset by acquisitions at Lagardère Travel Retail (in particular Paradies in the United States in late October 2015 and the Airstop group in April 2014), Lagardère Active (acquisition of Spanish TV Production group

Boomerang in May 2015 and of 34% of Gulli in November 2014) and Lagardère Publishing (publishing houses in the United Kingdom). Changes in exchange rates (calculated based on an average rate for the period) had a €222 million positive impact, mainly thanks to the strength of the US dollar and the pound sterling against the euro.

Lagardère Publishing delivered €2,206 million in sales in 2015, up 10.1% on a reported basis and up 1.7% like-for-like. The difference between reported and like-for-like figures results from a €28 million positive impact of changes in Group structure and a €140 million positive impact of exchange rates. 2015 was driven by an excellent performance from France in Illustrated Books and General Literature,

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

(1) Based on constant Group structure and exchange rates.

and to a lesser extent by good momentum in Education in Spain and growth in the Partworks business.

In France, sales advanced by a solid 5.5% in a market that saw timid growth. The rise in sales was driven chiefly by General Literature thanks to a large number of bestsellers in 2015 (*Fifty Shades of Grey* series and Delphine de Vigan's *D'après une histoire vraie*), and by Illustrated Books, boosted by the huge success of adult colouring books, the release of the latest Asterix volume and the *Simplissime* cookbook.

Business in the United States was stable (down 0.3%). The year was defined by the rebalancing of the market in favour of printed books (to the detriment of e-books), with the rise in the former almost offsetting the downturn in the latter.

Sales retreated 3.3% in the United Kingdom owing to lower e-book sales amid a hike in VAT rates from 3% to 20% as from 1 January 2015. The good performances recorded by Education and Illustrated Books failed to offset fewer releases of non-fiction works compared to 2014.

Sales in the Spain/Latin America region climbed 7.5%, powered by rising sales in Education (school reform in certain Spanish provinces) and by the success of Asterix towards the end of the year.

Sales of Partworks continued to grow (up 3%), buoyed by the success of collections launched at the end of 2014 and in 2015.

E-book trends reversed in the United States and United Kingdom in 2015, as printed book volumes rallied at the expense of their digital counterparts, due mainly to the introduction of new contractual conditions with Amazon. The transition to e-books continues to be primarily limited to English-speaking markets and solely in the General Literature segment. Digital sales reported by Lagardère Publishing in the United States represented 22% of Trade⁽¹⁾ sales versus 26% in 2014, and represented 26% of Adult Trade⁽²⁾ sales in the United Kingdom, compared to 31% one year earlier.

In 2015, the contribution of e-books to Lagardère Publishing's overall sales fell to 9.0% from 10.3% in 2014.

Lagardère Travel Retail posted €3,510 million in sales in 2015, down 8.0% on a reported basis and up 4.3% like-for-like. The difference between reported and like-for-like data reflects the expected negative impact of changes in Group structure amounting to €498 million (see above), partially offset by a €57 million positive exchange rate impact.

The market environment in 2015 was characterised by the brisk pace of growth in air traffic, the continued downturn in the Press market, and an unsettled geopolitical and macroeconomic environment. The development strategy of Lagardère Travel Retail was a success, with accelerated organic growth in Travel Retail and the completion of acquisitions focused on the growing North American market (primarily Paradies). However, end-of-year business in France was marked by the negative effect of the terrorist attacks in Paris.

The momentum in the Travel Retail business, which was up 8.2% on a like-for-like basis, boosted the division's performance during the period. In France, sales jumped sharply by 5.8%, led by growth in the Duty Free segment (increase in air traffic and average spend per passenger) and a strong performance from Travel Essentials and Foodservice as a result of network expansion and a greater focus on food in the product mix.

Elsewhere in Europe, business was also brisk (up 9.9%). Sales jumped 17% in Poland, reflecting an increase in air traffic and network expansion, notably the new terminal 1 at Warsaw airport. Business grew 7.9% in Italy, as the Group continued to ramp up operations at one of Rome's airports (up 12.9% in 2015 despite a fire

in May), and Romania also advanced (up 18.7%). Iceland reported gains too, thanks to the Foodservice activity launched at Reykjavik airport in early March 2015.

Travel Retail sales in North America grew by 5.5% on the back of the new sales outlets opened in Los Angeles, Phoenix and Dallas airports and robust demand across the existing network.

The Asia-Pacific region also reported sales growth (up 10.4%), fuelled by robust growth in Duty Free activities in New Zealand and Australia following a concession awarded in Auckland, and by solid growth in Fashion businesses in China and Singapore.

Press distribution and integrated retail sales fell 4.2% in 2015 owing to the ongoing decline in the Press Distribution market, administrative complications regarding export sales in Hungary, and an unsettled end-of-year in Belgium.

Over the year as a whole, Travel Retail accounted for 73% of total consolidated sales (63% in 2014), thanks to the division's ongoing strategic transformation.

Lagardère Active sales rose 0.5% on a reported basis to €962 million for 2015, and fell 5.8% like-for-like. The difference between reported and like-for-like figures includes a positive €59 million impact of changes in Group structure, essentially reflecting the acquisition of Grupo Boomerang TV in May 2015 and the consolidation of Gulli following the purchase of France TV's stake in November 2014.

The Magazine Publishing business declined by 3.9% due to a 5.3% fall in circulation revenues and a 4.9% decrease in revenue from advertising. This downward trend was partly offset by growth in other businesses, including international licences and magazine websites.

The TV business contracted by 8.9%, hit by an unfavourable basis for comparison with fewer deliveries of international productions by Lagardère Studios compared to 2014. In contrast, the more profitable programme distribution business turned in a very strong performance.

Radio proved more resilient (down just 1.4%), with sales down at Europe 1 due to weak listener numbers at the beginning of the year, while music stations performed well, particularly outside France.

Advertising revenues were down just 1.6% across the division as a whole.

Pure digital operations were down 19.5% owing to the situation at the LeGuide group. Excluding this business, digital sales rose by almost 5%.

Lagardère Sports and Entertainment delivered €515 million in sales in 2015, with a solid reported and like-for-like performance (up 30.9% and 19.6%, respectively). The difference between reported and like-for-like figures results from a positive €17 million impact of changes in Group structure and a positive €27 million impact of exchange rates (mainly in connection with the US dollar).

As expected, the sharp increase in activity was attributable partly to the favourable impact of the football calendar, mainly because of continental competitions in Africa (AFCON⁽³⁾ held in Equatorial Guinea) and Asia (AFC⁽⁴⁾ Asian Cup held in Australia), and partly to the good start of stadium management operations. Another key factor in the period was the positive performance of marketing operations in Europe and services (ticketing, marketing rights and media) relating to the organisation of the 2015 African Games in Brazzaville.

The Lagardère group reported €378 million in recurring operating profit of fully consolidated companies, up €36 million on 2014 (€342 million).

(1) Works intended for the general public.

(2) Works intended for the general public (adult market).

(3) Africa Cup of Nations.

(4) Asian Football Confederation.

Movements in this item can be analysed as follows:

- ▶ Lagardère Publishing reported €198 million in recurring operating profit of fully consolidated companies, up €1 million on the previous year. This reflects a bumper performance in General Literature and Illustrated Books in France, as the impact of lower e-book sales in the United Kingdom and the United States was partly offset by the contribution of recent acquisitions in the United Kingdom.
- ▶ Lagardère Travel Retail delivered €102 million in recurring operating profit of fully consolidated companies, down €3 million year-on-year owing chiefly to the sale of operations in Switzerland and the United States, which accounted for a decline of €15 million. The Travel Retail business posted a €9 million improvement in recurring operating profit of fully consolidated companies due to the consolidation of Paradis (positive €4 million impact) as well as an improved product mix, the ramp-up of Duty Free activities in Italy and new contract wins and the success of new concepts, which together accounted for the remainder of the increase. Excluding the impact of disposals, Distribution improved by €3 million owing to the closure of loss-making businesses and a tight rein on costs.
- ▶ Lagardère Active reported €79 million in recurring operating profit of fully consolidated companies in 2015, up €6 million on 2014. The impact of cost saving plans launched in 2014, the successful consolidation of acquisitions and good profit margins for Lagardère Studios' programme distribution activities more than offset the decline in business for the LeGuide group over the period and the structural downtrend in advertising and circulation in the Press business.
- ▶ Lagardère Sports and Entertainment reported a strong €16 million year-on-year rise in recurring operating profit of fully consolidated companies, at €20 million, boosted by the highly favourable calendar effect described above. As expected, the 2015 performance was strongly influenced by seasonal fluctuations, particularly given the busy sporting calendar in the first six months of the year. Underlying profitability improved in the division's other businesses in line with the recovery plan.
- ▶ Other Activities recorded a recurring operating loss of fully consolidated companies of €21 million, compared with a loss of €37 million in 2014. The 2014 figure included losses incurred by the light electric vehicle manufacture and sales business of Matra Manufacturing Services, which was sold in December 2014.

Income from equity-accounted companies (before impairment losses) came in at €11 million in 2015 (€9 million in 2014), despite a fall in the contribution from the Marie Claire group, mainly thanks to advances at Lagardère Travel Retail.

Non-recurring/non-operating items included in profit before finance costs and tax represented a net loss of €215 million in 2015, mainly comprising:

- ▶ €77 million in restructuring costs, including €30 million relating to Lagardère Sports and Entertainment (essentially at World Sport Group (WSG) owing to the closure of the cricket division in India and of other loss-making activities; and in Europe following restructuring of the division), €20 million relating to Lagardère Active (half of which concerned regional brokerage activities) and €19 million relating to Lagardère Travel Retail (mainly

for the implementation of cost-efficiency plans for distribution operations in Canada and Belgium). The remaining restructuring costs relate to Lagardère Publishing, primarily in the United Kingdom and France;

- ▶ €69 million in amortisation of intangible assets and other acquisition-related items, representing an expense of €56 million for Lagardère Travel Retail (which includes amortisation regarding the consolidation of Paradis in the last two months of the year), €6 million relating to Lagardère Sports and Entertainment and €5 million for Lagardère Publishing;
- ▶ €62 million in impairment losses on property, plant and equipment and intangible assets, including €44 million recorded by Lagardère Active, chiefly against goodwill of the LeGuide group (€25 million) and SPV (*Version Femina*) (€17 million), and €16 million recorded by Lagardère Travel Retail, mainly relating to impairment losses on goodwill concerning a distribution subsidiary in Hungary;
- ▶ €27 million in expenses recognised by Lagardère Sports and Entertainment in respect of the repayment claim made in the dispute between WSG and MSM Satellite relating to the Indian cricket business;
- ▶ a €20 million net disposal gain including €17 million relating to Lagardère Travel Retail, which essentially reflects the gain on the sale of Press Distribution activities in Switzerland as well as a €12 million loss on the sale of the American distribution subsidiary, Curtis Circulation Company.

In 2014, non-recurring/non-operating items represented a net loss of €142 million, including €66 million in restructuring costs, chiefly recorded by Lagardère Publishing and Lagardère Travel Retail; €55 million in amortisation of intangible assets and other acquisition-related items, including an expense of €43 million for Lagardère Travel Retail; €41 million and €22 million in impairment losses, respectively on property, plant and equipment and intangible assets of Lagardère Travel Retail (chiefly Curtis, the American distribution subsidiary); a net disposal loss of €5 million; and a positive €25 million impact of fair value adjustments relating to a change of control, including €19 million recorded by Lagardère Active in connection with the controlling interest acquired in Gulli.

As a result of the above, profit before finance costs and tax came out at €174 million for 2015, versus €209 million one year earlier.

Net finance costs improved by €7 million on 2014 at €66 million, chiefly reflecting a reduction in the Group's average financing costs between the two periods.

In 2015, an income tax expense of €37 million was recognised, a decrease of €50 million on 2014. This mainly reflected the additional 3% tax on dividends introduced in France (€5 million in 2015 versus €28 million in 2014). It also includes deferred tax income arising on the French tax consolidation group, along with reversals of deferred tax liabilities relating to the amortisation of intangible assets acquired by Lagardère Travel Retail.

The portion of profit attributable to minority interests was a negative €3 million in 2015, compared with a positive €8 million in 2014; this was mainly due to the sale of Press Distribution operations in Switzerland at the start of 2015, and to a deterioration in the results of WSG, which is part of Lagardère Sports and Entertainment.

6.2.2 CONSOLIDATED STATEMENT OF CASH FLOWS**Cash flows**

(in millions of euros)	2015	2014
Cash flows from operations before changes in working capital	447	403
Changes in working capital	180	(49)
Cash flows from operations	627	354
Interest paid and received, and income taxes paid	(103)	(144)
Net cash from operating activities	524	210
Cash used in investing activities	(827)	(531)
– Purchases of intangible assets and property, plant and equipment	(259)	(249)
– Purchases of investments	(568)	(282)
Proceeds from disposals	(50)	50
– Disposals of intangible assets and property, plant and equipment	9	16
– Disposals of investments	(59)	34
(Increase)/decrease in short-term investments	-	-
Net cash used in investing activities	(877)	(481)
Total cash used in operating and investing activities	(353)	(271)
Net cash from (used in) financing activities	375	(950)
Other movements	(3)	4
Change in cash and cash equivalents	19	(1,217)

6.2.2.1 CASH FROM (USED IN) OPERATING AND INVESTING ACTIVITIES

In 2015, cash flows from operations before changes in working capital totalled €447 million (€403 million in 2014).

The increase reflects the impact of the €36 million rise in operating profit, the increase in depreciation and amortisation expense and the decrease in reversals of provisions (net of additions), mainly at Lagardère Travel Retail and Lagardère Sports and Entertainment. These three impacts were partly offset by the impact of the non-recurring expense recognised in respect of the dispute relating to the Indian cricket business and by the rise in restructuring cost outlays (€18 million).

Changes in working capital were extremely positive over the year, representing a net cash inflow of €180 million, after a net cash outflow of €49 million in 2014. The improvement results primarily from a much better performance at Lagardère Active owing to the deconsolidation of receivables included in the securitisation programme in France, a good improvement at Lagardère Travel Retail due to a weak comparison basis (2014 was hit by several one-off events) and at Lagardère Publishing which had seen substantial advances paid to authors in the United States in 2014 as well as royalty payments to authors in France in respect of successful titles in 2013.

All of these items generated net cash from operating activities of €627 million in 2015 compared to €354 million in 2014.

Interest paid (net of interest collected) was €47 million compared to €69 million in 2014, chiefly reflecting the reduction in the Group's average financing costs between the two periods. Income taxes paid totalled €56 million (€75 million in 2014), including €5 million relating to the additional tax on dividends paid (€28 million in 2014).

Purchases of property, plant and equipment and intangible assets in 2015 totalled €259 million, primarily relating to Lagardère Travel Retail in line with its Travel Retail growth strategy, Lagardère Sports and Entertainment (primarily acquisitions of sports rights) and Lagardère Publishing (namely the refurbishment of properties in the United Kingdom and France). In 2014, these items totalled €249 million and mainly related to Lagardère Travel Retail and Lagardère Sports and Entertainment.

Purchases of investments amounted to €568 million, mainly related to Lagardère Travel Retail (acquisition of Paradises, a Travel Retail group with operations in more than 75 airports in the United States and Canada, and operator of 17 fashion and confectionery outlets at JFK airport in New York) and Lagardère Active (acquisition of Grupo Boomerang TV, a Spanish audiovisual production group).

Proceeds from disposals of property, plant and equipment and intangible assets amounted to €9 million in 2015, including €7 million for Lagardère Travel Retail.

Disposals of investments represented a cash outflow of €59 million during the period, mainly attributable to the sale by Lagardère Travel Retail of its Swiss press distribution and integrated retail operations, and of Curtis Circulation Company, a national magazine distributor in the United States. This particular transaction had a negative impact on proceeds from asset disposals as it involved the deconsolidation of the activity's structurally positive working capital. Disposals of investments include the reimbursement of a deposit relating to the AFC contract (WSG) for €28 million.

In all, operating and investing activities represented a net cash outflow of €353 million, compared with a net outflow of €271 million in 2014.

6.2.2.2 CASH FROM (USED IN) FINANCING ACTIVITIES

Financing activities in 2015 represented a net cash inflow of €375 million and include:

- ▶ €186 million in dividends paid, of which €167 million paid by Lagardère SCA;
- ▶ €11 million in purchases of minority interests, including the delisting of the LeGuide group (€5 million) and Lagardère Active

Broadcast (€2 million), along with purchases of minority interests by Lagardère Travel Retail (€4 million);

- ▶ a USD 530 million (around €468 million) bridge loan contracted in October 2015 in order to fund the acquisition of the Paradies group;
- ▶ €83 million in commercial paper issues by Lagardère SCA;
- ▶ €75 million corresponding to the use of a short-term credit facility;
- ▶ the negative €60 million impact of deconsolidating the securitisation programme renewed in late 2015.

6.2.3 NET CASH AND CASH EQUIVALENTS (NET DEBT)

Net cash and cash equivalents and net debt break down as follows:

(in millions of euros)	31 Dec. 2015	31 Dec. 2014
Short-term investments and cash and cash equivalents	634	566
Non-current debt	(1,526)	(1,030)
Current debt	(659)	(490)
Net debt	(1,551)	(954)

Changes in net debt during 2014 and 2015 were as follows:

(in millions of euros)	2015	2014
Net cash and cash equivalents (net debt) at 1 January	(954)	361
Total cash used in operating and investing activities	(353)	(271)
(Acquisitions) disposals of treasury shares	0	(16)
(Acquisitions) disposals of minority interests	(11)	(28)
Dividends	(186)	(961)
Increase (decrease) in short-term investments	-	-
Debt related to put options granted to minority shareholders	(25)	7
Changes in scope of consolidation	13	(36)
Effect on cash of changes in exchange rates and other	(35)	(10)
Net debt at 31 December	(1,551)	(954)

6.3 CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015

AFR

Consolidated income statement

(in millions of euros)		2015	2014
Sales	(Notes 5 and 6)	7,193	7,170
Other income from ordinary activities		263	323
Revenues		7,456	7,493
Purchases and changes in inventories		(2,988)	(3,334)
Capitalised production		1	2
Production transferred to inventories		85	107
External charges		(2,345)	(2,231)
Payroll costs	(Note 7)	(1,603)	(1,527)
Depreciation and amortisation other than on acquisition-related intangible assets		(207)	(174)
Amortisation of acquisition-related intangible assets and other acquisition-related expenses		(69)	(56)
Restructuring costs	(Note 8)	(77)	(66)
Gains (losses) on:	(Note 9)		
- Disposals of assets		20	(5)
- Fair value adjustments due to changes in control		0	25
Impairment losses on goodwill, property, plant and equipment and intangible assets	(Note 10)	(60)	(39)
Other operating expenses	(Note 11)	(88)	(53)
Other operating income	(Note 12)	40	60
Income from equity-accounted companies	(Note 19)	9	7
Profit before finance costs and tax	(Note 5)	174	209
Financial income	(Note 13)	14	12
Financial expenses	(Note 13)	(80)	(85)
Profit before tax		108	136
Income tax expense	(Note 14)	(37)	(87)
Profit for the year		71	49
Attributable to:			
Owners of the Parent		74	41
Minority interests	(Note 26.5)	(3)	8
<i>Earnings per share – Attributable to owners of the Parent:</i>			
<i>Basic earnings per share (in €)</i>	(Note 15)	0.58	0.32
<i>Diluted earnings per share (in €)</i>	(Note 15)	0.57	0.32

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

Consolidated statement of comprehensive income

(in millions of euros)	31 Dec. 2015	31 Dec. 2014
Profit for the year (1)	71	49
Actuarial gains and losses on pensions and other post-employment benefit obligations	3	(40)
Tax relating to actuarial gains and losses on pensions and other post-employment benefit obligations	(2)	11
Other comprehensive income (expense) for the year, net of tax, that will not be reclassified subsequently to profit or loss (2)	1	(29)
Currency translation adjustments	82	90
Change in fair value of derivative financial instruments:	1	(4)
- <i>Unrealised gains and losses recognised directly in equity</i>	0	(2)
- <i>Amounts reclassified from equity to profit or loss</i>	1	(2)
Change in fair value of investments in non-consolidated companies:	11	(2)
- <i>Unrealised gains and losses recognised directly in equity</i>	11	0
- <i>Amounts reclassified from equity to profit or loss</i>	0	(2)
Share of other comprehensive income (expense) of equity-accounted companies, net of tax:	(3)	(3)
- <i>Unrealised gains and losses recognised directly in equity</i>		
- <i>Amounts reclassified from equity to profit or loss</i>	(3)	(3)
<i>Translation reserve</i>	(3)	(3)
<i>Valuation reserve</i>		
Tax relating to components of other comprehensive income (expense)	(1)	2
Other comprehensive income for the year, net of tax, that may be reclassified subsequently to profit or loss (3)	90	83
Other comprehensive income for the year, net of tax (2)+(3)	91	54
Total comprehensive income for the year (1)+(2)+(3)	162	103
Attributable to:		
Owners of the Parent	159	97
Minority interests	3	6

Consolidated statement of cash flows

(in millions of euros)		2015	2014
Profit for the year		71	49
Income tax expense		37	87
Finance costs, net		66	73
Profit before finance costs and tax		174	209
Depreciation and amortisation expense		263	223
Impairment losses, provision expense and other non-cash items		26	(20)
(Gains) losses on disposals of assets		(20)	(19)
Dividends received from equity-accounted companies		13	17
(Income) loss from equity-accounted companies		(9)	(7)
Changes in working capital		180	(49)
Cash flows from operations		627	354
Interest paid		(52)	(74)
Interest received		5	5
Income taxes paid		(56)	(75)
Net cash from operating activities	(A)	524	210
Cash used in investing activities			
Purchases of intangible assets and property, plant and equipment		(259)	(249)
Purchases of investments		(588)	(266)
Cash acquired through acquisitions		35	45
Purchases of other non-current assets		(15)	(61)
Total cash used in investing activities	(B)	(827)	(531)
Cash from (used in) investing activities			
Proceeds from disposals of non-current assets			
- Disposals of intangible assets and property, plant and equipment		9	16
- Disposals of investments		59	28
- Cash transferred on disposals		(155)	0
Decrease in other non-current assets		37	6
Total cash from (used in) investing activities	(C)	(50)	50
(Increase) decrease in short-term investments	(D)	-	-
Net cash used in investing activities	(E) = (B)+(C)+(D)	(877)	(481)
Total cash used in operating and investing activities	(F) = (A)+(E)	(353)	(271)
Capital transactions			
- Proceeds from capital increase by the Parent		-	0
- Minority interests' share in capital increases by subsidiaries		1	4
- (Acquisitions) disposals of treasury shares		0	(16)
- (Acquisitions) disposals of minority interests		(11)	(28)
- Dividends paid to owners of the Parent ^(*)		(167)	(945)
- Dividends paid to minority shareholders of subsidiaries		(19)	(16)
- Indemnities paid to holders of free shares		0	(7)
Financing transactions			
- Increase in debt		685	825
- Decrease in debt		(114)	(767)
Net cash from (used in) financing activities	(G)	375	(950)
Other movements			
- Effect on cash of changes in exchange rates		(3)	(9)
- Effect on cash of other movements		-	13
Total other movements	(H)	(3)	4
Change in cash and cash equivalents	(I) = (F)+(G)+(H)	19	(1,217)
Cash and cash equivalents at beginning of the year		460	1,677
Cash and cash equivalents at end of the year	(Note 15)	479	460

(*) Including the portion of profit for the year paid to the General Partners.

Consolidated balance sheet

ASSETS (in millions of euros)		31 Dec. 2015	31 Dec. 2014 ^(*)
Intangible assets	(Note 17)	1,403	1,045
Goodwill	(Note 16)	1,919	1,740
Property, plant and equipment	(Note 18)	986	840
Investments in associates and joint ventures	(Note 19)	155	159
Other non-current assets	(Note 20)	115	125
Deferred tax assets	(Note 14)	249	198
Total non-current assets		4,827	4,107
Inventories	(Note 21)	648	578
Trade receivables	(Note 22)	1,236	1,280
Other current assets	(Note 23)	962	976
Short-term investments	(Note 24)	48	38
Cash and cash equivalents	(Note 25)	586	528
Total current assets		3,480	3,400
Total assets		8,307	7,507

(*) Restated to reflect the impact of the application of IFRIC 21 (see note 1.1 to the consolidated financial statements).

Consolidated balance sheet

EQUITY AND LIABILITIES (in millions of euros)		31 Dec. 2015	31 Dec. 2014 ^(*)
Share capital		800	800
Reserves		1,121	1,144
Profit attributable to owners of the Parent		74	41
Equity attributable to owners of the Parent		1,995	1,985
Minority interests	(Note 26.5)	140	99
Total equity		2,135	2,084
Provisions for pensions and other post-employment benefit obligations	(Note 27)	142	155
Non-current provisions for contingencies and losses	(Note 27)	193	158
Non-current debt	(Note 28)	1,526	1,030
Other non-current liabilities	(Note 31)	111	112
Deferred tax liabilities	(Note 14)	354	289
Total non-current liabilities		2,326	1,744
Current provisions for contingencies and losses	(Note 27)	185	273
Current debt	(Note 28)	659	490
Trade payables		1,617	1,702
Other current liabilities	(Note 31)	1,385	1,214
Total current liabilities		3,846	3,679
Total equity and liabilities		8,307	7,507

(*) Restated to reflect the impact of the application of IFRIC 21 (see note 1.1 to the consolidated financial statements).

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 2014 ^(*)	800	855	1,412	(163)	(64)	12	2,852	78	2,930
Profit for the year			41				41	8	49
Other comprehensive income for the year ^(a)			(27)		87	(4)	56	(2)	54
Total comprehensive income (expense) for the year			14		87	(4)	97	6	103
Dividends paid		(765)	(180)				(945)	(16)	(961)
Parent company capital increase/reduction ^(b)		(18)	(20)	38			0		0
Minority interests' share in capital increases							0	4	4
Changes in treasury shares				(16)			(16)		(16)
Share-based payments			10				10		10
Effect of transactions with minority interests			(9)				(9)		(9)
Changes in consolidation scope and other			(4)				(4)	27	23
At 31 December 2014 ^(*)	800	72	1,223	(141)	23	8	1,985	99	2,084
Profit for the year			74				74	(3)	71
Other comprehensive income for the year ^(a)			1		73	11	85	6	91
Total comprehensive income (expense) for the year			75		73	11	159	3	162
Dividends paid			(167)				(167)	(19)	(186)
Parent company capital increase/reduction ^(b)		(18)	(5)	23			0		0
Minority interests' share in capital increases							0	1	1
Changes in treasury shares							0		0
Share-based payments			12				12		12
Effect of transactions with minority interests			12				12	(21)	(9)
Changes in consolidation scope and other			(6)				(6)	77	71
At 31 December 2015	800	54	1,144	(118)	96	19	1,995	140	2,135

(*) Restated to reflect the impact of the application of IFRIC 21 (see note 1.1 to the consolidated financial statements).

(a) See note 26.7 to the consolidated financial statements.

(b) Capital increase carried out by capitalising reserves and capital reduction carried out by cancelling treasury shares.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All figures are expressed in millions of euros unless otherwise specified)

NOTE 1 ACCOUNTING PRINCIPLES

In application of European Commission Regulation (EC) 1606/2002 of 19 July 2002, the consolidated financial statements of the Lagardère group have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB).

All IFRS standards and interpretations of the IFRS Interpretation Committee (IFRS-IC) endorsed by the European Union at 31 December 2015 have been applied. They can be viewed on the European Commission website at http://ec.europa.eu/finance/accounting/ias/index_en.htm.

The following new standards, amendments and interpretations are effective for periods beginning on or after 1 January 2015:

- ▶ IFRIC 21 – Levies, effective for annual periods beginning on or after 17 June 2014. This interpretation relating to the recognition of levies within the scope of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets modifies the obligating event that gives rise to the recognition of a liability to pay a levy or contribution. The obligating event for the recognition of the liability is now the activity that triggers the payment of the levy. IFRIC 21 is applicable on a retrospective basis. Its limited impact is detailed in note 1.1 below.

The other standards and amendments adopted by the European Union that are effective for periods beginning on or after 1 January 2015 did not have an impact on the Group's financial statements.

In addition, the Group did not elect to early adopt the following new standards which had been endorsed by the European Union at 31 December 2015 but which will only become mandatory subsequent to 2015:

- ▶ Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions;
- ▶ Amendments to IFRS 11 – Acquisition of an Interest in a Joint Operation;
- ▶ Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation;
- ▶ Annual Improvements to IFRSs (2010-2012 cycle);
- ▶ Amendments to IAS 1 – Disclosure Initiative;
- ▶ Annual Improvements to IFRSs (2012-2014 cycle).

The new standards and amendments to existing standards published by the IASB but not yet endorsed by the European Union at 31 December 2015 and which may be relevant to the Group are as follows:

- ▶ IFRS 15 – Revenue from Contracts with Customers;
- ▶ IFRS 9 – Financial Instruments (which will supersede IAS 39);
- ▶ Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture.

IFRS 15 will supersede the standards currently in force, IAS 18 – Revenue, and IAS 11 – Construction Contracts, and sets out the core principle that an entity will recognise revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The impacts of the application of this new standard on the Group's consolidated financial statements are currently being analysed. At this stage, the Group is currently assessing the issues related to the estimation of variable consideration (rebates, returns, performance bonuses, etc.), the definition of performance obligations and the allocation of the transaction price for certain contracts including the marketing of media rights, marketing rights and technical services, and the indicators used to analyse whether an entity is acting as agent or principal. In addition, for certain service contracts, the Group is assessing the pattern of revenue recognition based on whether the transfer of control of the service to the customer occurs at a point in time or occurs over time.

The Group is currently analysing the potential impact on its consolidated financial statements of applying the other new standards and amendments.

The consolidated financial statements were approved for issue by the Managing Partners on 9 March 2016 and are subject to the approval of the Annual Shareholders Meeting on 3 May 2016.

Measurement principles

The financial statements have been prepared using the historical cost method, except for certain financial assets and liabilities which have been measured at fair value where applicable under IFRS.

Use of estimates and judgements

The preparation of financial statements requires the use of estimates and assumptions to determine the value of assets and liabilities and contingent amounts at the year-end, as well as the value of income and expenses for the year.

Management reviews these estimates and assumptions at regular intervals, based on past experience and various other factors considered as reasonable, which form the basis of its assessment of the carrying amount of assets and liabilities. Actual amounts may differ from these estimates due to changes in assumptions or circumstances.

1.1 CHANGE IN ACCOUNTING METHOD AS A RESULT OF THE APPLICATION OF IFRIC 21

As stated above, the Group has applied IFRIC 21 – Levies since 1 January 2015.

The impacts of the retrospective application of IFRIC 21 on comparative data from the 2014 consolidated financial statements are as follows:

	31 Dec. 2014 (reported)	IFRIC 21 impact	31 Dec. 2014 (adjusted for IFRIC 21)
Balance sheet			
Deferred tax assets	199	(1)	198
Other current liabilities	(1,218)	4	(1,214)
Total equity	2,081	3	2,084

The impact on the consolidated income statement for the year ended 31 December 2014 amounts to less than €1 million. As the

above-described impacts do not represent cash paid or received, they have no impact on the consolidated statement of cash flows.

NOTE 2 SCOPE AND METHODS OF CONSOLIDATION

2.1 SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of the parent company as well as those of entities controlled by the parent company (subsidiaries), jointly-controlled entities (joint ventures) and entities in which the Group exercises significant influence over their management and financial policy decisions (associates). The Group does not have any unconsolidated structured entities.

In accordance with IFRS 10, subsidiaries are all controlled entities. Control results from the following three elements, regardless of the ownership interest held in an entity: (i) the power to direct the entity's key activities (operating and financial activities), (ii) exposure, or rights, to variable returns from the involvement with the entity, and (iii) the ability to use power over the entity to affect the amount of returns from the investment in the entity. For the purpose of assessing power, only substantive rights and rights that are not protective are considered. Substantive rights, such as those conferred in shareholder agreements, are rights that are exercisable when decisions about the direction of key activities need to be made.

A joint venture is an arrangement over which the Group and another party, or parties, have contractually agreed joint control and have rights to the assets, and obligations for the liabilities, relating to the arrangement. Decisions concerning the key activities of a joint venture are submitted to a unanimous vote of Lagardère and its joint venturers.

Associates are entities over which the Group exercises significant influence, i.e., when it has the power to participate in financial and operating decisions but does not have control or joint control. Significant influence is presumed to exist when the Group holds, directly or indirectly, 20% or more of the entity's capital.

2.2 CONSOLIDATION METHODS

The consolidation methods used are as follows:

► **Full consolidation** – All subsidiaries controlled by Lagardère are fully consolidated. The full consolidation method consists of combining the financial statements line by line and recognising minority interests in the net assets of each subsidiary on a separate line in equity and on separate lines in the income statement and comprehensive statement of income. Any changes in Lagardère's ownership interest in a subsidiary that does not result in a loss of control is recognised directly in equity (see note 3.8).

► **Equity method** – Joint ventures and associates are accounted for using the equity method. Under this method, the investment is initially recognised at cost and is adjusted thereafter for the post-acquisition change in the Group's share of the entity's net assets. If the Group's share of losses of an equity-accounted entity equals or exceeds its interest in that entity, its interest is reduced to zero. After the Group's interest has been reduced to zero, additional losses are provided for only to the extent that the Group has incurred legal or constructive obligations in relation to such losses.

A list of consolidated companies is provided in note 3.8.

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 SALES

The Group's sales figure corresponds to revenue from sales of goods and services recognised when title is transferred to the buyer or the service is rendered.

Revenue recognition methods vary depending on the division, as summarised below:

Lagardère Publishing: revenue corresponds mainly to sales of goods and circulation of publications. Sales are shown net of rebates, distribution commissions and the right of return, where applicable. When an entity acts solely as agent, sales represent the net margin.

Lagardère Travel Retail: revenue mainly comprises retail sales in travel areas and concessions in the Travel Essentials, Duty Free & Fashion and Foodservice segments, as well as the Press Distribution and Services activities, including retail sales in convenience stores. Sales are recognised at the point in time of the retail sale. For certain goods and services (sales of prepaid telephone cards, press distribution, etc.), the entity acts as agent and recognises the net commission received as sales.

Lagardère Active: revenue mainly comprises the sale of advertising space, magazine circulation and television broadcasting, audiovisual broadcasting rights, and income from licences and digital services. For all of these activities, revenue corresponds to advertising receipts, sales of editions, subscriptions, content (audiovisual broadcasting rights) and digital services. Sales are recognised at the time adverts are broadcast, editions are published, and broadcast rights are opened. Sales from licences for the Press business are recognised when the sale is completed by the license holder during the period covered by the contract. For certain businesses – for example, the Advertising Sales Brokerage and audiovisual catalogue Distribution activities – Lagardère Active acts as an agent and sales correspond solely to the commission received. Purchases and sales corresponding to exchanges of goods or services of a similar nature and value (mainly advertising space) are eliminated on consolidation and are not therefore included in the income statement.

Lagardère Sports and Entertainment: revenue corresponds to the sale of marketing rights management, event production, venue consulting and operations, content production and media rights management, as well as athlete management and brand consulting. Sales are recognised based on the occurrence of an event. For contracts where the service is performed continuously over time, the corresponding sales are recognised on a straight-line basis over the duration of the contract. Where the Group is considered to be acting as an agent, sales correspond solely to the commission received.

3.2 OPERATING LEASES

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

3.3 PERFORMANCE INDICATORS USED BY THE GROUP

The Group uses as its main performance indicator recurring operating profit of fully consolidated companies, which is calculated as follows:

Profit before finance costs and tax

Excluding:

- ▶ gains (losses) on disposals of assets;
- ▶ impairment losses on goodwill, property, plant and equipment and intangible assets;

- ▶ restructuring costs;
- ▶ items related to business combinations:
 - acquisition-related expenses,
 - gains and losses resulting from purchase price adjustments and fair value adjustments due to changes in control,
 - amortisation of acquisition-related intangible assets.

= Recurring operating profit

Less:

- ▶ Income (loss) from equity-accounted companies before impairment losses

= Recurring operating profit of fully consolidated companies

Profit before finance costs and tax includes amortisation of certain intangible assets with finite useful lives which resulted from allocation of the acquisition price of business combinations. The Group neutralises the effects of these items when calculating recurring operating profit and recurring operating profit of fully consolidated companies, so that book amortisation with no effect on cash generated by the businesses acquired is eliminated from the measurement of performance.

The application from 1 January 2010 of the revised versions of IFRS 3 and IAS 27 on business combinations resulted in the recognition in the income statement of the following items that were previously charged to goodwill: acquisition-related expenses and changes in liabilities corresponding to earn-out clauses when such changes occur more than 12 months after the acquisition date. These items are excluded from the calculation of recurring operating profit.

The reconciliation of recurring operating profit of fully consolidated companies to profit before finance costs and tax for 2015 and 2014 is presented in note 5.1

3.4 TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

In the balance sheet, foreign currency receivables and payables are translated into euros at the year-end exchange rate. The resulting exchange differences are recognised in profit, except for those related to long-term financing of the Group's net investment in foreign operations, which are recognised directly in equity.

3.5 SHARE-BASED PAYMENTS

Share options and free shares have been awarded to certain executives and employees of the Group. In accordance with IFRS 2 – Share Based Payment, an expense is recognised in payroll costs representing the benefit granted to beneficiaries as of the grant date, and a matching entry is recognised directly in equity. The fair value of the share-based payment is calculated using a binomial model for share options and a Black & Scholes type model for free share grants, taking into account the plan's features (exercise price and period), market factors at the grant date (risk-free interest rate, share price, volatility, projected dividends) and behavioural assumptions relating to beneficiaries.

This expense is recorded over the vesting period and may be adjusted during that period if beneficiaries leave the Group or if options or share grants are forfeited. It is not adjusted to reflect subsequent movements in the share price.

3.6 FINANCIAL INCOME AND EXPENSES

These items correspond to interest expenses on borrowings and income from the investment of available cash. They also include

gains and losses on derivative instruments related to borrowings, short-term investments, and cash and cash equivalents.

3.7 DEFERRED TAXES

Deferred taxes are recognised for temporary differences between the carrying amount of assets and liabilities and their tax base. In accordance with the liability method, they are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Adjustments to deferred taxes for changes in tax rates are recognised in profit for the period in which the change is announced. In accordance with IAS 12 – Income Taxes, deferred tax assets and liabilities are not discounted.

At the level of each tax entity (company or tax group), deferred tax assets arising from deductible temporary differences, tax credits and tax loss carryforwards are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised. As a general rule, the amount of deferred tax assets recognised by tax entities that have tax loss carryforwards is capped at the equivalent of the estimated amount of taxes payable for the next three years, as determined based on the earnings forecasts contained in the budgets drawn up at the end of the year.

For investments in associates and joint ventures, when the difference between the carrying amount of the investment and the tax base corresponds to the associate's or joint venture's cumulative undistributed profits from the acquisition date, the related deferred tax is calculated at the tax rate that will be paid by the Group when the profits are distributed.

Deferred taxes are recognised as income or an expense and included in profit or loss for the year, except to the extent that they arise from a transaction which is recognised directly in equity, in which case they are credited or charged to equity.

3.8 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for in accordance with IFRS 3, which has been effective since 1 January 2010, and IFRS 10, which has replaced the part of IAS 27 that addresses the accounting for consolidated financial statements, effective from 1 January 2014.

Goodwill generally corresponds to the excess of the cost of an acquisition over the acquisition-date fair value of the acquirer's interest in the net identifiable assets acquired and liabilities assumed. This is defined as the "partial goodwill" method, as minority interests are measured based on their share in the assets and liabilities of the acquired entity.

Minority interests may also be measured at fair value, which results in the recognition of goodwill on minority interests as well as goodwill on the portion acquired by the majority shareholder. This is known as the "full goodwill" method. In accordance with IFRS 3, the Group can opt to use either the partial or full goodwill method on a transaction by transaction basis for each business combination.

If the acquirer's interest in the net fair value of the identifiable assets and liabilities exceeds the price paid for the business combination, the excess is recognised immediately in profit or loss.

Where there is a change in ownership interest in a subsidiary that does not result in loss of control, the transaction is accounted for as an equity transaction with owners, leading to a new allocation of equity between owners of the parent and minority interests. Consequently the goodwill initially recognised when the Group took control of the subsidiary is not remeasured and the difference between the price paid/consideration received for the

new transaction and the change in minority interests is recognised directly in equity.

Where a change in ownership interest results in a loss or gain of control of an entity, the Group's interest in the entity concerned prior to the disposal/acquisition is remeasured at fair value and the resulting gain or loss on the disposal/acquisition is recognised in profit or loss.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Acquisition-related expenses are recognised in the income statement in the year in which they are incurred. Any adjustments to the purchase price of a business combination – including earn-out payments – occurring more than 12 months after the acquisition date are recorded in profit or loss.

Goodwill is not amortised but is tested for impairment at each year-end or whenever there is an indication that its value may be impaired. The method used to test goodwill for impairment is described in note 3.10 below.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the disposal gain or loss.

Goodwill related to equity-accounted companies is included in the carrying amount of the investment.

3.9 INTANGIBLE ASSETS

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. They are amortised over their probable useful life. Intangible assets with an indefinite useful life are not amortised but are tested regularly for impairment in the same way as goodwill (see note 3.10).

No development costs are incurred in the Group's Operating Activities that meet the capitalisation criteria under IFRS.

3.10 IMPAIRMENT TESTS

The Group reviews the carrying amount of property, plant and equipment and intangible assets at least once a year to determine whether there is any indication that their value may be impaired. One such indication is evidence that an asset's economic performance is or will be worse than expected. If such an indication exists, the recoverable amount of the asset is estimated and compared with its carrying amount. The recoverable amount of goodwill and intangible assets with an indefinite useful life is estimated at each year end, irrespective of whether there is any indication of impairment. When the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised on goodwill are irreversible.

If it is not possible or relevant to estimate the recoverable amount of an individual asset, the estimate is performed at the level of the cash-generating unit to which the asset belongs.

Recoverable amount corresponds to the higher of:

- ▶ value in use calculated using the discounted cash flows method, applied to the individual asset or to the cash-generating unit to which the asset belongs;
- ▶ fair value less costs to sell calculated using the market comparables method or a method based on the price of recent transactions involving similar assets.

Cash flow projections are based on the most recent business plans and forecasts, generally covering a period of three years. Cash flow projections beyond that period are estimated using a growth rate that reflects the average long-term growth rate observed in the industry. This process involves the use of key assumptions and judgements to determine trends in the markets in which the Group operates, and actual future cash flows may differ from the estimates used to calculate value in use.

The discount rates used are post-tax rates determined separately for each business, applied to post-tax cash flows.

3.11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured using the historical cost method. The Group did not elect to apply the option available under IFRS 1 – First-Time Adoption of International Financial Reporting Standards to measure items of property, plant and equipment at their fair value at the IFRS transition date (1 January 2004). Furthermore, as the Group's assets do not qualify for capitalisation of borrowing costs under IAS 23 (revised) which applies to assets requiring a long period of preparation before they can be used or sold, borrowing costs are directly charged to the income statement.

Depreciation is calculated by the straight-line method over the estimated useful lives of the assets. The ranges of useful lives applied to the main categories of property, plant and equipment are as follows:

Buildings	6 to 50 years
Machinery and equipment	3 to 20 years
Other equipment, furniture, fixtures and fittings	2 to 10 years

The depreciable amount corresponds to the cost of the asset less any residual value at the end of its useful life. With the exception of the Group's registered office, building, property, plant and equipment are generally considered as having no residual value.

Finance leases

All material finance leases are accounted for as purchases of assets financed by debt. Leases are classified as finance leases if they transfer to the Group substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

The leased assets are depreciated on a basis that is consistent with the policy for owned assets, over the asset's useful life or over the lease term if this is shorter.

Investment property

Investment property is recorded at cost less any accumulated depreciation and impairment losses.

3.12 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. The carrying amount of inventories does not include any borrowing costs as they do not meet the requirements for capitalisation under IAS 23 (revised) (see note 3.11 above).

3.13 FINANCIAL ASSETS

Investments in non-consolidated companies

Investments in non-consolidated companies are initially recognised at cost, which corresponds to the fair value of the investment plus acquisition costs. Based on the criteria set out in IAS 39, all investments in non-consolidated companies are classified as available-for-sale investments.

At each year-end, shares traded in an active market or for which other sufficiently reliable price information exists are measured at fair value, which corresponds to their market value. Shares that do not fulfil these criteria are measured using the cost method.

Where it is possible to measure the fair value of these investments, and their fair value exceeds their carrying amount, the gain arising from remeasurement at fair value is recognised in equity.

When there is objective evidence that an investment in a non-consolidated company is impaired, an impairment loss is recognised as follows:

- ▶ in the income statement if the impairment is considered permanent, with any subsequent gains recognised in equity. The permanence of the impairment is assessed on a case-by-case basis, with reference to the significance or duration of the decline in the shares' value compared with their acquisition price;
- ▶ in equity if the impairment is considered temporary.

When the investment is sold, the cumulative gains or losses recognised directly in equity are reclassified into profit or loss.

Loans and receivables

Loans and receivables are measured at amortised cost, calculated using the effective interest method. Any impairment losses, corresponding to the difference between the carrying amount and recoverable amount, are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents include:

- ▶ cash and demand deposits;
- ▶ deposits and loans with maturities of less than three months;
- ▶ marketable securities, such as money market funds, that are not exposed to a material risk of changes in value and are readily convertible into known amounts of cash; they are recognised at fair value through profit or loss.

Shares, bonds, deposits and loans with maturities of more than three months are excluded from cash and cash equivalents and reported in the balance sheet as investments.

3.14 FINANCIAL LIABILITIES

Financial liabilities comprise borrowings, trade payables and other liabilities. They are measured at amortised cost using the effective interest method.

Specific measurement rules apply to financial liabilities hedged by derivative instruments. These rules are described below in note 3.16.

3.15 PUT OPTIONS GRANTED TO MINORITY SHAREHOLDERS

In its Operating Activities, the Group has granted put options to the minority shareholders of certain fully-consolidated subsidiaries for the sale of their investments on defined terms. For some of these options, the exercise price was not set at the outset, and will be determined based on independent valuations.

In compliance with IAS 32, the put options are recognised in debt at their estimated present value.

In the income statement, consolidated profit for the year is presented in two separate lines: profit attributable to owners of the Parent and profit attributable to minority interests, based on the legal rights effectively held.

For put options granted prior to 1 January 2010 – the effective date of IFRS 3 (revised) relating to business combinations – any change in the estimated amount of the debt is recognised as an adjustment to goodwill. For put options granted after 1 January 2010, changes in the value of the debt are recorded in equity.

3.16 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge currency and interest rate risks. These instruments are initially recognised in "Other current assets" or "Other current liabilities" at fair value, which generally corresponds to their acquisition price. They are marked to market at each year end and the corresponding fair

value remeasurement gains or losses are recognised in the income statement.

However, certain derivative instruments are classified as fair value hedges (mainly of currency and interest rate risks on debt) or cash flow hedges (on future sales and purchases).

These instruments qualify for hedge accounting if the following conditions are met:

- ▶ at the inception of the hedge there is formal designation and documentation of the hedging relationship;
- ▶ the hedge is expected to be highly effective and its effectiveness can be reliably measured from its inception.

The accounting impacts of applying hedge accounting are as follows:

Fair value hedges

Derivative instruments and hedged items are measured at fair value. Changes in the fair values of the derivative instrument and the hedged item are recognised in profit or loss on a symmetrical basis. When the hedge is effective, the change in the fair value of the hedging instrument offsets an opposite change in the fair value of the hedged item.

Cash flow hedges

Derivative instruments used as cash flow hedges are measured at fair value and no specific accounting treatment is applied to the hedged items. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit or loss.

The cumulative gains and losses recognised in equity are reclassified into profit or loss when the hedged transaction takes place.

Net investment hedges

The Group hedges exchange gains and losses generated by certain net investments in foreign operations. The corresponding hedging instruments are measured at fair value. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit or loss.

Cumulative gains and losses recognised in equity are reclassified into profit or loss when the net investment is sold.

3.17 TREASURY SHARES

Lagardère SCA shares held by the Company or by other Group entities are deducted from consolidated equity. When treasury shares are sold outside the Group, the after-tax gain or loss is also recognised directly in equity.

3.18 PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group recognises provisions to cover the present value of its obligations for benefits payable to employees at the time of their

retirement and after retirement, when the plans concerned qualify as defined benefit plans. For defined contribution plans, the Group's obligation consists solely of payment of premiums or contributions to external organisations, and these premiums and contributions are charged to expenses as incurred.

The defined benefit plans to which the Group subscribes are principally pension plans outside France, while in France they cover end-of-career bonuses paid to employees upon their retirement.

The present value of obligations is calculated by the projected unit credit method, under which each period of service gives rise to an additional unit of benefit entitlement. The method takes into account inputs such as:

- ▶ expected salary increases;
- ▶ employee turnover;
- ▶ mortality rates;
- ▶ a financial discount rate.

These calculations are performed in full at least every three years, and updated annually, unless a more in-depth review is required due to exceptional events such as substantial modifications in the terms of the plan, or in the categories of employees covered.

Actuarial gains and losses resulting from changes in actuarial assumptions are charged or credited to equity in the period in which they arise. The same applies to the difference between the expected return on plan assets – which is recognised in the income statement using the discount rate applied for calculating the obligations – and the actual return on these assets.

3.19 PROVISIONS FOR CONTINGENCIES AND LOSSES

A provision is recognised when (i) the Group has a present obligation as a result of a past event, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and (iii) a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision corresponds to the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Restructuring provisions are recorded when the Group has a detailed formal plan and has announced details of the plan to the persons concerned.

3.20 ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

An asset or group of assets and directly associated liabilities is considered to be held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale and its sale must be highly probable. Such assets or groups of assets and liabilities are stated at the lower of their carrying amount and estimated sale price, less costs to sell. Assets held for sale and the associated liabilities are respectively presented on specific lines in the consolidated balance sheet.

NOTE 4 MAIN CHANGES IN THE SCOPE OF CONSOLIDATION**4.1 2015**

The main changes in scope of consolidation in 2015 were as follows:

Lagardère Publishing

- ▶ Full consolidation over 12 months in 2015 of Rising Stars, a publishing house founded in 2002 and specialised in the publication of teaching resources for primary schools. This company was acquired in December 2014 by Hodder Education.
- ▶ Acquisition of Nicholas Brealey Publishing, a UK-based publishing house, fully consolidated since July 2015.

Lagardère Travel Retail (formerly Lagardère Services)

- ▶ Acquisition on 22 October 2015 of a direct and indirect controlling interest in the entire share capital of Paradies Holding LLC, a leader in airport Travel Retail in North America, which was fully consolidated with effect from 1 November 2015 (see note 4.2 below).
- ▶ Acquisition on 21 April 2015 of 17 fashion and confectionery outlets at Terminal 4 of JFK airport in New York, which was consolidated with effect from 1 May 2015.
- ▶ Sale of the Curtis Group, the press distribution specialist in the United States and Canada, which was deconsolidated in June 2015.
Lagardère Travel Retail continued its withdrawal from the Press Distribution business with the sale of its subsidiary Curtis Circulation Company, a leading US national distributor of magazines, to its management team.
The impact of this transaction on Lagardère Travel Retail's 2015 results was a capital loss of €12 million.
- ▶ Sale of the 65% stake in Lagardère Services Distribution Suisse (LSDS), the business division's Swiss press distribution and integrated retail subsidiary, which was deconsolidated from March 2015.
The impact of this transaction on Lagardère Travel Retail's 2015 results is a capital gain of €37 million, before taxes.

Lagardère Active

- ▶ Full consolidation over seven months in 2015 of Grupo Boomerang TV following Lagardère Entertainment's acquisition of 82% of its share capital in May 2015.

Grupo Boomerang TV is one of Spain's leading independent audiovisual production groups (fiction and unscripted) and has begun to expand into several Latin American countries.

Lagardère Sports and Entertainment (formerly Lagardère Unlimited)

- ▶ Acquisition of 70% of the share capital of Société d'Exploitation des Spectacles Bataclan, which has been fully consolidated since October 2015.
- ▶ Full consolidation over six months in 2015 of UFA Sports further to the acquisition of the entire share capital by Lagardère Sports in June 2015.

4.2 BUSINESS COMBINATIONS**Paradies**

On 22 October 2015, HDS Retail North America LP closed the acquisition of the entire share capital of Fulton Holding Corp. – holder of 72% of the share capital of Paradies Holding LLC ("Paradies") – as well as the outstanding 28% of the share capital of Paradies Holding LLC held by individual shareholders, for a total cash consideration of approximately USD 550 million (representing USD 530 million in enterprise value and USD 20 million in net cash acquired), representing approximately €487 million. Further to these acquisitions, the Group holds the entire share capital of Paradies Holding LLC, a group comprising 75 fully consolidated entities in which, in accordance with US legislation (Airport Concessions Disadvantaged Business Enterprises (ACDBE) Program), minority partners are integrated into the capital. This acquisition was financed by a USD 530 million bridge loan, which will be refinanced before maturity. Based in Atlanta in the United States, Paradies is a leader in airport Travel Retail in North America.

The preliminary allocation of the purchase price led to the recognition of €123 million in provisional goodwill, chiefly reflecting the value of the expected synergies between Paradies and the existing Lagardère Travel Retail businesses in North America, and the capacity of the combination to develop in the future.

The purchase price for Paradies was allocated to the identifiable assets and liabilities based on a preliminary estimate of fair value as follows (euro-equivalent amounts at the acquisition date):

(in millions of euros)	Paradies
Purchase price	487
Provisional allocation of identifiable assets and liabilities	
Non-current assets ^(*)	481
Inventories, trade receivables and other assets	62
Cash and cash equivalents	20
Trade payables and other liabilities	(73)
Deferred taxes, net	(49)
Minority interests as a proportion of the net assets acquired ^(**)	(77)
Provisional goodwill	
Provisional goodwill (euro equivalent at the acquisition date)	123
Translation adjustments	5
Provisional goodwill (euro equivalent at 31 December 2015)	128

(*) Including €382 million in intangible assets measured provisionally at 31 December 2015, of which €332 million will be amortised on a straight-line basis over the duration of the related concessions.

(**) Most of Paradies Holding LLC's subsidiaries have minority interests with varying percentage interests.

Acquisition-related costs amounting to approximately €7 million which were not included in the purchase price were taken to profit for the year under "Amortisation of acquisition-related intangible assets and other acquisition-related expenses".

The acquisition of Paradies was initially recognised on a provisional basis at 31 December 2015. The final tax accounting for the assets acquired and liabilities assumed will be completed during 2016.

The net cash outflow in connection with the acquisition of Paradies was approximately €467 million, breaking down as follows:

(in millions of euros)	Paradies
Purchase price	(487)
Cash and cash equivalents acquired	20
Net cash outflow related to the acquisition	(467)

For two months of activity in 2015, the sales and attributable loss of Paradies included in the consolidated financial statements respectively amounted to €82 million and €3 million (including the amortisation of intangible assets for €7 million).

Had this combination taken place on 1 January 2015, consolidated sales would have been €404 million higher (i.e., full-year sales of €486 million in 2015 for Paradies).

4.3 2014

The main changes in scope of consolidation in 2014 – none of which had a material impact on the consolidated financial statements – were as follows:

Lagardère Publishing

- Acquisition of the entire capital of two UK publishers – Constable & Robinson and Quercus – which have been fully consolidated since 1 February 2014 and 1 May 2014 respectively.
- Sale by the Spanish group Anaya of its Argentine publishing subsidiary, Aique, which was deconsolidated at 30 September 2014.

Lagardère Travel Retail (formerly Lagardère Services)

- Acquisition on 3 January 2014 of the entire capital of Charles F. Gerzon Holding B.V. which operates 12 stores at Schiphol airport in Amsterdam and was fully consolidated for the full 12 months of 2014.
- Acquisition of control of Airst, which was fully consolidated for a period of 8.5 months in 2014.

The industrial partnership and business combination with SAVE, announced in September 2013, was completed through the acquisition of a 50% stake in Airst. Airst operates in the food services, duty free and travel essentials sectors, managing more than 200 sales outlets in 11 countries with its leading market in Italy (mainly Venice, Treviso, Bari and Palermo airports). The governance arrangements provided for in the shareholder agreement confer control to Lagardère Travel Retail, which has fully consolidated Airst since 16 April 2014. The agreement provides for the reorganisation of the Airst group through the demerger of its Italian and international activities from the activities at Venice, Treviso and Verona airports, which will remain within the scope of the 50-50 partnership with SAVE (fully consolidated by Lagardère). Lagardère Travel Retail could subsequently purchase SAVE's 50% stake in the Italian and international activities' holding company under a put and call structure that has been set up, with the options exercisable until end-December 2016. These options were exercised in 2015, bringing Lagardère Travel Retail's interest to 100% in most of the entities forming the Airst group (excluding Airst SPA – see note 26.5 below).

- Formation of Société des Commerces en Gares – a joint venture held on a 50-50 basis by Lagardère Travel Retail and SNCF Participations, which has operated press outlets and convenience stores in French railway stations since 4 September 2014. These sales outlets were previously directly operated by Relay France, a wholly-owned Lagardère Travel Retail subsidiary, under the terms of a contract which has expired. The new entity was set up after Relay won the tender process launched by SNCF for the operation of 307 sales outlets. It is accounted for under the equity method in the Group's consolidated financial statements.

- Divestment by HDS Polska of 51% of the share capital of the entity that operates Inmedio stores in city centres and shopping centres, carried out as part of Lagardère Services' measures to refocus its Polish operations on the Travel Retail market. HDS Polska retained a 49% minority interest in the company, which has been accounted for under the equity method since 1 December 2014.
- Divestment of the Payot bookstore chain in Switzerland, which was deconsolidated in July 2014.

Lagardère Active

- Acquisition by Lagardère Entertainment of a 70% interest in Groupe Réservoir (the holding company for a group of audiovisual production companies), which has been fully consolidated since February 2014.
- Acquisition of France Télévision's 34% stake in the television channel Gulli, raising Lagardère Active's interest in this channel to 100%. Gulli has been fully consolidated since 1 November 2014, whereas it was previously accounted for under the equity method as a joint venture (joint control exercised by the two shareholders).
- Sale of 10 Magazine Publishing titles in France on 10 July 2014 (*Be, Auto Moto, Union, Campagne Décoration, Maison & Travaux, Mon Jardin Ma Maison, Le Journal de la Maison, Psychologies, Première* and the print version of *Pariscope*), carried out as part of the strategic refocusing of Lagardère Active's Press business:
 - *Psychologies* (print and online versions) joined the 4B Media consortium, equally owned by four Belgian media groups (the Rossel group, Edition Ventures, the Deficom group and Ollidipoli);
 - *Première* (print and online versions) joined the Rossel group;
 - *Be, Auto Moto, Union, Campagne Décoration, Maison & Travaux, Mon Jardin Ma Maison, Le Journal de la Maison* and the print version of *Pariscope* joined the listed group Reworld Media, which owns seven magazines in France (including *Marie-France* and *Télé Magazine*).

Lagardère Sports and Entertainment (formerly Lagardère Unlimited)

- Acquisition in April 2014 of the Casino de Paris operating company, which has been fully consolidated since that date.

NOTE 5 SEGMENT INFORMATION

Lagardère's operating activities are carried out through the four following business divisions:

- ▶ Lagardère Publishing: publication of works in the General Literature, Education, Illustrated Books and Partworks markets.
- ▶ Lagardère Travel Retail: Travel Essentials, Duty Free & Fashion, Foodservice and Press Distribution.
- ▶ Lagardère Active, which comprises:
 - Audiovisual and Digital businesses including special interest television channels, Audiovisual Production and Distribution, Radio and Advertising Sales Brokerage;
 - Press activities, principally mainstream Magazine Publishing.
- ▶ Lagardère Sports and Entertainment: marketing rights management, organisation and management of events, consulting in the management and operation of stadiums and multipurpose venues, content production and media rights management, athlete management and brand consulting.

In addition to the above divisions, the Group has a "corporate" reporting unit ("Other Activities") used primarily to report the effect of financing obtained by the Group, the net operating costs of Group holding companies, and the activities of Matra Manufacturing & Services (whose revenues are reported under "Other income from ordinary activities").

Transactions between business divisions are generally carried out on arm's length terms.

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5.1 INFORMATION BY BUSINESS SEGMENT

2015 income statement

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment	Operating Activities	Other Activities	Total
Sales	2,224	3,510	963	516	7,213	-	7,213
Inter-segment sales	(18)	-	(1)	(1)	(20)	-	(20)
Consolidated sales	2,206	3,510	962	515	7,193	-	7,193
Other income from ordinary activities	10	132	98	2	242	21	263
Revenues	2,216	3,642	1,060	517	7,435	21	7,456
Recurring operating profit (loss) of fully consolidated companies	198	102	79	20	399	(21)	378
Income (loss) from equity-accounted companies before impairment losses	1	10	2	(2)	11	-	11
Recurring operating profit (loss)	199	112	81	18	410	(21)	389
Restructuring costs	(8)	(19)	(20)	(30)	(77)	-	(77)
Gains (losses)	(1)	17	3	1	20	-	20
<i>Disposals of assets</i>	<i>(1)</i>	<i>17</i>	<i>3</i>	<i>1</i>	<i>20</i>	<i>-</i>	<i>20</i>
<i>Fair value adjustments due to changes in control</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Impairment losses ^(*)	(2)	(16)	(44)	-	(62)	-	(62)
<i>Fully consolidated companies</i>	<i>(2)</i>	<i>(16)</i>	<i>(42)</i>	<i>-</i>	<i>(60)</i>	<i>-</i>	<i>(60)</i>
<i>Equity-accounted companies</i>	<i>-</i>	<i>-</i>	<i>(2)</i>	<i>-</i>	<i>(2)</i>	<i>-</i>	<i>(2)</i>
Amortisation of acquisition-related intangible assets	(4)	(47)	-	(5)	(56)	-	(56)
Dispute relating to the Indian cricket activity ^(**)	-	-	-	(27)	(27)	-	(27)
Acquisition-related expenses	(1)	(9)	(2)	(1)	(13)	-	(13)
Purchase price adjustment	-	-	-	-	-	-	-
Profit (loss) before finance costs and tax	183	38	18	(44)	195	(21)	174
Items included in recurring operating profit (loss)							
Depreciation and amortisation of intangible assets and property, plant and equipment	(27)	(84)	(18)	(70)	(199)	(8)	(207)
Cost of share option plans	(3)	(2)	(3)	(1)	(9)	(3)	(12)

(*) Impairment losses on goodwill, property, plant and equipment and intangible assets.

(**) Significant dispute dating back to 2010 and relating to the Indian cricket activity which has been discontinued and which therefore has no connection with the division's operating performance in 2015 (see note 34 – Litigation, below).

2014 income statement

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment	Operating Activities	Other Activities	Total
Sales	2,029	3,814	959	394	7,196	-	7,196
Inter-segment sales	(25)	-	(1)	-	(26)	-	(26)
Consolidated sales	2,004	3,814	958	394	7,170	-	7,170
Other income from ordinary activities	9	143	137	1	290	33	323
Revenues	2,013	3,957	1,095	395	7,460	33	7,493
Recurring operating profit (loss) of fully consolidated companies	197	105	73	4	379	(37)	342
Income (loss) from equity-accounted companies before impairment losses	2	6	4	(3)	9	-	9
Recurring operating profit (loss)	199	111	77	1	388	(37)	351
Restructuring costs	(21)	(16)	(11)	(11)	(59)	(7)	(66)
Gains (losses)	(4)	17	8	-	21	(1)	20
<i>Disposals of assets</i>	<i>(4)</i>	<i>11</i>	<i>(11)</i>	<i>-</i>	<i>(4)</i>	<i>(1)</i>	<i>(5)</i>
<i>Fair value adjustments due to changes in control</i>	<i>-</i>	<i>6</i>	<i>19</i>	<i>-</i>	<i>25</i>	<i>-</i>	<i>25</i>
Impairment losses ^(*)	-	(22)	(18)	(1)	(41)	-	(41)
<i>Fully consolidated companies</i>	<i>-</i>	<i>(22)</i>	<i>(16)</i>	<i>(1)</i>	<i>(39)</i>	<i>-</i>	<i>(39)</i>
<i>Equity-accounted companies</i>	<i>-</i>	<i>-</i>	<i>(2)</i>	<i>-</i>	<i>(2)</i>	<i>-</i>	<i>(2)</i>
Amortisation of acquisition-related intangible assets	(3)	(39)	-	(7)	(49)	-	(49)
Acquisition-related expenses	(2)	(4)	-	(1)	(7)	-	(7)
Purchase price adjustments	-	-	-	1	1	-	1
Profit (loss) before finance costs and tax	169	47	56	(18)	254	(45)	209
Items included in recurring operating profit (loss)							
Depreciation and amortisation of intangible assets and property, plant and equipment	(24)	(78)	(13)	(50)	(165)	(9)	(174)
Cost of share option plans	(2)	(2)	(3)	(1)	(8)	(2)	(10)

(*) Impairment losses on goodwill, property, plant and equipment and intangible assets.

2015 statement of cash flows

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment	Operating Activities	Other Activities and eliminations	Total
Cash flows from (used in) operations	205	211	175	60	651	(24)	627
Interest paid and received, and income taxes paid	(32)	(42)	(44)	(15)	(133)	30	(103)
Net cash from operating activities	173	169	131	45	518	6	524
Cash used in investing activities	(59)	(607)	(64)	(94)	(824)	(3)	(827)
- Purchases of intangible assets and property, plant and equipment	(50)	(122)	(14)	(72)	(258)	(1)	(259)
- Purchases of investments and other non-current assets	(9)	(485)	(50)	(22)	(566)	(2)	(568)
Proceeds from disposals of non-current assets	4	(88)	3	31	(50)	-	(50)
- Disposals of intangible assets and property, plant and equipment	2	7	-	-	9	-	9
- Disposals of investments and other non-current assets	2	(95)	3	31	(59)	-	(59)
(Increase) decrease in short-term investments	-	-	-	-	-	-	-
Net cash used in investing activities	(55)	(695)	(61)	(63)	(874)	(3)	(877)
Net cash from (used in) operating and investing activities	118	(526)	70	(18)	(356)	3	(353)

Balance sheet at 31 December 2015

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment	Operating Activities	Other Activities and eliminations	Total
Segment assets	2,576	2,520	1,243	970	7,309	209	7,518
Investments in associates and joint ventures	18	29	100	7	154	1	155
Segment liabilities	(1,314)	(1,208)	(851)	(660)	(4,033)	46	(3,987)
Capital employed	1,280	1,341	492	317	3,430	256	3,686
Net debt	-	-	-	-	-	-	(1,551)
Equity	-	-	-	-	-	-	2,135

2014 statement of cash flows

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment	Operating Activities	Other Activities and eliminations	Total
Cash flows from (used in) operations	149	128	31	56	364	(10)	354
Interest paid and received, and income taxes paid	(47)	(32)	(24)	(13)	(116)	(28)	(144)
Net cash from (used in) operating activities	102	96	7	43	248	(38)	210
Cash used in investing activities	(133)	(242)	(43)	(109)	(527)	(4)	(531)
- Purchases of intangible assets and property, plant and equipment	(81)	(112)	(13)	(40)	(246)	(3)	(249)
- Purchases of investments and other non-current assets	(52)	(130)	(30)	(69)	(281)	(1)	(282)
Proceeds from disposals of non-current assets	1	42	(12)	-	31	19	50
- Disposals of intangible assets and property, plant and equipment	-	9	7	-	16	-	16
- Disposals of investments and other non-current assets	1	33	(19)	-	15	19	34
(Increase) decrease in short-term investments	-	-	-	-	-	-	-
Net cash from (used in) investing activities	(132)	(200)	(55)	(109)	(496)	15	(481)
Total cash used in operating and investing activities	(30)	(104)	(48)	(66)	(248)	(23)	(271)

Balance sheet at 31 December 2014^(*)

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Active	Lagardère Sports and Entertainment	Operating Activities	Other Activities and eliminations	Total
Segment assets ^(*)	2,372	1,842	1,447	896	6,557	224	6,781
Investments in associates and joint ventures	18	27	103	10	158	1	159
Segment liabilities ^(*)	(1,196)	(1,175)	(967)	(564)	(3,902)	-	(3,902)
Capital employed^(*)	1,194	694	583	342	2,813	225	3,038
Net debt	-	-	-	-	-	-	(954)
Equity^(*)	-	-	-	-	-	-	2,084

(*) Restated to reflect the impact of the application of IFRIC 21 (see note 1.1 above).

5.2 INFORMATION BY GEOGRAPHICAL SEGMENT

Sales

	2015	2014
France	2,299	2,487
European Union (excl. France)	3,042	2,835
Other European countries	131	413
United States and Canada	935	749
Middle East	38	26
Asia-Pacific	585	511
Other (Africa, Latin America)	163	149
Total	7,193	7,170

Segment assets

	31 Dec. 2015	31 Dec. 2014 ^(*)
France ^(*)	2,633	2,834
European Union (excl. France) ^(*)	2,523	2,384
Other European countries	75	104
United States and Canada ^(*)	1,775	939
Middle East	5	5
Asia-Pacific	472	480
Other (Africa, Latin America) ^(*)	35	35
Total^(*)	7,518	6,781

(*) Restated to reflect the impact of the application of IFRIC 21 (see note 1.1 above).

Purchases of intangible assets and property, plant and equipment

	31 Dec. 2015	31 Dec. 2014
France	68	90
European Union (excl. France)	103	80
Other European countries	4	10
United States and Canada	27	41
Middle East	1	1
Asia-Pacific	54	25
Other (Africa, Latin America)	2	2
Total	259	249

NOTE 6 SALES

Consolidated sales increased by 0.3% in 2015 on a reported basis and by 3.0% based on a comparable Group structure and exchange rates (like-for-like).

Like-for-like sales were calculated by adjusting:

- ▶ 2015 sales to exclude companies consolidated for the first time during the period, and 2014 sales to exclude companies divested in 2015;
- ▶ 2015 and 2014 sales based on 2014 exchange rates.

Sales break down as follows:

	2015	2014
Sales of goods and services	6,777	6,762
Advertising revenue	404	392
Barter transactions	12	16
Total	7,193	7,170

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:

	2015	2014
Lagardère Publishing	6,965	6,982
Lagardère Travel Retail	16,087	13,101
Lagardère Active	4,601	4,481
Lagardère Sports and Entertainment	1,878	1,369
Operating Activities	29,531	25,933
Other Activities	166	230
Total	29,697	26,163

7.2 PAYROLL COSTS

	2015	2014
Wages and salaries	1,318	1,232
Payroll taxes	273	285
Share-based payments	12	10
Total	1,603	1,527

7.3 SHARE-BASED PAYMENTS

In accordance with the principles described in note 3.5 "Share-based payments", share options and free shares awarded were measured at fair value at the grant date.

Share option plans

In past years up to and including 2006, the Managing Partners awarded share options on Lagardère SCA shares to certain

executives and employees of the Group under shareholder-approved plans. The main features of the outstanding share option plans at 1 January 2015 are presented in note 26.2.

Under the plans' terms and conditions, share options vest after a two-year period and lapse ten years after their grant date.

Details of outstanding share options and movements in 2015 and 2014 are presented below:

	Number of options	Weighted average exercise price (in euros)
Options outstanding at 31 December 2013	4,343,904	55.04
Adjustment ^(*)	1,036,667	44.14
Options cancelled	(1,754,452)	42.85
Options exercised	-	-
Options outstanding at 31 December 2014	3,626,119	45.21^(**)
Options cancelled	(1,730,783)	45.69
Options exercised	-	-
Options outstanding at 31 December 2015	1,895,336	44.78
<i>Of which exercisable options</i>	<i>1,895,336</i>	<i>44.78</i>

(*) Adjustment of the exercise price and number of share options carried out on 20 June 2014 in order to protect the rights of beneficiaries following the extra dividend payment of €6 per share deducted from reserves.

(**) Weighted average exercise price after adjustment.

After adjustment, the share options outstanding at 31 December 2015 were exercisable at an average price of €44.78 and their average term to maturity was 0.96 years.

Free share award plans

From 2012 to 2015, the Group set up plans to award free shares to employees, the Co-Managing Partners and members of Lagardère Media's Operating Committee.

- ▶ 25 June 2012 plan: 645,800 shares;
- ▶ 26 December 2013 plan: 712,950 shares;
- ▶ 22 December 2014 plan: 306,120 shares (plan for salaried employees only, excluding executive management, members of Lagardère Media's Operations Committee and the Co-Managing Partners);
- ▶ 1 April 2015 plan: 444,440 shares (plan for executive management, members of Lagardère Media's Operating Committee and the Co-Managing Partners only).

For Group employees who are beneficiaries of the 2012 to 2014 plans, these plans do not include any performance conditions and the shares vest after a two-year period, provided the beneficiaries have remained in the Group's employment throughout that time. For beneficiaries who are not tax-resident in France, the shares vest at the end of a four-year period provided that the beneficiaries have remained in the Group's employment for two years.

For salaried employees of the Group who are beneficiaries of the 1 April 2015 plan, the shares will only vest if the beneficiaries are still

with the Group in three years and if certain performance conditions are met, based on Group recurring operating profit and consolidated net cash flows from operating activities. The shares will fully vest in three years for beneficiaries who are French tax residents, and in four years for beneficiaries who are not French tax residents.

For the Co-Managing Partners, the shares will only vest subject to:

- ▶ the beneficiaries remaining with the Group until at least 31 March 2018, 31 December 2016, and 1 April 2015 respectively under the 2015, 2013 and 2012 plans;
- ▶ achievement of objectives based on criteria internal to the Group (consolidated recurring operating profit and net cash flows from operating activities), with the number of shares awarded reduced accordingly if these objectives are not met.

For the members of Lagardère Media's Operating Committee, who are beneficiaries of the 26 December 2013 and 1 April 2015 plans, the shares will only vest subject to:

- ▶ the beneficiaries remaining with the Group until at least 31 March 2018 and 31 December 2016 respectively under the 2015 and 2013 plans;
- ▶ achievement of performance conditions based on Group recurring operating profit and consolidated net cash flows from operating activities.

Assumptions used to calculate fair value

The assumptions underlying the plans for which an expense was recognised in the 2015 and 2014 financial statements were as follows:

	Free shares			
	1 April 2015 Plan	22 Dec. 2014 Plan	26 Dec. 2013 Plan	25 June 2012 Plan
Share price at grant date(€)	€27.79	€21.90	€26.49	€20.43
Expected dividend payout rate	4.7%	5.9%	4.8% to 5.0%	6.4% to 6.5%

Share-based payment expense recognised by fully consolidated companies amounted to €12 million in 2015 and €10 million in 2014.

Adjustment to plans following payment of the extra dividend

Following the €6 extra dividend payment approved at the Annual General Meeting of 6 May 2014 – representing €765 million deducted from equity – in order to protect the rights of holders of share options awarded under the 2004, 2005 and 2006 plans, and the rights of beneficiaries of free shares awarded under the 2010, 2011, 2012 and 2013 plans, on 20 June 2014 the Managing Partners adjusted the number of options and shares under these plans, as well as the exercise price of the share options, in accordance with the terms and conditions provided for in the French Commercial Code (*Code de commerce*).

For the share option plans, the adjustment consisted of:

- ▶ reducing the exercise price of the options by a percentage corresponding to the difference between the per-share amount of the extra dividend payment (i.e., €6) and Lagardère SCA's share price before the dividend payment, based on the weighted average of the prices quoted for the shares over the three trading days preceding the payment (i.e., €30.29);
- ▶ increasing the number of share options allocated to each beneficiary such that each beneficiary's overall investment remains constant in view of the new exercise price.

For shares under the free share award plans that had not yet vested at 6 May 2014, the adjustment consisted of increasing the number of rights allocated to each beneficiary by a percentage corresponding to the difference between the per-share amount of the extra dividend payment (i.e., €6) and Lagardère SCA's share price before the dividend payment (€30.29).

Furthermore, and in accordance with the undertaking of the Managing Partners at the end of 2013, in 2014 the Group paid each beneficiary of the 2010, 2011 and 2012 plans concerned a bonus of €9 per free share that had not yet vested in the form of wages as compensation. This bonus is intended to compensate the holders of rights to free shares following the payment of the €9 extra dividend decided on 21 May 2013 following the sale of the remainder of the Group's EADS shares, representing more than 30% of the market value of the Lagardère SCA share before the corresponding ex-dividend date. As the extra dividend was paid in the form of an interim dividend, a case which is not provided for the French Commercial Code, the number of rights to free shares could not be adjusted.

The total amount of compensation (excluding payroll taxes) amounted to €7 million, deducted from equity at 31 December 2014.

NOTE 8 RESTRUCTURING COSTS**2015**

Restructuring costs in 2015 amounted to €77 million, and related to streamlining programmes and cost reduction plans:

- ▶ Lagardère Publishing: €8 million, mainly in the United Kingdom and France;
- ▶ Lagardère Travel Retail: €19 million, relating mainly to the implementation of cost reduction plans for distribution operations in Canada and Belgium;
- ▶ Lagardère Active: €20 million in France, half of which concerned regional brokerage activities;
- ▶ Lagardère Sports and Entertainment: €30 million, mainly relating to WSG and the closure of the Cricket division in India and other loss-making activities; and in Europe in connection with the reorganisation of the division.

2014

Restructuring costs amounted to €66 million in 2014. Out of this total, €59 million related to the implementation of streamlining programmes and cost reduction plans in the Operating Activities segment, as follows:

- ▶ Lagardère Publishing: €21 million, mainly in the United Kingdom and United States;
- ▶ Lagardère Travel Retail: €16 million, mainly in distribution activities in Belgium;
- ▶ Lagardère Active: €11 million, relating to all activities but in particular costs for closing the LeGuide business in Germany;
- ▶ Lagardère Sports and Entertainment: €11 million, mainly for Sportfive International in Switzerland.

Restructuring costs for the Other Activities segment came to €7 million and were incurred due to Matra Manufacturing Services' divestment in December 2014 of its business concerning the manufacture and sale of light electric vehicles.

NOTE 9 CAPITAL GAINS AND LOSSES**2015**

In 2015, this item represented a €20 million net gain, which mainly included:

- ▶ a €37 million gain on the sale of Lagardère Services Distribution Suisse in February 2015;
- ▶ a €12 million loss in connection with the sale of US distribution subsidiary Curtis Circulation Company in June 2015;
- ▶ a €13 million gain in connection with vendor warranty clauses further to disposals by Lagardère Active in Russia and China;
- ▶ €15 million in losses on sales of property plant and equipment and intangible assets (mainly at Lagardère Travel Retail and Lagardère Active).

2014

In 2014, this item represented a €5 million net loss, which mainly included:

- ▶ a €4 million loss on the divestment of Aique, Lagardère Publishing's Argentine subsidiary;
- ▶ an €8 million loss recognised by Lagardère Active in relation to the €20 million loss incurred in July 2014 on the sale of ten Magazine Publishing titles (including the impact of the reversal

of the €12 million provision recognised at 31 December 2013 prior to the sale);

- ▶ a €13 million gain on the divestments carried out by Lagardère Travel Retail: the Payot bookstore chain (€7 million) and the 51% stake in Inmedio (€6 million gain);
- ▶ €5 million in losses on sales of property plant and equipment and intangible assets (Lagardère Travel Retail and Matra Manufacturing Services).

In addition, in accordance with the revised version of IFRS 3 – Business Combinations, a €25 million gain was recorded following changes in control that occurred in 2014 for Gulli (Lagardère Active) and Inmedio (Lagardère Travel Retail):

- ▶ the Group's acquisition of control of Gulli as a result of its interest in this company being raised from 66% to 100% resulted in a €19 million gain arising on the fair value adjustment to the previously-held 66% interest;
- ▶ the Group's loss of control of Inmedio due to its interest being reduced from 100% to 49% resulted in a €6 million gain arising on the fair value adjustment to the retained 49% interest.

For these two transactions, fair value was determined based on the prices at which the transactions were carried out.

NOTE 10 IMPAIRMENT LOSSES ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

The impairment losses recorded in 2015 reflect the impairment tests performed as described in note 3.10 above.

Impairment tests for goodwill and intangible assets with indefinite useful lives are performed at the level of the cash-generating units

(CGUs) to which the assets belong. The Group's CGUs represent the level at which the assets concerned are monitored for internal management purposes. A CGU may correspond to a legal entity or a group of legal entities when the businesses conducted are similar and are managed on a combined basis.

The following table sets out the amounts of goodwill and intangible assets with indefinite useful lives by CGU at 31 December:

	Number of CGUs		Carrying amount of goodwill		Carrying amount of intangible assets with indefinite useful lives		Total carrying amount of tested assets	
	2015	2014	2015	2014	2015	2014	2015	2014
Lagardère Publishing	14	14	973	906	56	52	1,029	958
Lagardère Travel Retail	19	20	242	133	54	5	296	138
Lagardère Active:	35	32	511	537	103	106	614	643
- Press	3	3	154	174	60	64	214	238
- Audiovisual	27	25	241	225	43	42	284	267
- Digital	5	4	116	138	0	-	116	138
Lagardère Sports and Entertainment	1	1	193	164	14	12	207	176
Total	69	67	1,919	1,740	227	175	2,146	1,915

The following table shows the breakdown of the main CGUs by division:

	Number of CGUs		Carrying amount of goodwill		Carrying amount of intangible assets with indefinite useful lives		Total carrying amount of tested assets	
	2015	2014	2015	2014	2015	2014	2015	2014
Lagardère Publishing	14	14	973	906	56	52	1,029	958
Editis group	4	4	236	236	2	1	238	237
Hachette UK Holding group	1	1	341	299	43	35	384	334
Hachette Book Group (United States)	1	1	270	242	-	-	270	242
Hatier group	1	1	84	84	-	-	84	84
Hachette Livre España - Salvat	1	1	12	12	-	-	12	12
Pika Éditions	1	1	14	14	-	-	14	14
Les Éditions Albert René	1	1	11	11	-	-	11	11
Other	4	4	5	8	11	16	16	24
Lagardère Travel Retail	19	20	242	133	54	5	296	138
Paradies	1	-	128	-	51	-	179	-
Pacific	4	4	35	35	-	-	35	35
Czech Republic	2	2	33	33	-	-	33	33
France	2	2	11	11	-	-	11	11
Spain Distribution	2	2	10	10	-	-	10	10
Asia	1	1	8	8	-	-	8	8
HDS Retail North America group	1	1	6	6	3	3	9	9
Hungary Distribution (including the Lapter group)	2	2	4	16	-	-	4	16
Switzerland (Payot Naville group)	-	1	-	6	-	-	-	6
Other	4	5	8	9	-	2	8	10
Lagardère Active	35	32	511	537	103	106	614	643
Press	3	3	154	174	60	64	214	238
Lagardère Active	1	1	124	124	-	-	124	124
Société de Presse Féminine	1	1	23	40	2	2	25	42
France Magazine Publishing	1	1	7	10	58	62	65	72
Audiovisual	27	25	241	225	43	42	284	267
Lagardère Active Broadcast	1	1	63	63	-	-	63	63
International radio	5	5	45	45	-	-	45	45
Audiovisual production	16	14	58	42	4	3	62	45
RFM	1	1	-	-	16	16	16	16
Lagardère Active TV	1	1	24	24	1	1	25	25
TV channels	3	3	51	51	22	22	73	73
Digital	5	4	116	138	-	-	116	138
Doctissimo/Mondocteur	1	1	51	51	-	-	51	51
Newsweb	1	1	11	11	-	-	11	11
LeGuide	1	1	35	60	-	-	35	60
Billetreduc.com	1	1	16	16	-	-	16	16
Plurimedia	1	-	3	-	-	-	3	-
Lagardère Sports and Entertainment	1	1	193	164	14	12	207	176
Total	69	67	1,919	1,740	227	175	2,146	1,915

The estimated future cash flows used in the impairment tests are based on the internal budgets drawn up at the end of the year. They are determined using key assumptions and assessments that factor in the effects of the economic environment – as identified at the date of the budget – on forecast future cash flows for the coming three

years, apart from in the specific area of sporting events for which forecast cash flows are calculated beyond three years.

The cash flows are discounted using a post-tax discount rate specific to each business. A perpetuity growth rate – which is also specific to each business – is used for periods subsequent to those covered in the budgets.

The discount rates used for each business were as follows in 2015, 2014 and 2013:

	Discount rate			Perpetuity growth rate		
	2015	2014	2013	2015	2014	2013
Lagardère Publishing	6.44%	6.73%	7.80%	2.00%	2.00%	2.00%
Lagardère Travel Retail:						
Travel Retail	5.76%	6.06%	7.42%	2.50%	2.50%	2.50%
Distribution	5.76%	6.06%	7.42%	0.00%	0.00%	0.00%
Lagardère Active:						
Press	6.89%	6.11%	8.05%	0.00%	0.00%	0.00%
Audiovisual	6.32%	7.35%	7.89%	1.50%	1.50%	1.50%
Digital ^(*)	6.32%	7.35%	7.89%	2.00%	2.00%	2.00%
Lagardère Sports and Entertainment:						
Europe/United States	6.05%	7.04%	7.97%	2.00%	2.00%	2.00%
Asia	6.05%	7.04%	7.97%	2.50%	3.50%	3.50%

(*) For these operations specific growth rates ranging between 4.00% and 5.00% were applied for the first few years after the period covered in the 2016-2018 budget.

The discount rates applied are calculated based on the average financial returns observed during the year for samples of companies operating in comparable business sectors. These are provided by an independent financial organisation and may vary based on share prices and the organisation's assessment of the macro- and micro-economic outlook.

The samples used are reviewed and updated every year in order to take account of changes in the competitive environment and market participants. This can lead to an elimination of certain components of the basket whose business models are not judged to be sufficiently correlated to the Group's, and inversely, to the addition of new components. There were no significant changes in the basket of sample companies used in 2015 compared with 2014, or in those used in 2014 compared with 2013.

Recognised impairment losses

Total impairment losses recognised by consolidated companies in 2015 amounted to €60 million, including €58 million for goodwill, €1 million for property, plant and equipment and €1 million for intangible assets. The main impairment losses on goodwill break down as follows:

- ▶ €25 million in impairment losses on the goodwill of the LeGuide group, in connection with the significant decrease in web traffic for all price comparison sites due to the increased exposure of Google Shopping offers and changes decided by Google in its search algorithm. The impairment test carried out based on these assumptions led to the recognition of a €25 million impairment loss in first-half 2015. Residual goodwill in respect of the LeGuide group amounted to €35 million at 31 December 2015.
- ▶ €17 million in impairment losses on the goodwill of Société de Presse Féminine, subsidiary of Lagardère Active and publisher of Version Femina, a magazine distributed exclusively on a paid insert basis with the weekend editions of the daily regional press, whose circulation is in structural decline. As a result of a marked acceleration in the decline in sales in 2015, the Group reviewed the sales assumptions contained in the budget and business plan and recognised an impairment loss in the amount of €17 million.

Residual goodwill in respect of Société de Presse Féminine amounted to €25 million at 31 December 2015.

- ▶ €13 million in impairment losses on the goodwill of Lapker, Lagardère Travel Retail's specialised distribution subsidiary in Hungary, further to the downward revision of forecast cash flows from the press distribution and integrated retail activities in that country, taking account of the difficulties encountered in the export business since the middle of 2015. Residual goodwill in respect of Lapker amounted to €1 million at 31 December 2015.

Impairment losses recognised in 2014 amounted to €39 million, including €36 million for goodwill, €2 million for property, plant and equipment (Lagardère Travel Retail) and €1 million for intangible assets (Lagardère Sports and Entertainment). The impairment losses on goodwill broke down as follows:

- ▶ €20 million for the full write-down of the goodwill related to Curtis – Lagardère Travel Retail's distribution subsidiary in the United States. Various negotiations were entered into with a view to selling Curtis and this impairment loss was recognised to write down the subsidiary's value in the consolidated financial statements to the estimated sale amount taking into account current or expected legal disputes.
- ▶ €16 million relating to goodwill for the LeGuide group, due to the persistent decline in business of its subsidiary Ciao, which led to the closure of the German office.

Sensitivity of impairment tests to changes in key budget assumptions

The operating forecasts contained in the Group's budgets are based on assumptions. Changes in these assumptions directly impact the calculation of value in use and may give rise to the recognition of impairment losses or influence the amount of any impairment recognised.

The key assumptions used for the forecasts relate to expected developments in the following main areas:

- ▶ Publishing: market trends, market share and profit margins; overhead rates determined based on established action plans.

- ▶ Active: advertising market trends and market share for all media (radio, television, press and Internet); market trends for the Magazine Publishing business in France, including the impact on advertising revenues; changes brought about by the switch to digital; and the cost of paper.
- ▶ Travel Retail: passenger volumes and average spend per customer for each platform (airports, railway stations, etc.); lease payments for retail outlets; press market trends.
- ▶ Sports and Entertainment: performance conditions for contracts in progress based on the advertising environment and the sporting context specific to each event; ability to renew current contracts or win new ones and the related profit margins.

These assumptions incorporate differentiated levels of risk that depend on the degree of visibility and the ability to anticipate the impact of changes in the economic environment on the future performance of the Group's different businesses.

The main areas of uncertainty identified that have a bearing on the assumptions used in the budgets are described below:

Lagardère Active

▶ Magazine Publishing

The Magazine Publishing business contracted by 5.3% in 2015, following on from a 3.5% decrease in 2014, and the budgets were prepared on the basis of assumptions taking into account the sales trends expected over the next three years.

Beyond the years covered by the budget, a change corresponding to an annual decrease of 1% in sales from Magazine Publishing compared to the assumptions used at end-2015, would result in an additional €17 million impairment loss, excluding the impact of any corporate cost reduction measures that would necessarily be implemented. At 31 December 2015, the residual amount of goodwill and intangible assets with indefinite useful lives for all of the Press CGUs amounted to €214 million.

▶ LeGuide group

Increased exposure of Google Shopping offers on Google's general search engine, combined with changes decided by Google in its search algorithm, have led to a significant decrease in traffic for all other price comparison sites, including those of the LeGuide group.

At the end of 2014, the new search algorithm launched by Google had already reduced LeGuide's visitor numbers, and successive updates to the algorithms, the latest of which was in April 2015, have accelerated the decrease in visibility of LeGuide group's web sites and have had a strong adverse effect on visitor numbers in the first half of 2015. As a result, performance has contracted significantly in first-half 2015 compared to the assumptions set out in the budgets prepared at end-2014.

On 15 April 2015, the European Commission sent a statement of objections to Google alleging that the company had abused its dominant position by systematically favouring its own price comparison site in its general search results pages.

The Group therefore remeasured the LeGuide group's recoverable amount – leading to the recognition of an impairment loss of €25 million against the LeGuide group in the first half of 2015 – based on revised business plan cash flow forecasts, which incorporate the following assumptions:

- ▶ a reduction in revenues generated by the web site activity factoring in the negative effects on traffic volumes of the new updates to the Google search algorithms;
- ▶ a return to a more balanced competitive environment as a result of developments in the regulatory framework imposed by the European Commission which will require Google to alter its practices and provide access to "rival links" to price comparison sites from the second quarter of 2016;
- ▶ the successful diversification into new businesses, notably with the new websites such as price intelligence sites, and the development of the Partner activity.

After taking into account the €25 million impairment loss recognised at end-June 2015, residual goodwill related to the LeGuide group totalled €35 million at 31 December 2015.

▶ Doctissimo/Mondocteur/Doctipharma

The recoverable amount of the Doctissimo/Mondocteur/Doctipharma CGU was calculated based on budgets and business plans that include both forecast advertising revenue and revenue arising from the development of activities aimed at monetising new services such as the online booking of medical appointments. At 31 December 2015, goodwill and intangible assets with indefinite useful lives allocated to this CGU amounted to €51 million.

Lagardère Sports and Entertainment

Estimated future cash flows used in the budgets and business plans incorporate assumptions concerning the renewal of certain contracts covering 54% of the total for the division (excluding corporate segment costs), calculated before the impact of measures to reduce central costs that would necessarily be implemented in the event that a significant element of the assumptions used did not bear out. For Lagardère Sports and Entertainment, a 5% increase or decrease in future cash flows would have a positive or negative impact of approximately €30 million on the recoverable amount of the assets concerned. At 31 December 2015, the carrying amount of goodwill and intangible assets with indefinite useful lives allocated to this division amounted to €207 million.

Sensitivity of impairment tests to changes in discount rates and perpetuity growth rates

The following tables show the potential effects on impairment losses of an increase or decrease in the discount rates and perpetuity growth rates applied in the impairment tests performed at 31 December 2015.

The tables include sensitivity to a maximum 2% increase in the discount rate, which is higher than the cumulative increase observed for 2014 and 2013.

Lagardère Publishing: (Increase) decrease in impairment losses

(in millions of euros)	Change in discount rate ^(*)								
Change in perpetuity growth rate	-2%	-1.5%	-1%	-0.5%	0% ^(*)	+0.5%	+1%	+1.5%	+2%
-1%	-	-	-	-	(4)	(51)	(102)	(176)	(240) ^(**)
-0.5%	-	-	-	-	-	(10)	(58)	(113)	(186)
0%	-	-	-	-	-	-	(16)	(65)	(124)
+0.5%	-	-	-	-	-	-	-	(22)	(72)
+1%	-	-	-	-	-	-	-	-	(28)

(*) The discount rate used for the 2015 impairment tests was 6.44%.

(**) Including €155 million for the Hachette UK Holding group, €55 million for the Hachette Book Group and €30 million for the Anaya-Bruno group.

Lagardère Travel Retail: (Increase) decrease in impairment losses

(in millions of euros)	Change in discount rate ^(*)								
Change in perpetuity growth rate	-2%	-1.5%	-1%	-0.5%	0% ^(*)	+0.5%	+1%	+1.5%	+2%
-1%	-	-	-	-	(7)	(14)	(19)	(24)	(28) ^(**)
-0.5%	-	-	-	-	-	(8)	(15)	(20)	(25)
0%	-	-	-	-	-	(1)	(9)	(16)	(21)
+0.5%	-	-	-	-	-	-	(2)	(10)	(16)
+1%	-	-	-	-	-	-	-	(3)	(11)

(*) The discount rate used for the 2015 impairment tests was 5.76%.

(**) Including €28 million for the LTR Pacific.

Lagardère Active: (Increase) decrease in impairment losses

(in millions of euros)	Change in discount rate ^(*)								
Change in perpetuity growth rate	-2%	-1.5%	-1%	-0.5%	0% ^(*)	+0.5%	+1%	+1.5%	+2%
-1%	-	-	-	(1)	(3)	(8)	(12)	(15)	(19) ^(**)
-0.5%	-	-	-	-	(2)	(4)	(9)	(12)	(16)
0%	-	-	-	-	-	(2)	(4)	(9)	(13)
+0.5%	-	-	-	-	-	-	(2)	(5)	(9)
+1%	-	-	-	-	-	-	-	(2)	(5)

(*) The discount rates used for the 2015 impairment tests were 6.89% for the Press CGU and 6.32% for the Audiovisual and Digital CGUs.

(**) Including LeGuide for €11 million and Société de Presse Féminine for €7 million.

Lagardère Sports and Entertainment: (Increase) decrease in impairment losses

(in millions of euros)	Change in discount rate ^(*)								
Change in perpetuity growth rate	-2%	-1.5%	-1%	-0.5%	0% ^(*)	+0.5%	+1%	+1.5%	+2%
-1%	-	-	-	-	-	-	-	-	-
-0.5%	-	-	-	-	-	-	-	-	-
0%	-	-	-	-	-	-	-	-	-
+0.5%	-	-	-	-	-	-	-	-	-
+1%	-	-	-	-	-	-	-	-	-

(*) The discount rate used for the 2015 impairment tests was 6.05%.

NOTE 11 OTHER OPERATING EXPENSES

	2015	2014
Asset impairment losses	(46)	(26)
Foreign exchange losses	-	(5)
Financial expenses other than interest	(1)	(2)
Provisions for contingencies and losses	-	-
Other expenses	(41)	(20)
Total	(88)	(53)

Asset impairment losses recorded under other operating expenses totalled €46 million in 2015 (€26 million in 2014) and principally related to advances paid to writers by Lagardère Publishing. Other expenses include costs related to a major dispute dating back to 2010 and relating to the Indian cricket activity which has

been discontinued and which therefore has no connection with Lagardère Sports and Entertainment's operating performance in 2015. This dispute generated an expense of €27 million in 2015 (including costs).

NOTE 12 OTHER OPERATING INCOME

	2015	2014
Foreign exchange gains	3	-
Reversals of provisions for contingencies and losses	18	42
Other income	19	18
Total	40	60

NOTE 13 FINANCIAL INCOME AND EXPENSES

Financial income and expenses break down as follows:

	2015	2014
Interest income on loans	2	2
Investment income and gains on sales of marketable securities	2	4
Gains on derivative financial instruments acquired as hedges of net debt	8	3
Other financial income	2	3
Financial income	14	12
Interest expense on borrowings	(66)	(73)
Loss on sales of marketable securities	-	-
Loss on derivative financial instruments acquired as hedges of net debt	(12)	(9)
Other financial expenses	(2)	(3)
Financial expenses	(80)	(85)
Total	(66)	(73)

NOTE 14 INCOME TAX EXPENSE**14.1 ANALYSIS OF INCOME TAX EXPENSE**

Income tax expense breaks down as follows:

	2015	2014
Current taxes	(72)	(71)
Deferred taxes	35	(16)
Total	(37)	(87)

In 2015, an income tax expense of €37 million was recognised, a decrease of €50 million on 2014. This mainly reflected the additional 3% tax on dividends introduced in France (€5 million in 2015 versus €28 million in 2014). It also includes deferred tax income arising on

the French tax consolidation group, along with reversals of deferred tax liabilities relating to the amortisation of intangible assets acquired by Lagardère Travel Retail.

14.2 TAX PROOF

The following table reconciles income tax expense reported in the income statement to the theoretical income tax expense for 2015 and 2014:

	2015	2014
Profit before tax	108	136
Income (loss) from equity-accounted companies	(9)	(7)
Profit of fully consolidated companies before tax	99	129
Theoretical tax expense ^(*)	(38)	(49)
Effect on theoretical tax expense of:		
Differences in tax rates on:		
- Capital gains and losses	8	7
- Impairment losses on goodwill and other intangible assets	(22)	(14)
- Earnings of foreign subsidiaries	6	15
Taxes on dividends	(5)	(28)
Limitation on deferred taxes	5	13
Tax loss carryforwards used (recognised) in the year ^(**)	1	(37)
Tax credits on recognised tax loss carryforwards	-	3
Tax credits and similar	10	4
Permanent differences and other items	(2)	(1)
Effective tax expense	(37)	(87)

(*) Calculated at the French standard rate (38% in 2015 and 2014).

(**) 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 2015 and 2014 concerned the following assets and liabilities:

	31 Dec. 2015	31 Dec. 2014 ^(*)
Intangible assets	(291)	(211)
Property, plant and equipment	(19)	(27)
Non-current financial assets	(12)	(8)
Inventories	19	14
Provisions for pension benefit obligations	40	41
Other provisions	91	110
Other working capital items ^(*)	143	105
Temporary differences (gross amount)^(*)	(29)	24
Write-down of deferred tax assets	(154)	(159)
Temporary differences (net amount)^(*)	(183)	(135)
Tax loss carryforwards	78	44
Tax credits	-	-
Net deferred tax asset (liability)^(*)	(105)	(91)
Deferred tax assets ^(*)	249	198
Deferred tax liabilities	(354)	(289)

(*) Restated to reflect the impact of the application of IFRIC 21 (see note 1.1 above).

At 31 December 2015, the Group had unrecognised deferred tax assets in respect of tax loss carryforwards. The main amount concerns the French tax group headed by Lagardère SCA, which has tax loss carry forwards (tax basis) of more than €446 million.

14.4 CHANGES IN DEFERRED TAXES

	2015	2014 ^(*)
Net deferred tax asset (liability) at 1 January^(*)	(91)	(56)
Income tax benefit (expense) recognised in the income statement	35	(16)
Deferred tax recognised directly in equity	(3)	13
Effect of change in consolidation scope and exchange rates	(46)	(32)
Net deferred tax asset (liability) at 31 December^(*)	(105)	(91)

(*) Restated to reflect the impact of the application of IFRIC 21 (see note 1.1 above).

The negative €46 million effect of changes in scope of consolidation for 2015 was mainly attributable to the acquisition of Paradies (see note 4.2 above).

Deferred taxes recognised directly in equity can be analysed as follows:

	31 Dec. 2015	31 Dec. 2014
Available-for-sale investments	(2)	(1)
Actuarial gains and losses on pensions and other post-employment benefit obligations	22	24
Total	20	23

NOTE 15 EARNINGS PER SHARE**Basic earnings per share**

Earnings per share is calculated by dividing profit attributable to owners of the Parent by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. Changes in the number of shares as a result of employees exercising their share options (movements throughout the year) are included using the average of opening and closing balances for the year.

Diluted earnings per share

The only dilutive ordinary shares are (i) unexercised employee share options which are not covered by hedging contracts and whose exercise prices are lower than the average quoted price of the Lagardère SCA share over the reference period ("in-the-money" options), and (ii) free shares, when it is probable that they will vest at the vesting date set in the plan (specific case of performance shares).

	2015	2014
Profit for the year attributable to owners of the Parent (in millions of euros)	74	41
Number of shares making up the share capital at 31 December	131,133,286	131,133,286
Treasury shares	(2,324,157)	(2,986,120)
Number of shares outstanding at 31 December	128,809,129	128,147,166
Average number of shares outstanding during the year	128,478,148	128,046,941
Basic earnings per share attributable to owners of the Parent (in euros)	0.58	0.32
Dilutive share options and free shares:		
Share options	-	-
Free shares	1,310,382	1,546,597
Average number of shares including dilutive share options and free shares	129,788,530	129,593,538
Diluted earnings per share attributable to owners of the Parent (in euros)	0.57	0.32

NOTE 16 GOODWILL

	2015	2014
At 1 January	1,740	1,619
Cost	3,010	2,871
Accumulated impairment losses	(1,270)	(1,252)
Acquisitions ^(*)	185	100
Reclassification as assets held for sale	-	-
Goodwill written off following disposal or deconsolidation ^(**)	(7)	-
Impairment losses ^(***)	(58)	(36)
Translation adjustments	61	57
Other movements	(2)	-
At 31 December	1,919	1,740
Cost	3,199	3,010
Accumulated impairment losses	(1,280)	(1,270)

(*) Including for 2015: Paradises for €123 million, Rising Stars for €22 million, and Grupo Boomerang TV for €17 million.

(**) Including Lagardère Services Distribution Suisse for a negative €6 million.

(***) Including for 2015: LeGuide for €25 million, Société de Presse Féminine for €17 million and Lapker for €13 million. Including for 2014: LeGuide for €16 million and Curtis for €20 million.

See note 10 above for a breakdown of goodwill by CGU.

NOTE 17 INTANGIBLE ASSETS**Cost**

	Intangible assets with indefinite useful lives		Intangible assets with finite useful lives			Total
	Publication titles	Other	Sports rights	Concession agreements	Other	
At 1 January 2014	177	147	809	383	453	1,969
Acquisitions	-	13	21	3	28	65
Changes in scope of consolidation	(4)	(1)	2	190	6	193
Disposals/Derecognition	(50)	(3)	(93)	(1)	(22)	(169)
Reclassifications	-	3	(11)	4	-	(4)
Translation adjustments	-	4	32	3	6	45
At 31 December 2014	123	163	760	582	471	2,099
Acquisitions	-	7	51	3	26	87
Changes in scope of consolidation	-	49	16	345	(15)	395
Disposals/Derecognition	-	(6)	(24)	-	(24)	(54)
Reclassifications	-	(7)	(12)	(5)	17	(7)
Translation adjustments	-	7	32	17	7	63
At 31 December 2015	123	213	823	942	482	2,583

Amortisation and impairment losses

	Intangible assets with indefinite useful lives		Intangible assets with finite useful lives			Total
	Publication titles	Other	Sports rights	Concession agreements	Other	
At 1 January 2014	(119)	(47)	(540)	(39)	(339)	(1,084)
Amortisation	-	-	(50)	(39)	(24)	(113)
Impairment losses	-	(1)	-	-	-	(1)
Changes in scope of consolidation	6	-	-	-	(2)	4
Disposals/Derecognition	50	3	93	-	23	169
Reclassifications	(2)	2	(1)	(4)	-	(5)
Translation adjustments	-	(3)	(18)	(2)	(1)	(24)
At 31 December 2014	(65)	(46)	(516)	(84)	(343)	(1,054)
Amortisation	-	-	(63)	(47)	(31)	(141)
Impairment losses	-	-	-	-	(1)	(1)
Changes in scope of consolidation	-	-	(11)	-	15	4
Disposals/Derecognition	-	1	24	-	18	43
Reclassifications	-	3	-	4	(11)	(4)
Translation adjustments	-	(2)	(20)	(2)	(3)	(27)
At 31 December 2015	(65)	(44)	(586)	(129)	(356)	(1,180)

Carrying amounts

At 31 December 2014	58	117	244	498	128	1,045
At 31 December 2015	58	169	237	813	126	1,403

See note 10 above for a breakdown by CGU of intangible assets with indefinite useful lives.

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down as follows by category:

2015 - Cost

	At 1 Jan. 2015	Acquisitions	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustments	At 31 Dec. 2015
Land	240	1	1	(1)	10	-	251
Buildings	500	39	(49)	(21)	78	9	556
Machinery and equipment	468	52	73	(32)	9	12	582
Other	571	64	2	(44)	21	5	619
Assets under construction	85	32	12	(1)	(93)	1	36
Total	1,864	188	39	(99)	25	27	2,044

2015 - Depreciation and impairment losses

	At 1 Jan. 2015	Depreciation	Impairment losses	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustments	At 31 Dec. 2015
Land	(1)	-	(1)	-	-	(4)	-	(6)
Buildings	(325)	(13)	-	37	-	(4)	(6)	(311)
Machinery and equipment	(345)	(18)	-	9	-	1	(6)	(359)
Other	(353)	(9)	-	3	-	(22)	(1)	(382)
Assets under construction	-	-	-	-	-	-	-	-
Total	(1,024)	(40)	(1)	49	-	(29)	(13)	(1,058)
Carrying amounts	840	148	(1)	88	(99)	(4)	14	986

2014 - Cost

	At 1 Jan. 2014	Acquisitions	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustments	At 31 Dec. 2014
Land	236	1	4	(1)	-	-	240
Buildings	512	24	(6)	(37)	1	6	500
Machinery and equipment	455	41	19	(55)	1	7	468
Other	538	67	21	(31)	(31)	7	571
Assets under construction	54	43	4	-	(16)	-	85
Total	1,795	176	42	(124)	(45)	20	1,864

2014 - Depreciation and impairment losses

	At 1 Jan. 2014	Depreciation	Impairment losses	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustments	At 31 Dec. 2014
Land	(2)	(1)	-	2	-	-	-	(1)
Buildings	(334)	(26)	-	6	33	-	(4)	(325)
Machinery and equipment	(342)	(37)	(1)	(9)	48	1	(5)	(345)
Other	(355)	(46)	(1)	1	27	24	(3)	(353)
Assets under construction	-	-	-	-	-	-	-	-
Total	(1,033)	(110)	(2)	-	108	25	(12)	(1,024)
Carrying amounts	762	66	(2)	42	(16)	(20)	8	840

Investment property

Balance sheet assets include a property complex in France whose carrying amount was €68 million at 31 December 2015 and €72 million at 31 December 2014. In 2015 and 2014, a total of €9 million in rental income was received in relation to this property. The property's market value at 31 December 2015 was estimated at between €155 million and €159 million, versus €127 million one year earlier.

The Group also owns two property complexes outside France whose carrying amount was €22 million at 31 December 2015 and whose market value was an estimated €24 million. Rental income received on these properties in 2015 and 2014 totalled €2 million.

Market values for investment property are based on the valuations of independent appraisers.

Finance leases

The Group did not have any finance leases representing material amounts at either 31 December 2015 or 31 December 2014.

NOTE 19 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are accounted for under the equity method in the Group's consolidated financial statements. The Group's main equity-accounted companies are as follows:

	Joint shareholder	Main business	% interest		Balance sheet		Income statement	
			31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
S.D.A. (Société de Distribution Aéroportuaire)	Aéroport de Paris	Travel Retail	45%	45%	16	15	7	6
Société des Commerces en Gares ^(*)	SNCF Participations	Travel Retail	50%	50%	3	4	(1)	(1)
Other					4	7	2	1
Total joint ventures					23	26	8	6
Marie Claire (Holding Evelyne Prouvost)		Magazine Publishing	42%	42%	90	90	-	4
Éditions J'ai lu		Publishing	35%	35%	17	17	-	1
SETC (Société d'Édition de Télévision par Câble)		Magazine Publishing	49%	49%	8	10	-	-
Inmedio ^(**)		Travel Retail	49%	49%	11	9	2	-
Other					6	7	(1)	(4)
Total associates					132	133	1	1
Total investments in associates and joint ventures					155	159	9	7

(*) Fully consolidated until end-August 2014 then equity accounted from September 2014.

(**) Equity accounted since December 2014 (previously fully consolidated in HDS Polska).

Movements in investments in associates and joint ventures can be analysed as follows:

	2015			2014		
	Total	Joint ventures	Associates	Total	Joint ventures	Associates
Investments in associates and joint ventures at beginning of year	159	26	133	152	23	129
Dividends paid ^(*)	(13)	(10)	(3)	(18)	(10)	(8)
Share in profit (loss)	11	8	3	10	6	4
Impairment losses	(2)	-	(2)	(2)	-	(2)
Changes in other comprehensive income	(1)	(1)	-	1	-	1
First-time consolidations/ Acquisitions ^(**)	-	-	-	7	6	1
Deconsolidations/ Disposals ^(***)	-	-	-	(5)	(4)	(1)
Other	1	-	1	14	5	9
Investments in associates and joint ventures at year end	155	23	132	159	26	133

(*) Including SDA in amounts of €6 million in 2015 and €5 million in 2014.

(**) Including for 2014: Inmedio for €9 million.

(***) Including the sale of OEE for a negative €3 million in 2014.

Joint ventures

As part of its business operations, Lagardère Travel Retail manages certain travel retail contracts in the form of 50/50 joint ventures entered into with concession grantors. The main joint ventures set up by Lagardère Travel Retail with its partners are (i) Société de Distribution Aéroportuaire and Relay@ADP, with Aéroport de Paris, (ii) Société des Commerces en Gares, with SNCF Participations,

(iii) Dutyfly Solutions and SVRLS@LAREUNION, with Servair, and (iv) Lyon Duty Free, with Lyon airport authorities.

Total sales generated by these joint ventures (on a 100% basis) amounted to €1,242 million in 2015 versus €948 million in 2014. Fully consolidated entities invoiced these joint ventures amounts of €349 million in 2015 and €320 million in 2014.

	Figures on a 100% basis		Lagardère's share (50%)	
	2015	2014	2015	2014
Total sales	1 242	948	621	474
Group sales with joint ventures	(349)	(320)	(174)	(160)
Adjusted sales	893	628	447	314
Recurring operating profit	34	25	17	13
Profit before finance costs and tax	32	24	16	12
Profit before tax	32	24	16	12
Profit for the period	18	14	9	7
Net debt	(66)	(23)	(33)	(12)

Associates

Marie Claire

At 31 December 2013, taking into account the economic environment in which the Magazine Publishing business operates and based on an external valuation carried out by a financial institution, Lagardère's interest held in the Marie Claire group was revalued at €90 million. This revaluation led to the recognition of a €35 million impairment loss. The revaluation was updated at 31 December 2015, as a result of which the value of the Group's interest was maintained at that date.

Beyond the years covered by the budget, a change corresponding to an annual decrease of 1% in sales from the Marie Claire group's publishing operations compared to the assumptions used at end-2015, would result in a €13 million impairment loss, excluding the impact of any corporate cost reduction measures that would be implemented.

NOTE 20 OTHER NON-CURRENT ASSETS

Other non-current assets break down as follows:

Carrying amount	31 Dec. 2015	31 Dec. 2014
Investments	41	56
Loans and receivables	74	69
Total	115	125

Investments include the following:

Carrying amount	31 Dec. 2015		31 Dec. 2014	
	Carrying amount	% interest	Carrying amount	% interest
FCPI Idinvest Digital Fund II	11	7%	11	12%
Other	30		45	
Total	41		56	

The above investments are classified as available-for-sale investments.

Cumulative fair value adjustments at 31 December 2015 amounted to a positive €22 million (€11 million at 31 December 2014).

Fair value adjustments to available-for-sale investments represented €11 million in 2015, recognised in equity.

Loans and receivables can be analysed as follows:

Loans and receivables	31 Dec. 2015	31 Dec. 2014
Gross amount	133	127
Accumulated impairment losses	(59)	(58)
Carrying amount	74	69

Analysis of impairment losses	2015	2014
At 1 January	(58)	(51)
Impairment losses (recognised) reversed in the year	(1)	(1)
Other movements and translation adjustments	-	(6)
At 31 December	(59)	(58)

Loans and receivables included in non-current financial assets mainly comprise deposits, loans and receivables with an estimated maturity of more than one year.

NOTE 21 INVENTORIES

Inventories break down as follows:

	31 Dec. 2015	31 Dec. 2014
Lagardère Publishing	388	376
Lagardère Travel Retail	412	352
Lagardère Active	59	59
Lagardère Sports and Entertainment	-	1
Other Activities ^(*)	6	8
Gross amount	865	796
Accumulated impairment losses	(217)	(218)
Carrying amount	648	578

(*) Corresponding to the inventories of the Spare Parts business of Matra Manufacturing & Services (formerly Matra Automobile).

Analysis of impairment losses	2015	2014
At 1 January	(218)	(228)
Impairment losses (recognised) reversed in the year	1	15
Other movements and translation adjustments	-	(5)
At 31 December	(217)	(218)

NOTE 22 TRADE RECEIVABLES

Trade receivables and their realisable value can be analysed as follows:

	31 Dec. 2015	31 Dec. 2014
Trade receivables (gross amount)	1,409	1,451
Accumulated impairment losses	(173)	(171)
Carrying amount	1,236	1,280
Of which:		
- not yet due	1,016	1,105
- less than six months past due	163	132
- more than six months past due	57	43
Total	1,236	1,280

Analysis of impairment losses	2015	2014
At 1 January	(171)	(161)
Impairment losses (recognised) reversed in the year	2	(1)
Other movements and translation adjustments	(4)	(9)
At 31 December	(173)	(171)

Securitisation of trade receivables

Certain subsidiaries of Lagardère Active have entered into securitisation contracts with debt securitisation funds, that do not lead to derecognition of the corresponding receivables. The main characteristics of the programmes were as follows:

- ▶ receivables were sold on a no-recourse basis;
- ▶ the asset-backed securities issued by the securitisation fund were overcollateralised, with the difference between the carrying amount of the sold receivables and the sale proceeds received from the securitisation fund held in a deposit account;
- ▶ in the case of any bad debts, the loss was deducted from the deposit and was therefore incurred by the seller of the receivables;
- ▶ in certain cases, the seller had the option of buying back the sold receivables, particularly those that were classified as doubtful, and recovering the corresponding deposit.

In the consolidated financial statements, the sold receivables continued to be carried in the balance sheet, and the cash received was recognised with an offsetting entry to liabilities.

Having expired, this programme was amended and renewed in December 2015 for a period of five years. Under the amended programme, sold receivables may now be deconsolidated based on the conditions set out below.

The new programme involves the no-recourse sale of receivables and includes a credit insurance and protection mechanism within the securitisation fund which absorbs most of the risks. Accordingly, substantially all of the risks and rewards incidental to ownership of the receivables are transferred to the compartment of the fund.

The main characteristics of the programme are as follows:

- ▶ receivables are sold through an entity representing the compartment of a securitisation fund that is not controlled by Lagardère;
- ▶ the compartment subscribes to a credit insurance policy covering 95% of the credit risk on the receivables;
- ▶ receivables are purchased for their nominal value net of a discount set (using a pre-determined formula) so as to cover the carrying costs of the securitisation, the fees associated with the fund compartment (remuneration of fund units and expenses), the residual credit risk and the risk of late-payment on the acquired receivables;
- ▶ the compartment's senior units are subscribed by a financial institution and are used to finance the acquisition of receivables;
- ▶ the compartment's subordinated units and additional units subscribed by Lagardère absorb the dilution risk and the share of uninsured receivables in the event that the discount is insufficient;
- ▶ Lagardère is responsible for recovering the receivables and for managing the credit insurance policy, and receives a fixed commission for this purpose.

Further to the implementation of the new programme, receivables sold and deconsolidated at end-2015 totalled €73 million. Lagardère is nevertheless exposed to a residual risk in the sold receivables, represented mainly by the units subscribed in the securitisation compartment, which amounted to €1.8 million at 31 December 2015, or around 2% of the total value of the sold receivables.

The amounts recognised in the balance sheet at end-2014 were as follows:

	31 Dec. 2014
Assets	
Trade receivables	70
Other receivables(*)	(10)
Liabilities	
Debt	60

(*) Guarantee deposits.

NOTE 23 OTHER CURRENT ASSETS

Other current assets break down as follows:

	31 Dec. 2015	31 Dec. 2014
Advances paid	37	30
Recoverable taxes and payroll taxes	256	279
Derivative financial instruments ^(*)	8	7
Receivable from writers	351	335
Receivable from suppliers	91	84
Loans	11	11
Prepaid expenses	216	209
Other	59	82
Total	1,029	1,037
Accumulated impairment losses	(67)	(61)
Carrying amount	962	976

(*) See note 30.1.

Analysis of impairment losses	2015	2014
At 1 January	(61)	(70)
Impairment losses (recognised) reversed in the year	(48)	(39)
Other movements and translation adjustments	42	48
At 31 December	(67)	(61)

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. 2015	31 Dec. 2014
Shares	47	38
Bonds	1	-
Total	48	38

Shares recorded under this item correspond to 2,836,835 Deutsche Telekom shares received in 2006 in exchange for T-Online shares as part of the merger between the two companies. In March 2015, the Group concluded the prepaid forward sale of these shares which

have been pledged to the purchaser until the effective transfer date in June 2016.

Cumulative fair value adjustments at 31 December 2015 amounted to a positive €24 million (€13 million at 31 December 2014).

NOTE 25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents reported in the statement of cash flows were as follows:

	31 Dec. 2015	31 Dec. 2014
Cash and cash equivalents	586	528
Short-term bank loans and overdrafts	(107)	(68)
Cash and cash equivalents, net	479	460

NOTE 26 EQUITY**26.1 SHARE CAPITAL**

At 31 December 2015 and 2014, the share capital of Lagardère SCA amounted to €799,913,044.60, represented by 131,133,286 shares with a par value of €6.10 each, all ranking pari passu and fully paid up.

26.2 EMPLOYEE SHARE OPTIONS

In prior years, the Managing Partners used an authorisation given at the 11 May 2004 Annual General Meeting to award options to certain Group executives and employees to purchase existing Lagardère SCA shares. The main features of the outstanding share option plans at 1 January 2015 – taking into account the adjustment made on 20 June 2014 to the exercise price and number of options (see note 7.3 above) – are described below.

Plan	Number of original beneficiaries	Number of options originally awarded	Exercise price before adjustment	Exercise price after adjustment	Options exercised at end-2015 ^(*)	Increase in number of options due to adjustment	Options cancelled in 2015	Options outstanding at 31 Dec. 2015	Exercise period
21.11.2005	495	1,683,844	€56.97	€45.69	-	344,015	2,027,859	-	21.11.2007 to 21.11.2015
14.12.2006	451	1,844,700	€55.84	€44.78	-	380,129	329,493	1,895,336	14.12.2008 to 14.12.2016

(*) No options were exercised in 2015.

In addition, plans to award free shares in Lagardère SCA have been set up for certain employees, the Co-Managing Partners of the

Group and members of Lagardère Media's Operating Committee (see note 7 above).

26.3 TREASURY SHARES

Changes in the number of shares held in treasury over the last two years were as follows:

	2015	2014
Number of treasury shares held at 1 January	2,986,120	3,186,571
Purchases of treasury shares	684,214	1,348,702
Sales of treasury shares	(694,519)	(810,202)
Awards	-	(3,199)
Capital reduction by cancellation of treasury shares	(651,658)	(735,752)
Number of treasury shares held at 31 December	2,324,157	2,986,120

At 31 December 2015 shares held in treasury represented 1.77% of Lagardère SCA's share capital and were allocated for the following purposes:

- ▶ 2,274,462 shares for future allocation to employees;
- ▶ 49,695 shares for market-making purposes.

As part of the liquidity agreement entered into in 2008 with Crédit Agricole Cheuvreux for the purposes of market-making, during 2015 Lagardère SCA purchased 684,214 treasury shares for a total cost of €18 million and sold 694,519 treasury shares for a total of €18 million, giving rise to a €0.5 million net disposal gain which was recorded directly in equity.

In 2014, the Group purchased 748,702 treasury shares for a total cost of €18 million and sold 810,202 treasury shares for a total of €20 million generating a net disposal gain of €0.2 million. In addition, in 2014 the Group acquired 600,000 treasury shares at a cost of €18 million in connection with the delivery of free shares to employees during the year.

In 2015 the Group carried out a number of capital reductions by cancelling 651,658 treasury shares for an amount of €23 million. These operations took place following capital increases carried out by capitalising reserves and involving the same number of shares. The newly-issued shares were allocated in April 2015 and December 2015 to the Group's Co-Managing Partners and salaried employees who are beneficiaries under the 29 December 2011, 25 June 2012 and 26 December 2013 plans.

In 2014 the Group carried out a number of capital reductions by cancelling 735,752 treasury shares for an amount of €38 million. These operations took place following capital increases carried out by capitalising reserves and involving the same number of shares. The newly-issued shares were allocated (i) in April 2014 to the Group's Co-Managing Partners who are the beneficiaries under the 31 December 2009 and 29 December 2011 plans, and (ii) in June 2014 and December 2014 to employee beneficiaries under the 25 June 2012 and 17 December 2010 free share plans.

26.4 RESERVES

Translation reserve

The translation reserve corresponds to cumulative exchange differences arising on translation of the financial statements of foreign subsidiaries whose functional currency is not the euro.

Valuation reserve

The valuation reserve comprises cumulative gains and losses arising on changes in value of:

- ▶ derivative financial instruments used as cash flow hedges; and
- ▶ available-for-sale investments.

26.5 MINORITY INTERESTS

Minority interests do not represent a material amount in the Group's consolidated financial statements. Minority interests in the net assets and profits of consolidated companies break down as follows:

	Minority interests in subsidiaries		Balance sheet		Income statement		Dividends paid to minority shareholders of subsidiaries	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	2015	2014	2015	2014
Lagardère Publishing			24	23	3	3	3	3
O/w Librairie Générale Française	40%	40%	17	18	2	2	2	3
Lagardère Travel Retail			119	64	-	7	14	11
O/w the HDS Retail North America (ELS) sub-group ^(*)	N/A	N/A	92	14	1	2	2	1
O/w the Lagardère Duty Free SAS (Aelia) sub-group	9.96%	9.96%	17	13	2	1	-	1
O/w the Airst sub-group ^(**)	50%	50%	5	20	(1)	(2)	-	-
O/w the LS Distribution Suisse sub-group		35%		20	-	1	11	4
Lagardère Active			5	9	3	2	1	1
O/w Mezzo	40%	40%	3	3	-	1	1	1
O/w LeGuide.com	-	4.2%	-	3	-	-	-	-
Lagardère Sports and Entertainment			(8)	3	(9)	(4)	1	1
O/w the WSG sub-group	29.26%	29.26%	(8)	2	(9)	(5)	-	-
Total			140	99	(3)	8	19	16

(*) HDS Retail North America (ELS) group: includes the minority interests resulting from the acquisition of Paradies on 22 October 2015. In accordance with US legislation (Airport Concessions Disadvantaged Business Enterprises (ACDBE) Program), the Travel Retail activities in North America are operated in numerous airports by legal entities that include minority partners. The percentages of minority interests are different in each of the sub-group's subsidiaries.

(**) Exercise of call options on minority interests in the Airst sub-group in 2015. However, the percentage of minority interests remains unchanged in the Airst SPA subsidiaries (Venice, Treviso, Verona, Bari and Palermo airports).

26.6 CAPITAL MANAGEMENT

Lagardère closely monitors its ownership and shareholding structure. As all Lagardère SCA shares are in registered form, the Group has a good knowledge of its ownership structure and the changes in shareholdings that occur over time. The free float represents a significant portion of the Company's outstanding shares, at around 92%, which guarantees good liquidity. Lagardère Capital & Management, which is controlled by Arnaud Lagardère, the Group's General and Managing Partner, has a 7.96% shareholding.

Lagardère has not raised capital on the market for several years and applies a policy of regularly paying out dividends. To reward shareholder stability, the Company has granted double voting rights for shares registered in the name of the same shareholder for at least four years.

As part of its long-term development strategy, the Group optimises its debt/equity ratio. Given the current level of cash, external growth can be financed by borrowings.

The shares due to be remitted to executives and employees under the free share plans are generally new shares created through a capital increase by capitalising reserves. An equivalent number of treasury shares is cancelled in order to neutralise the resulting dilutive impact on shareholders. In order to maintain a constant level of treasury shares further to such transactions, the Group may purchase shares on the market.

In 2008, the Group put in place a liquidity agreement for the purpose of ensuring a liquid market for its shares and stabilising the share price.

26.7 COMPONENTS OF OTHER COMPREHENSIVE INCOME (EXPENSE)

The components of other comprehensive income (expense) can be analysed as follows:

(in millions of euros)	2015			2014		
	Attributable to owners ^(*)	Minority interests	Total equity	Attributable to owners ^(*)	Minority interests	Total equity
Translation reserve	73	6	79	87	-	87
- Currency translation adjustments	76	6	82	90	-	90
- Share of other comprehensive income (expense) of equity-accounted companies, net of tax	(3)	-	(3)	(3)	-	(3)
Valuation reserve	12	-	12	(31)	(2)	(33)
Change in fair value of derivative financial instruments	-	-	-	(3)	-	(3)
- Unrealised gains (losses) recognised directly in equity	-	-	-	(2)	-	(2)
- Amounts reclassified from equity to profit or loss	1	-	1	(2)	-	(2)
- Tax effect	(1)	-	(1)	1	-	1
Change in fair value of investments in non-consolidated companies	11	-	11	(1)	-	(1)
- Unrealised gains (losses) recognised directly in equity	11	-	11	-	-	-
- Amounts reclassified from equity to profit or loss	-	-	-	(2)	-	(2)
- Tax effect	-	-	-	1	-	1
Change in provisions for pensions and other post-employment benefit obligations	1	-	1	(27)	(2)	(29)
- Actuarial gains and losses on pensions and other post-employment benefit obligations	3	-	3	(37)	(3)	(40)
- Tax effect	(2)	-	(2)	10	1	11
Other comprehensive income (expense) for the year, net of tax	85	6	91	56	(2)	54

(*) Equity attributable to owners of the Parent.

NOTE 27 PROVISIONS**27.1 PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS**

In application of the principles set out in note 3.18, provisions are recognised to cover the Group's obligations under defined benefit plans.

The provision recognised at 31 December represents the value of beneficiaries' accumulated rights less the related plan assets.

The Group's main obligations concerning pensions and other post-employment benefits relate to plans in the United Kingdom and France.

United Kingdom

The Group's pension plans in the United Kingdom are closed to new entrants and current members may no longer accrue any future benefits. The pension benefits payable under these plans are based on beneficiaries' career average salaries. The plans are funded by plan assets and in accordance with the applicable law are subject to minimum funding requirements. A Board of Trustees – made up of an equal number of representatives of the employer and employees/retirees – is responsible for ensuring that the plans are properly managed from both an administrative and financial perspective. At 31 December 2015, the plans in effect in the United Kingdom represented an aggregate obligation of €208 million (57% of the Group's total obligation) and plan assets amounted to €212 million (92% of the Group's total plan assets).

France

The most significant plans in place in France relate to end-of-career bonuses paid to employees in accordance with the specific requirements of each entity's collective bargaining agreement. Employees are paid this bonus when they retire and its amount

is calculated based on the employee's length of service and the terms and conditions specified in the relevant collective bargaining agreement. End-of-career bonuses are not covered by funded plans and are not subject to any minimum funding requirements. At 31 December 2015 they represented an aggregate obligation of €82 million (22% of the Group's total obligation).

The tables below give details of the assumptions used for measuring the Group's pension and other post-employment benefit obligation as well as movements in their value and the related provisions recognised.

Change in present value of benefit obligation

	2015	2014
Present value of benefit obligation at beginning of year	426	380
Current service cost	11	8
Plan amendments/Curtailments	5	(2)
Settlements	(2)	(3)
Interest expense	11	13
Employee contributions	-	2
Benefits paid	(15)	(17)
Actuarial (gains) and losses from changes in demographic assumptions	(2)	5
Actuarial (gains) and losses from changes in financial assumptions	(11)	55
Actuarial (gains) and losses from experience adjustments	6	(1)
Changes in scope of consolidation ^(*)	(80)	(29)
Translation adjustments and other	19	15
Present value of benefit obligation at end of year	368	426
Present value of benefit obligation at end of year for funded plans	243	323
Present value of benefit obligation at end of year for unfunded plans	125	103

(*) Primarily corresponding to the sales of Lagardère Services Distribution Suisse and Curtis in February 2015 and June 2015, respectively, and the sale of the Payout bookstore chain in Switzerland in July 2014.

Change in fair value of plan assets

	2015	2014
Fair value of plan assets at beginning of year	271	263
Interest income	9	10
Effect of remeasurements	(4)	19
Employee contributions	1	1
Employer contributions	9	9
Benefits paid	(9)	(14)
Settlements	(1)	(1)
Changes in scope of consolidation ^(*)	(63)	(32)
Translation adjustments and other	17	16
Fair value of plan assets at end of year	230	271

(*) Primarily corresponding to the sales of Lagardère Services Distribution Suisse and Curtis in February 2015 and June 2015, respectively, and the sale of the Payout bookstore chain in Switzerland in July 2014.

Asset allocation at 31 December

	2015	2014
Shares	24%	24%
Bonds	69%	60%
Real property	2%	5%
Money market instruments	0%	1%
Other	5%	10%

Calculation of net amount recognised as a provision

	2015	2014	2013	2012	2011
Present value of benefit obligation	368	426	380	376	335
Fair value of plan assets	(230)	(271)	(263)	(257)	(234)
Unrecognised past service cost	-	-	-	-	-
Net amount recognised as a provision	138	155	116	119	101

Movements in the provision recognised in the balance sheet

	2015	2014
Provision at beginning of year	155	116
Net expense for the year	17	8
Actuarial (gains) and losses recognised in equity	(3)	40
Employer contributions	(9)	(9)
Benefits paid by the employer	(6)	(3)
Changes in scope of consolidation	(18)	3
Translation adjustments and other	2	-
Provision at end of year	138	155

Calculation of net expense for the year

	2015	2014
Current service cost	11	8
Plan amendments/Curtailments	5	(2)
Settlements	(1)	(1)
Interest expense	2	3
Actuarial gains and losses on other employee benefits	-	-
Net expense recognised in the income statement	17	8
Actuarial (gains) and losses from changes in demographic assumptions	(2)	5
Actuarial (gains) and losses from changes in financial assumptions	(11)	55
Actuarial (gains) and losses from experience adjustments	6	(1)
Excess of actual return on plan assets	4	(19)
Effect of asset ceiling	-	-
Remeasurement of the net liability recognised in equity	(3)	40
Net expense for the year	14	48

Actuarial assumptions used to calculate benefit obligations

	2015	2014
Discount rate: weighted average for all countries including:		
- Eurozone ^(*)	3.26%	2.80%
- United Kingdom ^(*)	2.00%	1.75%
	4.10%	3.80%
Average expected rate of benefit increase	2.95%	2.75%
Average expected rate of salary increase	2.59%	2.40%
Expected rate of healthcare cost inflation:		
- initial	3.38%	3.75%
- ultimate	2.25%	2.25%
- year in which ultimate rate is expected to be reached	2030	2030

(*) Discount rates are derived from market rates on high quality corporate bonds (rated AA) with maturities that approximate those of the estimated future payments under the plans. The benchmark index used for the eurozone is the Iboxx Corporate AA.

Experience gains and losses recognised in equity

	2015	2014
Difference between actual and expected return on plan assets		
Gains (losses)	(4)	20
Percentage of plan assets at year-end	-1.77%	7.22%
Experience adjustments		
Losses (gains)	6	(1)
Percentage of present value of plan liabilities at year-end	1.63%	0.14%

Sensitivity to trend rate assumptions (+/-1%) for post-retirement medical plans

	2015	2014
Present value of benefit obligation at 31 December	8	4
Effect of a 1% increase:		
- on present value of benefit obligation	33	39
- on expense for the year	1	1
Effect of a 1% decrease:		
- on present value of benefit obligation	(24)	(4)
- on expense for the year	-	-

Sensitivity of the obligation at 31 December 2015 to changes in discount rates

	0.5% increase	0.5% decrease
Impact on present value of benefit obligation	(28)	32
Weighted average duration of obligations	16 years	

Expected employer contributions

	2015	2014
Expected employer contributions	9	9

Actuarial gains and losses recognised directly in equity

	2015	2014
Actuarial gains (losses) at 1 January	(65)	(49)
Change during the year:		
- in value of benefit obligation	7	(59)
- in fair value of plan assets	(4)	19
Actuarial gains (losses) at 31 December	(62)	(89)
Deferred tax impact	22	24
Actuarial gains (losses), net of tax at 31 December	(40)	(65)

27.2 PROVISIONS FOR CONTINGENCIES AND LOSSES

Current and non-current provisions for contingencies and losses primarily cover the following:

	31 Dec. 2015	31 Dec. 2014
Losses on long-term contracts and other contracts	7	8
Restructuring and withdrawal costs	38	65
Claims and litigation	91	91
Other contingencies	242	267
Total	378	431
Of which:		
- <i>non-current provisions</i>	193	158
- <i>current provisions</i>	185	273

	At 1 Jan. 2015	Translation adjustments	Changes in scope of consolidation	Charges	Utilisations	Releases of surplus provisions	Reclassifications	At 31 Dec. 2015
Losses on long-term contracts and other contracts	8	-	1	5	(5)	(2)	-	7
Restructuring and withdrawal costs	65	-	-	10	(38)	(1)	2	38
Claims and litigation	91	2	-	22	(17)	(11)	4	91
Other contingencies	267	-	(13)	51	(23)	(39)	(1)	242
Total	431	2	(12)	88	(83)	(53)	5	378

	At 1 Jan. 2014	Translation adjustments	Changes in scope of consolidation	Charges	Utilisations	Releases of surplus provisions	Reclassifications	At 31 Dec. 2014
Losses on long-term contracts and other contracts	24	-	-	3	(12)	(7)	-	8
Restructuring and withdrawal costs	106	-	(17)	43	(62)	(4)	(1)	65
Claims and litigation	87	2	1	27	(16)	(10)	-	91
Other contingencies	283	(2)	5	61	(40)	(43)	3	267
Total	500	0	(11)	134	(130)	(64)	2	431

Provisions for claims and litigation cover risks identified at the year-end and are based on the estimated amount of potential losses for the Group.

Amounts shown under "Other contingencies" comprise items not directly attributable to the specific categories listed and relating to generally small individual transactions carried on in the ordinary course of business and concerning all consolidated entities.

NOTE 28 DEBT

28.1 BREAKDOWN OF DEBT

The Group's debt breaks down as follows:

	31 Dec. 2015	31 Dec. 2014
Bonds	993	989
Bank loans	491	5
Finance lease liabilities	7	7
Debt related to put options granted to minority shareholders	30	18
Other debt	5	11
Non-current debt	1,526	1,030
Bonds	-	-
Bank loans	80	35
Finance lease liabilities	2	2
Debt related to put options granted to minority shareholders	17	4
Commercial paper	399	316
Other debt	161	133
Current debt	659	490
Total debt	2,185	1,520

The main movements in debt during 2015 were as follows:

- ▶ In June 2015, signature of a bank loan for a nominal amount of €75 million.
- ▶ In October 2015, agreement of a bridge loan with a 12-month maturity, renewable for two further periods of six months, for a nominal amount of USD 530 million (i.e., around €487 million), to finance the acquisition of the Paradis group (see note 4.2 above).
- ▶ Continuation of the commercial paper programme with a ceiling of €700 million:
 - drawdowns of euro-denominated paper under the programme totalled €354 million at 31 December 2015 versus €316 million at 31 December 2014;
 - drawdowns of USD-denominated paper under the programme totalled €45 million at 31 December 2015 versus nil at 31 December 2014.

28.2 ANALYSIS OF DEBT BY MATURITY

Debt broke down as follows by maturity at 31 December 2015:

Total consolidated debt by maturity

31 December 2015	2016 ^(*)	2017	2018	2019	2020	Beyond 5 years	Total
Bonds	-	495	-	498	-	-	993
Bank loans	80	488	-	-	3	-	571
Finance lease liabilities	2	2	2	1	-	2	9
Debt related to put options granted to minority shareholders	17	10	1	3	15	1	47
Commercial paper	399	-	-	-	-	-	399
Other debt	161	-	-	-	-	5	166
At 31 December 2015	659	995	3	502	18	8	2,185

(*) Debt due within one year is reported in the balance sheet under "Current debt".

Debt broke down as follows by maturity at 31 December 2014:

Total consolidated debt by maturity

31 December 2014	2015 ^(*)	2016	2017	2018	2019	Beyond 5 years	Total
Bonds	-	-	492	-	497	-	989
Bank loans	35	-	1	1	1	2	40
Finance lease liabilities	2	5	-	-	-	2	9
Debt related to put options granted to minority shareholders	4	3	1	4	9	1	22
Commercial paper	316	-	-	-	-	-	316
Other debt	133	-	-	-	-	11	144
At 31 December 2014	490	8	494	5	507	16	1,520

(*) 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 2015	Carrying amount	Value of hedging instruments ^(*)	Total	Effective interest rate ^(**)
31 October 2012 5-year bond issue, for €500 million	495	-	495	4.76%
10 September 2014 5-year bond issue, for €500 million	498	-	498	2.37% ^(***)
Bonds	993	-	993	
USD 530 million bridge loan on 22 October 2015 with a maturity of one year, renewable for two further periods of six months (indexed to Libor)	487	-	487	
Other debt	84	-	84	
Bank loans	571	-	571	
Total	1,564	-	1,564	

(*) Fair value of derivative instruments designated as hedges of debt.

(**) The effective interest rate includes the amortisation of the bond issue costs.

(***) The effective interest rate includes the impact of the amortisation of the pre-hedge interest rate set up before the bond issue and terminated at the time of the issue. The termination payment is being amortised over the life of the bond.

31 December 2014	Carrying amount	Value of hedging instruments ^(*)	Total	Effective interest rate ^(**)
31 October 2012 5-year bond issue, for €500 million	492	-	492	4.76%
10 September 2014 5-year bond issue, for €500 million	497	-	497	2.37% ^(***)
Bonds	989	-	989	
Other debt	40	-	40	
Bank loans	40	-	40	
Total	1,029	-	1,029	

(*) Fair value of derivative instruments designated as hedges of debt.

(**) The effective interest rate includes the amortisation of the bond issue costs.

(***) The effective interest rate includes the impact of the amortisation of the pre-hedge interest rate set up before the bond issue and terminated at the time of the issue. The termination payment is being amortised over the life of the bond.

28.4 ANALYSIS OF DEBT BY CURRENCY

The following table provides a breakdown of current- and non-current debt by currency before and after hedging:

31 December 2015	Before hedging		After hedging	
		%		%
Eurozone	1,582	72.3%	1,277	58.4%
US dollar	565	25.9%	748	34.2%
Canadian dollar	6	0.3%	23	1.1%
Australian dollar	0	0.0%	22	1.0%
Czech koruna	0	0.0%	21	1.0%
Pound sterling	13	0.6%	13	0.6%
Polish zloty	13	0.6%	13	0.6%
Other	6	0.3%	68	3.1%
Total	2,185	100%	2,185	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 any hedging instruments (see note 28.3 above). The proportion of bond debt decreased from 65% to 45% of total borrowings between 31 December 2014 and 31 December 2015.

The Group's liquidity risk is controlled as debt maturing within two years amounted to €1,654 million at 31 December 2015 whereas cash, cash equivalents and short-term investments totalled €634 million, and unused credit facilities €1,288 million. Consequently, at the 2015 year-end the Group had liquidity coverage of €1,922 million in value terms and a liquidity coverage ratio of 116%.

Risks arising from early repayment covenants

Certain of the Group's bank loan agreements include financial ratio covenants. Most of these ratios correspond to maximum net debt calculated as a proportion of adjusted EBITDA (defined as the sum of (i) recurring operating profit of fully consolidated companies, (ii) depreciation, amortisation and impairment and (iii) dividends received from equity-accounted companies).

Failure to meet these ratio requirements entitles the lenders to require early repayment of their loans.

This type of covenant is contained in the May 2015 loan agreement for the five-year €1,250 million syndicated credit facility renewable for two further periods of one year. The USD 530 million bridge loan also contains an identical clause to the syndicated credit facility.

The ratios are calculated every six months on the basis of the consolidated financial statements.

At 31 December 2015, the applicable covenant had not been breached.

Interest rate risks

Both the €495 million worth of bonds issued in 2012 and maturing in 2017, and the €498 million worth of bonds issued in 2014 and maturing in 2019, bear interest at fixed rates (effective interest rates of 4.76% and 2.37% respectively). The USD 530 million bridge loan (i.e., around €487 million) maturing in 2017 in the event that the two renewal periods are exercised, bears interest at a variable rate.

The Group regularly issues commercial paper with maturities of between 1 and 12 months, the frequency and maturities of which adjust the reference rates applied. In addition, the rate applied to the portfolio as a whole varies throughout the year. The Group's other bank debt is mainly at variable interest rates.

Cash and cash equivalents totalled €586 million at 31 December 2015. Variable-rate debt stood at €1,129 million at

31 December 2015 (excluding notably debt related to put options granted to minority shareholders and deposits and guarantees received). At 31 December 2015, the impact of an increase in interest rates would increase the net interest expense on the Group's debt.

The Group's pensions and other post-employment benefit obligations are sensitive to changes in interest rates, as are the corresponding plan assets invested in bonds and money market instruments, although inversely so. The outstanding amounts of these obligations and assets are set out in note 27.1.

Exchange rate risks

The Group's exposure to foreign exchange rate risks on commercial transactions chiefly concerns Lagardère Sports and Entertainment. At 31 December 2015, the foreign currency hedges set up for all four of the Group's divisions – in the form of direct forward agreements and options – amounted to €123 million (sales) and €148 million (purchases).

In general, routine operating activities are financed through short-term, variable-rate borrowings denominated in the local currency in order to avoid exchange rate risks. 2015 consolidated sales break down as follows between the principal currencies:

► Euro	57%
► US dollar	11%
► Pound sterling	8%
► Other	24%
Total	100%

Based on accounting data for 2015, the sensitivity of recurring operating profit of fully consolidated companies to a 10% decline in the respective exchange rates for the main foreign currencies against the euro over a full year, expressed in monetary terms before any adjustments, is as follows:

Currency	Impact on 2015 recurring operating profit of fully consolidated companies
US dollar	€(4) million
Pound sterling	€(5) million

In order to guard against translation risks in the consolidated financial statements, the Group may contract borrowings in the same currency as that of its investments. In 2015, the Group borrowed USD 530 million to finance its investments carried out in that currency, allowing it to reduce its exposure to translation risk. With a view to hedging translation risk over the long term, the Group has entered into staggered pre-hedging agreements for a notional amount of €243 million.

Equity risks

The Group's principal direct and indirect investments in listed companies are:

Name of company	Number of shares held	Percentage interest at 31 Dec. 2015	Share price at 31 Dec. 2015	Market capitalisation at 31 Dec. 2015
Lagardère SCA	2,324,157	1.77%	27.51	€63,937,559
Pension plan assets invested in equities				€55,107,336

Treasury shares are initially recognised at cost and are deducted from consolidated equity. Subsequent changes in value have no impact on the consolidated financial statements.

The fair value of pension plan assets totalled €230 million at 31 December 2015, of which 24.0% or €55 million was invested in equities (see note 27.1).

29.1.2 MANAGEMENT

The Group has implemented a policy aimed at reducing market risks by applying authorisation and internal control procedures and by using risk management tools to identify and quantify these risks. Derivatives are used exclusively for non-speculative hedging transactions.

Interest rate risks

The Group does not use active interest rate management techniques in relation to any of its financial assets or liabilities.

Cash investments must be in fixed-income instruments issued by high-quality entities and with maturities appropriate to the planned duration of the investments. Speculative or high-risk investments are not permitted.

There are no derivatives related to these investments.

29.2 CREDIT AND COUNTERPARTY RISK

Credit and counterparty risk represents the risk of financial loss for the Group in the event of default by a customer or debtor on its contractual obligations. This risk mainly relates to trade receivables.

29.2.1 EXPOSURE

The Group's exposure to credit and counterparty risk arises principally from:

- ▶ customer receivables or commitments received in connection with commercial contracts;
- ▶ investments made to deposit surplus cash and/or to cover pension and other post-employment benefit obligations;
- ▶ hedging contracts in which the counterparties are financial institutions.

Customer receivables and commitments received in connection with commercial contracts totalled €2,915 million at 31 December 2015. The counterparties for the most significant customer receivables are distributors of Group products. Both in and outside France, receivables generally concern local customers and no single customer represents a high percentage of the sales concerned. The main commitments received relate to sports rights marketing contracts.

The proportions of consolidated sales deriving from business with the Group's largest, five largest and ten largest customers were as follows:

	2015	2014
Largest customer	4.2%	3.4%
Five largest customers	9.0%	7.6%
Ten largest customers	12.4%	10.5%

The Group's short-term investments and cash and cash equivalents amounted to €634 million at 31 December 2015. In addition to bank account balances, the majority of these resources are invested in instruments with leading banks.

Assets managed in connection with post-employment benefits totalled €230 million (including €213 million in the United Kingdom). A total of 69% of these assets are invested in bonds.

Hedging contracts are primarily entered into to hedge foreign exchange risks. Their notional amount was €1,183 million at 31 December 2015. 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. In 2015 the Group was unable to recover certain receivables in the areas of sports rights marketing and the organisation of sporting events.

29.2.2 MANAGEMENT

Each division is responsible for managing its own credit risk in a decentralised way as appropriate to the specificities of its market and customer base.

For new customers with the potential for large volumes of business with the Group, analyses are carried out and information (such as external credit ratings or bank references) is sought before entering into transactions, and specific guarantees or credit insurance may be arranged as a result. Counterparty-specific credit limits may also be set.

In newly-consolidated activities, measures are taken to progressively introduce monitoring procedures that are appropriate for the types of credit risk faced by the entity concerned.

The Group has set up periodic reporting on counterparty risks to monitor its overall risk exposure to its principal counterparties, the variations in accumulated receivables, and the level of related provisions, and to oversee the measures put in place for managing this type of risk. The Financial Risk Committee periodically reviews these reports.

The Treasury and Financing Department is responsible for ensuring that the financial institutions with which the Group does business are of good quality.

NOTE 30 FINANCIAL INSTRUMENTS**30.1 CARRYING AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS**

Financial assets and liabilities measured at fair value consist of the following derivative instruments:

Fair value of derivative financial instruments

	31 Dec. 2015	31 Dec. 2014
Derivative financial instruments with positive fair values (current assets)	8	7
- Financial instruments allocated as hedges of debt	-	-
- Currency swaps (effective portion)	8	7
Derivative financial instruments with negative fair values (current liabilities)	(3)	(1)
- Financial instruments allocated as hedges of debt	-	-
- Currency swaps (effective portion)	(3)	(1)
Total (net)	5	6

30.2 FINANCIAL INSTRUMENTS RECOGNISED IN THE BALANCE SHEET

	31 Dec. 2015		Breakdown by category of instrument ⁽¹⁾				
	Carrying amount	Fair value	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Fair value through profit or loss	Derivative financial instruments
Investments	41	41		41			
Other non-current financial assets	74	74	74				
Trade receivables	1,236	1,236	1,236				
Derivative financial instruments	8	8					8
Other current financial assets	954	954	954				
Short-term investments	48	48		48			
Cash equivalents	148	148				148	
Cash	438	438	438				
Assets	2,947	2,947	2,702	89		148	8
Bonds and bank loans	1,564	1,596			1,564		
Other debt	621	621			621		
Other non-current financial liabilities	111	111			111		
Trade payables	1,617	1,617			1,617		
Derivative financial instruments	3	3					3
Other current financial liabilities	1,382	1,382			1,382		
Liabilities	5,298	5,330			5,295		3

(1) There were no reclassifications between categories of financial instruments in 2015.

	31 Dec. 2014		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	56	56		56			
Other non-current financial assets	69	69	69				
Trade receivables	1,280	1,280	1,280				
Derivative financial instruments	7	7					7
Other current financial assets	969	969	969				
Short-term investments	38	38		38			
Cash equivalents	90	90				90	
Cash	438	438	438				
Assets	2,947	2,947	2,756	94		90	7
Bonds and bank loans	1,029	1,081			1,029		
Other debt	491	491			491		
Other non-current financial liabilities	112	112			112		
Trade payables	1,702	1,702			1,702		
Derivative financial instruments	1	1					1
Other current financial liabilities	1,217	1,217			1,217		
Liabilities	4,552	4,604			4,551		1

(1) There were no reclassifications between categories of financial instruments in 2014.

30.3 FINANCIAL INSTRUMENTS – FAIR VALUE HIERARCHY

The revised version of IFRS 7 – Financial Instruments – Disclosures, sets out the methods used for determining fair value using a fair value hierarchy which has the following levels:

Level 1: Instrument listed in an active market.

Level 2: Instrument valued using techniques based on observable market data.

Level 3: Instrument valued using techniques based on unobservable data.

In addition, certain investments are carried at acquisition cost if the Group does not have sufficiently reliable information for valuation, particularly when there is no active market for an instrument (see note 3.13 above).

Lagardère's financial instruments are classified as follows under this hierarchy:

	Category of instrument ⁽¹⁾			Fair value hierarchy ⁽²⁾			Acquisition cost
	Available-for-sale financial assets	Fair value through profit or loss	Derivative financial instruments	Level 1	Level 2	Level 3	
31 December 2015							
Investments	41						41
- FCP/ Idinvest Digital Fund II	11						11
- Other	30						30
Derivative financial instruments – Assets			8		8		
Short-term investments	48			48			
- Deutsche Telekom shares	47			47			
- Bonds	1			1			
Cash equivalents		148		148			
- Marketable securities		148		148			
Total financial instruments – Assets	89	148	8	196	8	0	41
Derivative financial instruments – Liabilities			3		3		
Total financial instruments – Liabilities			3		3		

(1) There were no reclassifications between categories of financial instruments in 2015.

(2) There were no reclassifications between fair value hierarchy levels in 2015.

	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	
31 December 2014							
Investments	56						56
- FCP/ Idinvest Digital Fund II	11						11
- Other	45						45
Derivative financial instruments – Assets			7		7		
Short-term investments	38			38			
- Deutsche Telekom shares	38			38			
- Bonds	0			0			
Cash equivalents		90		90			
- Marketable securities		90		90			
Total financial instruments – Assets	94	90	7	128	7	0	56
Derivative financial instruments – Liabilities			1		1		
Total financial instruments – Liabilities			1		1		

(1) There were no reclassifications between categories of financial instruments in 2014.

(2) There were no reclassifications between fair value hierarchy levels in 2014.

NOTE 31 OTHER LIABILITIES

Other liabilities break down as follows:

	31 Dec. 2015	31 Dec. 2014 ^(*)
Due to suppliers of non-current assets	91	101
Repayable advances	-	-
Other advances and prepayments	-	-
Other	20	11
Other non-current liabilities	111	112
Derivative financial instruments	3	1
Accrued taxes and employee benefit expense ^(*)	430	439
Advances and prepayments	23	10
Due to writers	252	229
Due to customers	86	79
Deferred income	250	207
Sundry payables	341	249
Other current liabilities^(*)	1,385	1,214
Total current liabilities^(*)	1,496	1,326

(*) Restated to reflect the impact of the application of IFRIC 21 (see note 1.1 above).

NOTE 32 CONTRACTUAL OBLIGATIONS

The tables below summarise Lagardère's contractual obligations. Future payments other than payments related to financial liabilities are reported at non-discounted nominal value.

	Payments expected			Total	
	Within 1 year	1 to 5 years	Beyond 5 years	31 Dec. 2015	31 Dec. 2014
Bonds and bank loans (net of derivatives)	80	1,484		1,564	1,029
Other debt	579	34	8	621	491
Other non-current financial liabilities	5	96	10	111	112
Trade payables	1,617			1,617	1,702
Derivative financial instruments	3			3	1
Other current financial liabilities	1,382			1,382	1,217
Total financial liabilities including finance lease obligations	3,666	1,614	18	5,298	4,552
Expected bank interest on debt ^(*)	3	5	1	9	9
Expected bank interest on debt ^(*)	32	63	1	96	118
Operating leases ^(**)	118	285	218	621	570
Commitments for future capital expenditure	7	9		16	18
Total contractual obligations	3,823	1,971	237	6,031	5,258

(*) Variable-rate interest payable has been calculated based on the rates in force at 31 December 2015.

(**) Minimum future lease payments under non-cancellable operating leases.

Recurring operating profit included rental expense of €524 million in 2015 (€466 million in 2014).

As well as these contractual obligations, at 31 December 2015 the Group was committed to guaranteed minimum future payments contracted by:

- ▶ Lagardère Sports and Entertainment: €1,456 million under long-term contracts for the sale of TV and marketing rights;
- ▶ Lagardère Travel Retail: €1,405 million under concession agreements.

These payments break down as follows by maturity:

Maturity	2016	2017	2018	2019	2020	Beyond 5 years	Total at 31 Dec. 2015	Total at 31 Dec. 2014
Guaranteed minimum payments under sports rights marketing contracts	183	165	154	141	156	657	1,456	559
Guaranteed minimum payments under concession agreements	277	231	189	154	132	422	1,405	972

In addition, entities forming part of Lagardère Sports and Entertainment have signed marketing contracts with broadcasters and partners. At 31 December 2015, the amounts due under these contracts totalled €1,679 million, breaking down as follows by maturity:

Maturity	2016	2017	2018	2019	2020	Beyond 5 years	Total at 31 Dec. 2015	Total at 31 Dec. 2014
Sports rights marketing contracts signed with broadcasters and partners	547	345	244	180	109	254	1,679	1,167

NOTE 33 OFF-BALANCE SHEET COMMITMENTS

The information below relates to subsidiaries controlled and fully consolidated by Lagardère.

	31 Dec. 2015	31 Dec. 2014
Commitments given in the normal course of business:		
- guarantees and performance bonds	288	207
- guarantees given to third parties and non-consolidated companies	115	14
- other commitments given	21	16
Commitments on assets	1	1
Commitments to purchase shares (estimated amount, excluding put options granted to minority shareholders of fully consolidated subsidiaries)	1	-
Commitments received:		
- counter-guarantees of commitments given	7	14
- other commitments received	20	22
Confirmed, unused lines of credit	1,288	1,684
<i>Of which unused lines on the syndicated credit facility</i>	1,250	1,645

Conditional commitments to purchase shares

Two shareholder agreements exist between Lagardère Sports and Entertainment and the minority shareholders in World Sport Group. Under the terms of these agreements,

Lagardère Sports and Entertainment would be required to purchase the shares held by these minority shareholders at market value in certain circumstances.

NOTE 34 LITIGATION**Dispute with Editions Odile Jacob concerning the Vivendi Universal Publishing and Editis transactions**

On 13 September 2010, the General Court of the European Union (EGC) issued two decisions in the dispute between Editions Odile Jacob and the European Commission and Lagardère. The first of these decisions rejected the action filed by Editions Odile Jacob for cancellation of the European Commission's decision of January 2004 approving Lagardère's acquisition of Vivendi Universal Publishing subject to the sale of certain assets (Editis). The second upheld the action filed by Editions Odile Jacob for cancellation of the European Commission's July 2004 approval of Wendel as buyer of Editis. Both of the decisions were upheld by the European Court of Justice (ECJ) on 6 November 2012.

Meanwhile, following the cancellation ordered in the second above-mentioned decision by the EGC, the European Commission carried out another review and on 13 May 2011 confirmed its approval of Wendel as the buyer of Editis. The Commission set the effective date of this decision retroactively as 30 July 2004, the date of its original approval. Editions Odile Jacob appealed the approval decision. The appeal was dismissed definitively by the ECJ on 28 January 2016.

In addition, on the grounds of the second above-mentioned decision by the EGC dated 13 September 2010, 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 European Union level had made their final ruling on the validity of the decisions (approval) made by the European Commission to approve the sale of Editis to Wendel. In view of the ECJ's abovementioned decision of 28 January 2016 validating the approval of Wendel, proceedings before the Paris Commercial Court can now resume.

The Group does not believe that Editions Odile Jacob has serious grounds to support its request to cancel the transactions. In all events, Lagardère does not consider itself exposed to unfavourable consequences due to this last dispute.

Inquiry by the French Financial Markets Authority (Autorité des marchés financiers – AMF), criminal investigation and legal action by shareholders of EADS (renamed Airbus Group on 2 January 2014)

Following fluctuations in the EADS share price, particularly the drop observed on 14 June 2006 after EADS' announcement on 13 June 2006 that there would be delays in deliveries of A380 aircraft by its subsidiary Airbus, several lawsuits were filed by EADS shareholders and various inquiries were launched by the competent authorities.

Lagardère SCA (hereafter "Lagardère") is currently aware of the following proceedings (the EADS Registration Document also lists known proceedings and actions against EADS).

a. AMF investigation

On 8 April 2008, the AMF sent Lagardère a statement of objections based on the fact that Lagardère had sold a large portion of its holding in EADS through its 11 April 2006 issue of mandatory exchangeable bonds, redeemable in EADS shares, at a time when the Company could, in the opinion of the AMF investigators, have been in possession of inside information.

This statement of objections marked the start of the phase of the administrative sanction procedure during which both sides may present their arguments in the case.

After a hearing held from 23 to 27 November 2009, the AMF's Enforcement Committee rejected all of the complaints against Lagardère in the statement of objections, putting an end to the administrative proceedings instigated by the AMF.

b. Action against person or persons unknown

Following a complaint by an association of small EADS shareholders and one individual EADS shareholder, a legal investigation for insider trading was initiated.

Searches were conducted as part of this investigation, including on the premises of Lagardère. The magistrate heading the investigation placed a number of current and former EADS and Airbus managers under formal investigation during 2008.

On 29 May 2009, Lagardère, represented by one of its Managing Partners, was heard as a witness in the context of an inquiry carried out by the *Brigade Financière* (financial police) acting upon delegation of the investigating magistrate in charge of the case.

After the first interview on 27 January 2011, the company Lagardère SCA was indicted on suspicion of insider trading.

In the case prepared by the examining magistrates, Lagardère has not noted any documents concerning the company that differ from those presented in the case compiled by the AMF's investigators and submitted to its Enforcement Committee, which concluded that there was no case against Lagardère.

Further to a request issued on 14 February 2013 by the public prosecutor, on 27 November 2013 the investigating magistrate issued an order for Lagardère SCA, Daimler AG and a number of individuals to be sent for trial before the criminal court.

The hearings were scheduled for October 2014, but at the initial hearing, the parties' lawyers applied for two priority preliminary rulings on the issue of constitutionality ("*Question Prioritaire de Constitutionnalité*", or "QPC") and argued that the order for a criminal trial was invalid.

The criminal court received the QPCs and transmitted them by way of a ruling dated 3 October 2014 to the Court of Cassation (*Cour de cassation*), which deemed them to be sufficiently serious to be sent to the Constitutional Council (*Conseil constitutionnel*). On 18 March 2015, the Constitutional Council declared unconstitutional the provisions of the French Monetary and Financial Code (*Code monétaire et financier*) which allow a person to be prosecuted twice for the same offence, at the initiative of the AMF for breaching insider trading regulations and for insider trading by a criminal court judge.

Pursuant to the Constitutional Council's decision, on 18 May 2015 the Paris criminal court upheld the AMF Enforcement Committee's conclusion of 27 November 2009 that there was no case against Lagardère SCA in the EADS case, ruling that this was the sole decision applicable and ending all proceedings against the Lagardère group in this matter.

Brazilian Environmental Protection Authority

Salvat Do Brasil (SDB) received notification of a breach of regulations from the Brazilian governmental body IBAMA, which is in charge of environmental protection, setting a fine of BRL 39,200,000 (representing a euro-equivalent amount of approximately €9.1 million based on the exchange rate at 31 December 2015) for illegally importing animal species into the country without the required authorisations.

This related to an "Insects" collection with free gifts of small blocks of transparent resin containing the insects concerned. SDB's first appeal (contesting the fine chiefly on the grounds that the "insects" are dead and set in resin and therefore not "animals") was rejected in April 2009. In May 2009, SDB filed a second appeal before the President of IBAMA, which was rejected on 29 April 2015. The fine was confirmed, including interest, for a total amount of BRL 55,000,000 (representing a euro-equivalent amount of approximately €12.8 million based on the exchange rate at 31 December 2015). SDB is preparing an appeal to the federal judge against the decision.

Litigation with photographers

Disputes are in process with freelance and salaried photographers who worked with the Lagardère Active magazines. Most of these disputes concern returns of analogue photographic archives and retaining photographs, and the resulting operating losses. In a judgement handed down on 28 October 2015, the Court of Cassation ruled in favour of Lagardère Active and agreed that the publisher is the legal owner of photographic materials, insofar as it has financed them. The financial claims made in connection with these proceedings appear excessive.

WSG India and WSG Mauritius / Indian Premier League contracts

In 2007, the BCCI (Board of Control for Cricket in India) launched a call for tenders to market the rights attached to its new cricket competition, the IPL (Indian Premier League), until 2017. World India – which became a subsidiary of Lagardère Sports and Entertainment (formerly Lagardère Unlimited) in May 2008 – was awarded most of these rights in early 2008, with the rest going to an unrelated operator, MSM.

A global reorganisation of the distribution of these rights took place in March 2009 at the initiative of the BCCI. In the course of the negotiations for this reorganisation, WSG Mauritius entered into an assistance agreement with MSM, which received a larger share of the rights than in 2008. Under this agreement, MSM undertook to pay WSG Mauritius a sum of INR 4,250 million over a period of time (representing a USD-equivalent amount of approximately USD 64 million based on the exchange rate at 31 December 2015). Meanwhile, the BCCI engaged WSG India to market IPL rights worldwide, excluding the Indian subcontinent, for the period 2009/2017.

In June 2010 (i) the BCCI terminated the 2009/2017 contract to market IPL rights worldwide, excluding the Indian subcontinent, and (ii) MSM terminated the aforementioned assistance agreement, and claimed immediate reimbursement of the sums already paid (INR 1,250 million, representing approximately USD 18.8 million based on the exchange rate at 31 December 2015) in an action brought before an Indian court. WSG India and WSG Mauritius immediately began proceedings in order to preserve their rights.

Concerning the dispute between WSG India 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 India and without prejudging the substance of the case – temporarily granted the BCCI (either until the end of the procedure or 31 December 2017), under the supervision of the Court, media rights to the IPL outside the Indian subcontinent that are not already marketed by WSG India, as well as recovery of the amounts owed by the broadcasters. The proceedings concerning the merits of the case are still ongoing and are expected to last several years.

Concerning the dispute between WSG Mauritius and MSM, while MSM filed a lawsuit with the Indian courts claiming the reimbursement of the amounts it had paid, in parallel WSG Mauritius launched arbitration proceedings in Singapore in accordance with the terminated assistance agreement. The arbitration proceedings

were then suspended for a number of years, following an injunction obtained by MSM in the Indian courts preventing WSG Mauritius from continuing said proceedings. However, on 24 January 2014 the Indian Supreme Court revoked this injunction and ruled that the case should be subject to the arbitration proceedings in Singapore. On 17 November 2015, the arbitration tribunal ordered the repayment of amounts previously received in respect of the performance of the contract, representing around €26 million (including interest). This decision cannot be appealed. On 13 October 2010 the BCCI filed a criminal complaint with the Chennai police authorities in India against seven individuals, including the former President of the IPL and four managers of WSG India, alleging breaches of the Indian criminal code in connection with the attribution to WSG India in March 2009 of certain IPL media rights for the 2009/2017 seasons. A police investigation is currently in process.

After the Indian tax authorities' audit of WSG India's operations, the company was issued with tax reassessment notices representing an overall liability of around INR 160 million (approximately €9.3 million based on the exchange rate at 31 December 2015). This reassessment is currently under discussion. WSG India has paid a deposit and launched an appeal.

In February 2011, WSG India was notified of an investigation by the Competition Commission of India into different aspects of BCCI's distribution of various rights relating to the IPL. Following this investigation, on 8 February 2013 the Competition Commission issued an order against BCCI (which BCCI has appealed), but did not impose any sanctions on WSG India.

Lastly, in mid-2015 WSG Mauritius became aware by way of the media of a potential money-laundering investigation by the Indian authorities. The investigation is alleged to concern the former managers of the BCCI and its commercial partners in the IPL, including WSG Mauritius. However, in the event that WSG Mauritius was under investigation, it would have received notification from the Indian authorities. WSG Mauritius has received no such notification to date.

Lagardère Sports Asia (formerly World Sport Group) Union of Arab Football Associations

On 1 July 2013, Lagardère Sports Asia decided to terminate in advance two agreements entered into with the Union of Arab Football Associations (UAFSA) relating to the Arab Cup of Nations and the UAFSA Club Cup on the grounds that certain sports competitions organised by UAFSA did not correspond to its contractual agreements. UAFSA disputes the termination of these agreements and on 9 May 2014 it brought the case before the International Chamber of Commerce for arbitration, seeking USD 28.8 million in compensation from Lagardère Sports Asia. The parties have put an end to this dispute by signing an out of court settlement on 30 December 2015, under the terms of which Lagardère Sports Asia paid USD 3.6 million to UAFSA.

Competition investigations in the e-books market

Lagardère Publishing, as well as a number of other publishers and Apple, have been the subject of a number of different competition investigations concerning the e-books market, and particularly the sales methods used for these books. The US Department of Justice (DOJ), the Texas Attorney General and the Connecticut Attorney General launched investigations in 2010 and have been joined by the European Commission since early 2011. In addition, several class actions were launched in the United States in 2011 against a number of Anglo-Saxon publishers – including Hachette Book Group (HBG) – and Apple concerning the e-books market. On 9 December 2011 all of these cases were consolidated into a single procedure handled by the courts in the State of New York.

Concerning the case in the **United States**, settlement agreements were reached during 2012 and 2013 (without HBG admitting any liability or wrongdoing) with (i) the DOJ, in which HBG provided

undertakings relating to its future business practices, notably an undertaking to allow its distribution agents to offer price discounts to consumers on e-books for a period of two years, subject to a specified limit; and (ii) all of the US States and territories, in which HBG undertook to pay certain sums. These settlement agreements signed with the US States and territories have put an end to the class actions for all US consumers who have not exercised their right to opt out.

In addition, on 5 June 2014, a US federal court ruled another case admissible. This concerns an action brought by the e-book distributors, DNAML, BooksOnBoard and Diesel, against Apple and several major book publishers (including Hachette). According to the plaintiffs, they have suffered losses because after Apple and the publishers allegedly entered into a conspiracy (as described above), the distributors could no longer offer "favourable pricing". This case is not considered to represent a material risk for the Group.

In **Canada**, a class-action lawsuit launched in February 2012 – on the same basis as the US action and against the same parties and their Canadian subsidiaries – was settled in 2014 by way of an agreement approved by the competent Canadian courts. In connection with this agreement, Hachette Book Group, like all the other publishers party to the settlement, paid its share of the "settlement proceeds" (CAD 635,000) into a trust. This amount covers the compensation payable to consumers as well as lawyers' fees.

In parallel, the Canadian Competition Bureau signed a "consent agreement" with HBG and three other e-book publishers, registered on 7 February 2014 with the Competition Tribunal, under which the publishers have agreed to make commitments in regard to future business practices similar to the undertakings provided to the US Department of Justice, but without incurring any fines or costs. However, the registration of the e-books consent agreement has been stayed by the Tribunal pending the determination of a challenge brought by the e-book distributor Kobo, which is claiming that (i) the consent agreement is invalid as the underlying case is not meritorious, and (ii) the discounts that e-distributors will be able to apply represent a danger for the market. The Competition Tribunal had already issued a decision on 8 September 2014 stating that the scope of its review of the consent agreement would be limited. On 18 June 2015, the federal court of appeal in Canada rejected the appeal brought by Kobo, which subsequently filed an appeal before the Supreme Court of Canada to have the judgement set aside. During the period, the action brought before Competition Tribunal resumed.

In **Europe**, the European Commission ended its competition investigations concerning the e-books market by adopting a decision on 12 December 2012 that accepts and renders legally binding the commitments offered by Lagardère Publishing, other publishers and Apple. The Commission did not conclude that EU competition rules had been infringed and did not impose any fines on the parties concerned. The commitments offered – which concern the parties' future business practices – are similar to those provided for in the above-mentioned settlement with the US Department of Justice. The decision nevertheless provides that the commitments be undertaken without prejudice to national laws authorising or obliging publishers to set the price of e-books. The specific commitment by publishers to let distributors grant certain discounts in relation to the retail price set by the publisher was only given for two years and has therefore no longer been effective since 2015.

Investigation by the Swiss Competition Commission

Following the rejection – by way of a referendum on 11 March 2012 – of measures to introduce a single price for books in Switzerland, the Swiss Competition Commission (Comco) has reopened an investigation into imports of French language books by distributors.

Subsequent to the investigation procedure, the Swiss Competition Commission (Comco) made a final decision on 27 May 2013 under

which Diffulivre (Lagardère Publishing division) was held liable for territorial exclusivity with the intention or effect of partitioning the Swiss market, one of the three original charges.

This decision has been appealed before the Federal Administrative Court of Switzerland, which is expected to hand down its decision soon.

Dispute with former employees of Matra Manufacturing & Services (formerly Matra Automobile)

Following the termination of automotive manufacturing operations at Matra Manufacturing & Services (MMS), and the ensuing redundancy plans set up in 2002 and 2003, a number of former employees filed a claim with the employment tribunal alleging that they had been unfairly dismissed. The basis for this claim was that MMS had not complied with its obligations (i) to redeploy the employees in-house, as it did not provide each of them with a written individual proposal to take up positions that had become available as a result of departures from the Spare Parts Department (departures to which MMS had agreed at the request of the Works Council), and (ii) to properly inform the Regional Employment Authorities in relation to its external redeployment requirement.

MMS disputed this allegation on the grounds that it had respected all of its obligations.

On 14 January 2014, the Blois employment tribunal ordered MMS to pay 305 former employees a sum of €18,000 each in compensation, plus €300 in costs in accordance with Article 700 of the French Civil Procedure Code. However, no provisional enforcement order was issued for this judgement.

On 21 March 2014, the section of the Blois employment tribunal responsible for cases concerning managerial employees ordered MMS to pay seven former employees sums ranging between €15,000 and €17,800 each in compensation, but with no costs payable under Article 700 of the French Civil Procedure Code. No provisional enforcement order was issued for this judgement either.

MMS has appealed these judgements. The cases were joined before the Court of Appeal and on 16 September 2015, based on the arguments put forward by MMS, the Court overturned the employment tribunal's judgements and rejected all of the former employees' claims.

The former employees have appealed this decision before the Court of Cassation.

Commercial disputes resulting from the shutdown of Lawebco

Following the closure of Lawebco, a subsidiary of Lagardère Active in charge of e-commerce activities for Elle and Be, a number of law suits were brought before the Paris Commercial Court between Lagardère Digital France and Lawebco and (i) the minority shareholder and former Chief Executive Officer of Lawebco and (ii) Lawebco's former logistics and services providers who claim their contracts were prematurely terminated.

These claims are patently non-reasonable.

Tax reassessments at Lagardère Duty Free (formerly Aelia) and LS Travel Retail Italia

Lagardère Duty Free and LS Travel Retail Italia jointly received a tax reassessment notice in December 2015 relating to registration duties for an amount of €7.6 million, including late-payment interest, relating to the reclassification of the sale of an investment between the two parties as a sale of business assets (*fonds de commerce*). The Group does not believe that this reclassification is legally founded and the reassessment has been appealed before the courts.

Governmental, legal or arbitration procedures

In addition to the procedures described above, the Group is involved in a number of other disputes in the normal course of its business, principally related to contractual performance. Adequate provisions are made, where considered necessary, to cover any risks that may arise from general or specific disputes.

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. Other than those described above, the Group is not aware of any dispute in process that concerns amounts which could have a significant impact on the consolidated financial statements.

NOTE 35 RELATED PARTIES**35.1 MANAGEMENT REMUNERATION**

The total gross remuneration attributed to the members of Lagardère SCA's Executive Committee for 2015 amounted to €11.9 million, and €22.5 million including related charges. The figure with charges includes a provision recorded for the supplementary pension plan. The corresponding figures for 2014 were €13.8 million and €23.9 million respectively.

In 2015, none of the beneficiaries received any attendance fees and were awarded 115,000 rights to performance shares. In 2014, none of the beneficiaries received any attendance fees or were awarded any rights to free or performance shares.

35.2 RELATED PARTY TRANSACTIONS**Transactions with Lagardère Capital & Management (LC&M)**

Lagardère Capital & Management – which is controlled and chaired by Arnaud Lagardère, who is also a General and Managing Partner of Lagardère SCA – is the material embodiment of the Group. LC&M provides an array of management resources and skills to both the Group and each of its component parts.

To accomplish its mission, LC&M employs the principal senior managers forming the Group's Executive Committee. The role of the Executive Committee is to assist the Managing Partners in their duties, i.e., to determine the Group's strategy and lead its development, and to take the resulting necessary management decisions and implement them globally at parent company level and in the Group's different business activities. LC&M bears the entire cost of its senior managers' salaries and the related overheads as well as the fees billed by any French and/or international consultants that they may work with.

LC&M carries out its mission within the framework of its agreement with Lagardère Ressources, which is responsible for managing all of the Group's corporate resources. This agreement is described each year in the Statutory Auditors' report on related party agreements and commitments, in accordance with the requirements of articles L. 226-10 and R. 226-2 of the French Commercial Code.

Since 2004, the remuneration of LC&M has equalled the amount of expenses incurred in carrying out its mission, plus a margin of 10%, capped in absolute value terms at €1 million. These expenses are examined each fiscal year by the Audit Committee, which issues an opinion on their changes and developments. After examination by the Audit Committee, this remuneration package was approved by the Supervisory Board on 12 March 2004.

In accordance with the above-described basis of remuneration, in 2015 LC&M invoiced €27.1 million to the Group, compared with €30.2 million in 2014. After deducting expenses (remuneration of Executive Committee members, taxes on high earnings, payroll taxes, support costs reimbursed to the Group and outside resource costs), operating profit after tax under the above agreement stood at €0.7 million.

Other transactions

The other transactions with related parties in 2015 undertaken in the normal course of business took place under arm's length conditions. In particular, Lagardère SCA has not identified any agreements, other than those relating to normal business operations and conducted under arm's length conditions, entered into in 2015 directly or via an intermediary, between (i) any of the Managing Partners, any members of the Supervisory Board or any shareholders of Lagardère SCA owning more than 10% of the voting rights and (ii) any subsidiaries more than 50%-owned by Lagardère SCA directly or indirectly.

NOTE 36 EVENTS AFTER THE REPORTING PERIOD**DISPOSAL BY LAGARDÈRE TRAVEL RETAIL OF ITS BELGIAN AND SPANISH PRESS DISTRIBUTION BUSINESSES****Belgium**

On 4 February 2016, Lagardère Travel Retail signed an agreement to sell its Belgian press distribution and integrated retail subsidiaries to Bpost group.

The businesses covered by this planned divestment generated consolidated sales of €431 million and recurring operating profit of €9 million in 2015. The closing of the transaction is subject to receiving clearance from the competition authorities.

Spain

On 27 October 2015, Lagardère Travel Retail signed an agreement to sell its Spanish Press Distribution subsidiary to Springwater Capital, a private investment firm.

The transaction closed on 25 February 2016. The businesses covered by this divestment generated consolidated sales of €287 million and recurring operating profit of €8 million in 2015.

These transactions represent a new step in the strategy to focus on growth businesses in the Travel Retail segment, and notably airports.

NOTE 37 FEES PAID TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

(in thousands of euros)	2015			
	Mazars	%	Ernst & Young et Autres	%
Audit				
Statutory audit, certification, examination of individual and consolidated financial statements	3,301	79.5	3,563	79.2
- <i>Lagardère SCA</i>	173	4.2	169	3.8
- <i>Fully consolidated subsidiaries</i>	3,128	75.3	3,394	75.4
Other procedures and services directly related to the statutory audit	571	13.8	457	10.2
- <i>Lagardère SCA</i>	83	2.0	42	0.9
- <i>Fully consolidated subsidiaries</i>	488	11.8	415	9.3
Sub-total	3,872	93.3	4,020	89.4
Non-audit services rendered by network members to fully consolidated subsidiaries				
- <i>Legal, tax, human resources</i>	280	6.7	477	10.6
- <i>Other</i>	-	-	1	0.0
Sub-total	280	6.7	478	10.6
Total	4,152	100.00	4,498	100.00

(in thousands of euros)	2014			
	Mazars	%	Ernst & Young et Autres	%
Audit				
Statutory audit, certification, examination of individual and consolidated financial statements	3,201	79.2	3,250	80.0
- <i>Lagardère SCA</i>	171	4.2	165	4.1
- <i>Fully consolidated subsidiaries</i>	3,030	75.0	3,085	75.9
Other procedures and services directly related to the statutory audit	609	15.0	361	8.9
- <i>Lagardère SCA</i>	60	1.5	25	0.6
- <i>Fully consolidated subsidiaries</i>	549	13.5	336	8.3
Sub-total	3,810	94.2	3,611	88.8
Non-audit services rendered by network members to fully consolidated subsidiaries				
- <i>Legal, tax, human resources</i>	233	5.8	454	11.2
- <i>Other</i>	-	-	-	-
Sub-total	233	5.8	454	11.2
Total	4,043	100.0	4,065	100.0

Other procedures and services directly related to the statutory audit mainly comprise engagements relating to acquisitions and the provision of comfort letters.

NOTE 38 LIST OF CONSOLIDATED COMPANIES

Companies controlled and fully consolidated at 31 December 2015:

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
LAGARDÈRE PUBLISHING				
HACHETTE LIVRE	43 quai de Grenelle – 75015 PARIS	602 060 147	100.00	100.00
AUDIOLIB	31 rue de Fleurus – 75006 PARIS	499 165 694	59.99	100.00
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 – 91160 LONGJUMEAU	381 737 519	100.00	100.00
CYBERTERRE	43 quai de Grenelle – 75015 PARIS	434 661 419	100.00	100.00
DIFFULIVRE	SAINTE 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	98.97	98.97
ÉDITIONS JEAN-CLAUDE LATTÈS	17 rue Jacob – 75006 PARIS	682 028 659	100.00	100.00
ÉDITIONS LAROUSSE	21 rue du Montparnasse – 75006 PARIS	451 344 170	100.00	100.00
ÉDITIONS STOCK	31 rue de Fleurus – 75006 PARIS	612 035 659	100.00	100.00
ÉDUCATION MANAGEMENT SAS	11 rue Paul Bert – 92247 MALAKOFF Cedex	582 057 816	100.00	100.00
FERNAND HAZAN ÉDITEUR	11 rue Paul Bert – 92247 MALAKOFF Cedex	562 030 221	99.94	100.00
GROUPE HATIER INTERNATIONAL	11 rue Paul Bert – 92247 MALAKOFF Cedex	572 079 093	100.00	100.00
GRUPO PATRIA CULTURAL	MEXICO (MEXICO)		100.00	100.00
HL 93	43 quai de Grenelle – 75015 PARIS	390 674 133	99.99	100.00
HL FINANCES	11 rue Paul Bert – 92247 MALAKOFF Cedex	384 562 070	99.99	100.00
HACHETTE CANADA INC.	MONTREAL (CANADA)		100.00	100.00
HACHETTE COLLECTIONS	43 quai de Grenelle – 75015 PARIS	395 291 644	100.00	100.00
HACHETTE COLLECTIONS JAPON	TOKYO (JAPAN)		100.00	100.00
HACHETTE COLLECTIONS RUSSIE	MOSCOW (RUSSIA)		99.90	100.00
HACHETTE FASCICOLI	MILAN (ITALY)		100.00	100.00
HACHETTE LIVRE ESPAÑA SA	MADRID (SPAIN)		100.00	100.00
HACHETTE LIVRE USA	NEW YORK (UNITED STATES)		100.00	100.00
HACHETTE PARTWORKS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HACHETTE POLSKA	WARSAW (POLAND)		100.00	100.00
HACHETTE UK HOLDING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
LAROUSSE SAS	21 rue du Montparnasse – 75006 PARIS	401 457 213	100.00	100.00
LAROUSSE EDITORIAL S.L.	BARCELONA (SPAIN)		100.00	100.00
LE LIVRE DE PARIS	11 rue Paul Bert – 92247 MALAKOFF Cedex	542 042 114	100.00	100.00
LIBRAIRIE ARTHÈME FAYARD	75 rue des Saints Pères – 75006 PARIS	562 136 895	100.00	100.00
LIBRAIRIE GÉNÉRALE FRANÇAISE (LGF)	31 rue de Fleurus – 75006 PARIS	542 086 749	59.99	59.99
MULTIMÉDIA ÉDUCATION RÉFÉRENCE	11 rue Paul Bert – 92247 MALAKOFF Cedex	484 213 954	100.00	100.00
PIKA ÉDITION	19 bis rue Pasteur 92100 BOULOGNE-BILLANCOURT	428 902 704	66.67	66.67
SAMAS SAS	11 rue Paul Bert – 92247 MALAKOFF Cedex	775 663 321	100.00	100.00
WATTS PUBLISHING GROUP LTD	LONDON (UNITED KINGDOM)		100.00	100.00

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
HATIER GROUP				
LES ÉDITIONS HATIER	8 rue d'Assas – 75006 PARIS	352 585 624	100.00	100.00
LES ÉDITIONS DIDIER	13 rue de l'Odéon – 75006 PARIS	313 042 541	100.00	100.00
LIBRAIRIE PAPETERIE NATIONALE	CASABLANCA (MOROCCO)		100.00	100.00
RAGEOT ÉDITEUR	6 rue d'Assas – 75006 PARIS	572 022 978	100.00	100.00
SCI ASSAS RASPAIL	8 rue d'Assas – 75006 PARIS	315 844 431	100.00	100.00
SCI du 63 BOULEVARD RASPAIL	63 boulevard Raspail – 75006 PARIS	315 830 034	100.00	100.00
SCI du 8-8 BIS RUE D'ASSAS	8 rue d'Assas – 75006 PARIS	315 844 423	100.00	100.00
SALVAT GROUP				
EDITORIAL SALVAT S.L.	BARCELONA (SPAIN)		100.00	100.00
SALVAT EDITORES PORTUGAL	LISBON (PORTUGAL)		100.00	100.00
ANAYA GROUP				
GRUPO ANAYA SA	MADRID (SPAIN)		100.00	100.00
ALGAIDA EDITORES SA	SEVILLE (SPAIN)		100.00	100.00
ALIANZA EDITORIAL SA	MADRID (SPAIN)		99.82	99.82
COMERCIAL GRUPO ANAYA SA	MADRID (SPAIN)		100.00	100.00
EDITORIAL BARCANOVA SA	BARCELONA (SPAIN)		100.00	100.00
EDICIONES XERAIS DE GALICIA SA	VIGO (SPAIN)		100.00	100.00
GRUPO EDITORIAL BRUNO S.L.	MADRID (SPAIN)		100.00	100.00
ORION GROUP				
ORION PUBLISHING GROUP LTD	LONDON (UNITED KINGDOM)		100.00	100.00
LITTLE HAMPTON BOOK SERVICE LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HACHETTE UK GROUP				
HACHETTE UK LTD	LONDON (UNITED KINGDOM)		100.00	100.00
ALLIANCE DISTRIBUTION SERVICES PTY LTD	TUGGERA (AUSTRALIA)		100.00	100.00
BOOKPOINT LTD	ABINGDON (UNITED KINGDOM)		100.00	100.00
CHAMBERS HARRAP PUBLISHERS LTD	EDINBURGH (UNITED KINGDOM)		100.00	100.00
GALORE PARK LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HACHETTE AUSTRALIA PTY LTD	SYDNEY (AUSTRALIA)		100.00	100.00
HACHETTE BOOK PUBLISHING INDIA	NEW DELHI (INDIA)		100.00	100.00
HACHETTE NEW ZEALAND	AUCKLAND (NEW ZEALAND)		100.00	100.00
HACHETTE SINGAPORE PRIVATE LTD	SINGAPORE (REPUBLIC OF SINGAPORE)		100.00	100.00
HEADLINE BOOK PUBLISHING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HODDER & STOUGHTON LTD	LONDON (UNITED KINGDOM)		100.00	100.00
NB LIMITED	LONDON (UNITED KINGDOM)		100.00	100.00
NB PUBLISHING INC.	BOSTON (UNITED STATES)		100.00	100.00
PHILIP ALLAN PUBLISHERS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
QUERCUS EDITIONS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
QUERCUS PUBLISHING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
RIISING STARS UK LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HACHETTE BOOK GROUP				
BELLWOOD BOOKS INC.	NEW YORK (UNITED STATES)		100.00	100.00
DIGITAL PUBLISHING INNOVATION	NEW YORK (UNITED STATES)		100.00	100.00
HACHETTE BOOK GROUP CANADA LTD	TORONTO (CANADA)		100.00	100.00
HACHETTE BOOK GROUP HOLDINGS INC. (DELAWARE)	BOSTON (UNITED STATES)		100.00	100.00

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
HACHETTE BOOK GROUP INC.	NEW YORK (UNITED STATES)		100.00	100.00
HACHETTE BOOK GROUP INTERNATIONAL DIGITAL SALES INC.	NEW YORK (UNITED STATES)		100.00	100.00
HACHETTE DIGITAL INC.	NEW YORK (UNITED STATES)		100.00	100.00
LITTLE, BROWN BOOK GROUP				
CONSTABLE & ROBINSON	LONDON (UNITED KINGDOM)		100.00	100.00
LITTLE, BROWN BOOK GROUP	LONDON (UNITED KINGDOM)		100.00	100.00
PIATKUS BOOKS	LONDON (UNITED KINGDOM)		100.00	100.00
LAROUSSE GROUP MEXICO				
DIFUSORA LAROUSSE MEXICANA	MEXICO (MEXICO)		100.00	100.00
EDICIONES LAROUSSE MEXIQUE	MEXICO (MEXICO)		100.00	100.00
OCTOPUS GROUP				
CONRAN OCTOPUS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
OCTOPUS PUBLISHING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL				
LAGARDÈRE TRAVEL RETAIL	2 rue Lord Byron – 75008 PARIS	330 814 732	100.00	100.00
AELIA NOUVELLE CALÉDONIE	40 rue de l'Alma – 98800 NOUMEA	103 551 800	59.43	66.00
AÉROBOUTIQUE FRANCE	Tour Prisma, 4-6 avenue d'Alsace 92982 PARIS LA DÉFENSE Cedex	380 193 938	90.04	100.00
AÉROBOUTIQUE SALES GROUP	CASABLANCA (MOROCCO)		72.03	80.00
ALVADIS	BRUSSELS (BELGIUM)		100.00	100.00
AMADEO PRAHA	PRAGUE (CZECH REPUBLIC)		100.00	100.00
AMP	BRUSSELS (BELGIUM)		99.73	100.00
BEST COFFEE	PRAGUE (CZECH REPUBLIC)		100.00	100.00
BURNONVILLE SA	BRUSSELS (BELGIUM)		100.00	100.00
DFS AUSTRALIA	SYDNEY (AUSTRALIA)		100.00	100.00
DFS WELLINGTON	WELLINGTON (NEW ZEALAND)		100.00	100.00
DISTRIDIJLE	MALINES (BELGIUM)		100.00	100.00
DISTRILIM	HASSELT (BELGIUM)		100.00	100.00
DISTRISUD	LIÈGE (BELGIUM)		100.00	100.00
DUTY FREE ASSOCIATES	Tour Prisma, 4-6 avenue d'Alsace 92982 PARIS LA DÉFENSE Cedex	423 402 312	90.04	100.00
EURODIS	Tour Prisma, 4-6 avenue d'Alsace 92982 PARIS LA DÉFENSE Cedex	428 705 982	90.04	100.00
EURO-EXCELLENCE INC.	CANDIAC (CANADA)		100.00	100.00
FULTON HOLDING CORP.	ATLANTA (UNITED STATES)		100.00	100.00
HACHETTE DISTRIBUTION INC.	PENNSAUKEN (UNITED STATES)		100.00	100.00
HDS DEUTSCHLAND GmbH	WIESBADEN (GERMANY)		100.00	100.00
HDS CANADA	MONTREAL (CANADA)		100.00	100.00
HDS RETAIL NORTH AMERICA LP ^(*)	NEW YORK (UNITED STATES)		100.00	100.00
IBD	OSTEND (BELGIUM)		100.00	100.00
IMPORT LUX BURNONVILLE SARL	BRUSSELS (BELGIUM)		100.00	100.00
INMEDIO SERVICES SP ZOO	WARSAW (POLAND)		100.00	100.00
LAGARDÈRE DUTY FREE	Tour Prisma, 4-6 avenue d'Alsace 92982 PARIS LA DÉFENSE Cedex	380 253 518	90.04	90.04

(*) Comprising 63 fully consolidated entities (including minority interests in each entity with different percentage interests).

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
LAGARDÈRE DUTY FREE AS	PRAGUE (CZECH REPUBLIC)		95.02	100.00
LAGARDÈRE DUTY FREE SP ZOO	WARSAW (POLAND)		95.02	100.00
LAGARDÈRE INFLIGHT	ZAC du Moulin, 6 rue du Meunier 95700 ROISSY EN FRANCE	408 053 809	90.04	100.00
LAGARDÈRE SERVICES BELGIUM	BRUSSELS (BELGIUM)		100.00	100.00
LAGARDÈRE SERVICES DISTRIBUTION	2 rue Lord Byron – 75008 PARIS	451 344 220	100.00	100.00
LAGARDÈRE SERVICES TAIWAN LTD	TAÏPEI CITY (TAÏWAN)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL CHINA (SHANGHAI) CO LTD	SHANGHAI (CHINA)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL CZ	PRAGUE (CZECH REPUBLIC)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL EHF	REYKJAVIK (ICELAND)		60.00	60.00
LAGARDÈRE TRAVEL RETAIL FRANCE	55 rue Deguingand – 92300 LEVALLOIS-PERRET	542 095 336	100.00	100.00
LAGARDÈRE TRAVEL RETAIL HONG KONG LTD	HONG KONG (CHINA)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL IMPORT BV	AMSTERDAM (NETHERLANDS)		90.04	100.00
LAGARDÈRE TRAVEL RETAIL LUXEMBOURG	LUXEMBOURG (LUXEMBOURG)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL NETHERLANDS HOLDING BV	AMSTERDAM (NETHERLANDS)		90.04	100.00
LAGARDÈRE TRAVEL RETAIL SCHIPHOL BV	AMSTERDAM (NETHERLANDS)		90.04	100.00
LAGARDÈRE TRAVEL RETAIL (SHANGHAI) CO LTD	SHANGHAI (CHINA)		65.00	100.00
LAGARDÈRE TRAVEL RETAIL SINGAPORE PTE LTD	SINGAPORE (REPUBLIC OF SINGAPORE)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL SP ZOO	WARSAW (POLAND)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL SPAIN	MADRID (SPAIN)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL UK & IRELAND	LONDON (UNITED KINGDOM)		90.04	100.00
LS ASIA PACIFIC PTY LTD	SYDNEY (AUSTRALIA)		100.00	100.00
LS AND PARTNERS AT JFK LLC	NEW YORK (UNITED STATES)		80.00	80.00
LS DISTRIBUTION BENELUX	BRUSSELS (BELGIUM)		100.00	100.00
LS DISTRIBUTION LOGISTICS INC.	MONTREAL (CANADA)		100.00	100.00
LS DISTRIBUTION LOGISTICS NV	BRUSSELS (BELGIUM)		100.00	100.00
LS DISTRIBUTION NORTH AMERICA INC. CROSSINGS FINE FOOD	NEW YORK (UNITED STATES)		100.00	100.00
LS TR INTERNATIONAL	LE GRAND-SACONNEX (SWITZERLAND)		100.00	100.00
LS TR ITALIA	FIUMICINO (ITALY)		90.04	100.00
LS TR NORTH AMERICA INC.	TORONTO (CANADA)		100.00	100.00
LS TR ROMA	FIUMICINO (ITALY)		90.04	100.00
LS TRAVEL SPECIALTY RETAIL DEUTSCHLAND	WIESBADEN (GERMANY)		100.00	100.00
LS TRAVEL RETAIL BENELUX	BRUSSELS (BELGIUM)		88.96	100.00
LS TRAVEL RETAIL BULGARIA	SOFIA (BULGARIA)		100.00	100.00
LS TRAVEL RETAIL DEUTSCHLAND	HUERTH HERMUELHEIM (GERMANY)		100.00	100.00
LS TRAVEL RETAIL FOODSERVICES DEUTSCHLAND	WIESBADEN (GERMANY)		100.00	100.00
LS TRAVEL RETAIL MALAYSIA	KUALA LUMPUR (MALAYSIA)		97.00	100.00
LS TRAVEL RETAIL NEW ZEALAND	AUCKLAND (NEW ZEALAND)		100.00	100.00
LS TRAVEL RETAIL ROMANIA	BUCHAREST (ROMANIA)		100.00	100.00
M TRAFIK	PRAGUE (CZECH REPUBLIC)		100.00	100.00
MEDICOM SANTÉ	55 rue Deguingand – 92300 LEVALLOIS-PERRET	451 199 947	51.00	100.00
MUSIC RAILWAY	55 rue Deguingand – 92300 LEVALLOIS-PERRET	414 434 431	100.00	100.00
NEWSLINK	SYDNEY (AUSTRALIA)		100.00	100.00

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
PARADIES HOLDINGS LLC ^(*)	ATLANTA (UNITED STATES)		100.00	100.00
RM	55 rue Deguingand – 92300 LEVALLOIS-PERRET	800 293 664	100.00	100.00
RELAY AND BURGERS	55 rue Deguingand – 92300 LEVALLOIS-PERRET	811 857 200	100.00	100.00
SCSC	55 rue Deguingand – 92300 LEVALLOIS-PERRET	431 960 004	100.00	100.00
THE PURELY GROUP PTY LTD	SYDNEY (AUSTRALIA)		100.00	100.00
SGEL GROUP				
SOCIEDAD GENERAL ESPANOLA DE LIBRERIA (SGEL)	MADRID (SPAIN)		100.00	100.00
CELERITAS TRANSPORTE	ALCOBENDAS (SPAIN)		100.00	100.00
DISTRIBUEDA	REUS (SPAIN)		50.01	50.01
FREEACTION	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
LAPKER GROUP				
LAPKER ZRT	BUDAPEST (HUNGARY)		80.41	80.41
BUVIHIR ZRT	BUDAPEST (HUNGARY)		80.41	100.00
E-SZOLG ZRT	BUDAPEST (HUNGARY)		80.41	100.00
LDS DISZTRIBUTOR KTF	BUDAPEST (HUNGARY)		80.41	100.00
SPRINTER KFT	BUDAPEST (HUNGARY)		80.41	100.00
AIREST GROUP				
LS TR FOOD SERVICES ITALIA SRL	VENICE (ITALY)		100.00	100.00
AIREST COLLEZIONI VENEZIA SRL	VENICE (ITALY)		50.00	100.00 ^(*)
AIREST COLLEZIONI GLASGOW LTD	GLASGOW (UNITED KINGDOM)		100.00	100.00
AIREST COLLEZIONI DUBLIN LTD	DUBLIN (IRELAND)		100.00	100.00
AIREST COLLEZIONI SRL	VENICE (ITALY)		100.00	100.00
AIREST RESTAURANT MIDDLE EAST LLC	ABU DHABI (UNITED ARAB EMIRATES)		100.00	100.00
AIREST RETAIL BAPA SRL	VENICE (ITALY)		100.00	100.00
AIREST RETAIL SRL	VENICE (ITALY)		50.00	100.00 ^(*)
AIREST SPA	VENICE (ITALY)		50.00	100.00 ^(*)
AIREST VERY ITALIAN FOOD SRL	VENICE (ITALY)		100.00	100.00
AIREST VTV SRL	VENICE (ITALY)		50.00	100.00 ^(*)
LAGARDÈRE TRAVEL RETAIL AUSTRIA HOLDING GmbH	VIENNA (AUSTRIA)		100.00	100.00
LAGARDÈRE FOOD SERVICES SRL	VENICE (ITALY)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL AUSTRIA GmbH	VIENNA (AUSTRIA)		100.00	100.00
LAGARDÈRE FOOD SERVICES AS	PRAGUE (CZECH REPUBLIC)		100.00	100.00
LAGARDÈRE TRAVEL RETAIL TRGOVINA	LJUBLJANA (SLOVENIA)		100.00	100.00
SHANGHAI AIREST CATERING LTD	SHANGHAI (CHINA)		100.00	100.00
LAGARDÈRE ACTIVE				
LAGARDÈRE ACTIVE	149-151 rue Anatole France 92300 LEVALLOIS-PERRET	433 443 124	100.00	100.00
909 PRODUCTION	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	432 861 334	77.16	80.00

(*) Comprising 75 fully consolidated entities (including minority interests in each entity with different percentage interests).

(**) The shareholder agreement confers control of the group to Lagardère Travel Retail.

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
AMAYA-TECHNISONOR	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	542 088 604	99.89	100.00
ATLANTIQUE PRODUCTIONS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	324 873 421	99.89	100.00
AUBES PRODUCTIONS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	429 138 019	99.89	100.00
123 BILLETS	100 rue Lafayette – 75010 PARIS	411 105 117	100.00	100.00
CARSON PROD	27 rue Marbeuf – 75008 PARIS	438 557 282	96.57	96.68
CERT	SARREBRUCK (GERMANY)		99.70	99.81
DEMD PRODUCTIONS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	377 608 377	99.89	100.00
DE PÈRE EN FILS PRODUCTIONS	7-15 rue du Dôme 92300 LEVALLOIS-PERRET	449 309 994	50.94	51.00
DIFFA	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	808 646 638	50.04	50.10
DOCTISSIMO	149 rue Anatole France 92300 LEVALLOIS-PERRET	562 013 524	100.00	100.00
DOCTIPHARMA	149 rue Anatole France 92300 LEVALLOIS-PERRET	794 411 561	98.04	98.04
ÉDITIONS MUSICALES FRANÇOIS 1 ^{er}	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	381 649 771	99.89	100.00
ÉLECTRON LIBRE PRODUCTIONS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	449 448 372	99.89	100.00
EUROPE 1 IMMOBILIER	26 bis rue François 1 ^{er} – 75008 PARIS	622 009 959	99.82	100.00
EUROPE 1 TÉLÉCOMPAGNIE	26 bis rue François 1 ^{er} – 75008 PARIS	542 168 463	99.80	100.00
EUROPE 2 ENTREPRISES	28 rue François 1 ^{er} – 75008 PARIS	352 819 577	99.89	100.00
EUROPE NEWS	26 bis rue François 1 ^{er} – 75008 PARIS	343 508 750	99.80	100.00
FCUBE	149 rue Anatole France 92300 LEVALLOIS-PERRET	482 467 610	99.89	100.00
FENIPROD	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	391 464 633	99.89	100.00
GENAO PRODUCTIONS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	448 829 275	99.89	100.00
GMT PRODUCTIONS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	342 171 667	99.89	100.00
GULLI INTERACTIVE	28 rue François 1 ^{er} – 75008 PARIS	533 299 616	99.89	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	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	334 805 686	99.89	100.00
IMAGE & COMPAGNIE	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	334 027 620	99.89	100.00
JEUNESSE INTERACTIVE	28 rue François 1 ^{er} – 75008 PARIS	491 848 222	99.89	100.00
JEUNESSE TV (GULLI)	28 rue François 1 ^{er} – 75008 PARIS	480 937 184	99.89	100.00
KEEWU PRODUCTION	DAKAR (SENEGAL)		74.92	75.00
LA WEBCO	21 Avenue Gaston Monmousseau 93240 STAINS	752 445 387	70.00	100.00
LAGARDÈRE ACTIVE AGENCE	149 rue Anatole France 92300 LEVALLOIS-PERRET	508 963 402	100.00	100.00
LAGARDÈRE ACTIVE BROADCAST	1 rue du Ténac – 98000 MONACO	775 751 779	99.89	99.89

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
LAGARDÈRE ACTIVE DIGITAL	149 rue Anatole France 92300 LEVALLOIS-PERRET	497 909 051	100.00	100.00
LAGARDÈRE ACTIVE ENTREPRISE	149 rue Anatole France 92300 LEVALLOIS-PERRET	300 938 826	99.97	100.00
LAGARDÈRE ACTIVE ENTREPRISES JAPAN	TOKYO (JAPAN)		99.97	100.00
LAGARDÈRE ACTIVE FINANCES	149 rue Anatole France 92300 LEVALLOIS-PERRET	410 208 136	100.00	100.00
LAGARDÈRE ACTIVE FM	28 rue François 1 ^{er} – 75008 PARIS	441 942 760	99.89	100.00
LAGARDÈRE ACTIVE TV	28 rue François 1 ^{er} – 75008 PARIS	334 595 881	99.89	100.00
LAGARDÈRE DIGITAL FRANCE	149 rue Anatole France 92300 LEVALLOIS-PERRET	433 934 312	100.00	100.00
LAGARDÈRE STUDIOS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	309 001 477	99.89	100.00
LAGARDÈRE STUDIOS DISTRIBUTION	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	339 412 611	99.89	100.00
LAGARDÈRE GLOBAL ADVERTISING	10 rue Thierry Le Luron 92300 LEVALLOIS-PERRET	350 277 059	99.72	100.00
LAGARDÈRE MEDIA CONSULTING	28 rue François 1 ^{er} – 75008 PARIS	307 718 320	99.89	100.00
LAGARDÈRE MÉTROPOLES	28 rue François 1 ^{er} – 75008 PARIS	329 209 993	99.97	100.00
LAGARDÈRE NEWS	28 rue François 1 ^{er} – 75008 PARIS	415 096 502	99.80	100.00
LAGARDÈRE PUBLICITÉ	10 rue Thierry Le Luron 92300 LEVALLOIS-PERRET	345 404 040	99.97	100.00
LAGARDÈRE TÉLÉVISION INTERNATIONAL	149 rue Anatole France 92300 LEVALLOIS-PERRET	612 039 164	99.89	100.00
LAGARDÈRE THÉMATIQUES	28 rue François 1 ^{er} – 75008 PARIS	350 787 594	99.89	100.00
LÉO VISION	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	383 160 942	99.89	100.00
LTI VOSTOK	MOSCOW (RUSSIA)		99.89	100.00
MAXIMAL NEWS TÉLÉVISION	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	384 316 907	99.89	100.00
MAXIMAL PRODUCTIONS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	432 608 313	99.89	100.00
MERLIN PRODUCTIONS	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	451 099 402	99.89	100.00
MEZZO	28 rue François 1 ^{er} – 75008 PARIS	418 141 685	59.93	60.00
MONDOCTEUR	149 rue Anatole France 92300 LEVALLOIS-PERRET	790 148 001	73.00	73.00
NEWSWEB	151 rue Anatole France 92300 LEVALLOIS-PERRET	424 905 172	100.00	100.00
PARTNER PROD	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	429 513 153	99.89	100.00
PLURIMEDIA	9 Place Marie-Jeanne Bassot 92300 LEVALLOIS-PERRET	391 817 467	99.97	100.00
PROMOTION ET SPECTACLES D'EUROPE 1	26 bis rue François 1 ^{er} – 75008 PARIS	632 042 495	99.80	100.00
PUBLICATIONS FRANCE MONDE	149 rue Anatole France 92300 LEVALLOIS-PERRET	562 113 787	99.94	100.00
QUILLET	149 rue Anatole France 92300 LEVALLOIS-PERRET	542 043 971	99.96	100.00
RFM ENTREPRISES	28 rue François 1 ^{er} – 75008 PARIS	405 188 871	99.89	100.00
RFM RÉGIONS	28 rue François 1 ^{er} – 75008 PARIS	382 002 509	99.89	100.00
SOCIÉTÉ DE PRESSE FÉMININE	149 rue Anatole France 92300 LEVALLOIS-PERRET	441 174 554	100.00	100.00
SOCIÉTÉ DE TRAITEMENT DES PRODUITS DE PRESSE	10 rue Thierry Le Luron 92300 LEVALLOIS-PERRET	732 053 491	99.97	100.00

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
THE BOX DISTRIBUTION	11 rue de l'Avre – 75015 PARIS	492 603 287	99.89	100.00
VIRGIN RADIO RÉGIONS	28 rue François 1 ^{er} – 75008 PARIS	339 802 118	99.89	100.00
BOOMERANG GROUP				
BOOMERANG TV	MADRID (SPAIN)		81.91	82.00
BOOMERANG CHILE PRODUCCIONES	SANTIAGO (CHILE)		81.91	100.00
BOOMERANG PORTUGAL UNIPessoal	LISBON (PORTUGAL)		81.91	100.00
BOOMERANG TV ITALIA	ROME (ITALY)		81.91	100.00
CREATECNA XXI	MADRID (SPAIN)		81.91	100.00
DOBLE DIEZ CANARIAS	TELDE (SPAIN)		81.91	100.00
DOBLE DIEZ CASTILLA LA MANCHA	TOLEDO (SPAIN)		81.91	100.00
DOBLE DIEZ COMUNICACION	LAS PALMAS (SPAIN)		81.91	100.00
DTV TECNOLOGIA Y PRODUCCION DIGITAL	ALCOBENDAS (SPAIN)		81.91	100.00
PORTOCABO TV	LA CORUÑA (SPAIN)		81.91	100.00
VERANDA TV	BARCELONA (SPAIN)		81.91	100.00
LARI GROUP				
LAGARDÈRE ACTIVE RADIO INTERNATIONAL	28 rue François 1 ^{er} – 75008 PARIS	388 404 717	99.89	100.00
ADI CÔTE D'IVOIRE	ABIDJAN (IVORY COAST)		99.89	100.00
ADI SÉNÉGAL	DAKAR (SENEGAL)		49.95	100.00 ^(*)
BBC RADIOCOM	PRAGUE (CZECH REPUBLIC)		99.89	100.00
EDI ROMANIA	BUCHAREST (ROMANIA)		99.89	100.00
EUROPA 2	BRATISLAVA (SLOVAKIA)		99.89	100.00
EUROPE 2 PRAGUE	PRAGUE (CZECH REPUBLIC)		99.89	100.00
EUROZET	WARSAW (POLAND)		99.89	100.00
EUROZET CONSULTING	WARSAW (POLAND)		99.89	100.00
EUROZET RADIO	WARSAW (POLAND)		99.89	100.00
FORWARD Media	BRATISLAVA (SLOVAKIA)		99.89	100.00
FREKVENCE 1	PRAGUE (CZECH REPUBLIC)		99.89	100.00
INFINITIV	PRAGUE (CZECH REPUBLIC)		99.89	100.00
LAGARDÈRE ACTIVE CZECH REPUBLIC	PRAGUE (CZECH REPUBLIC)		99.89	100.00
RADIO BONTON	PRAGUE (CZECH REPUBLIC)		99.89	100.00
RADIO MERCHANDISING COMPANY	PRAGUE (CZECH REPUBLIC)		99.89	100.00
RADIO PLUS POLSKA	WARSAW (POLAND)		79.91	80.00
RADIO PLUS POLSKA CENTRUM	WARSAW (POLAND)		99.89	100.00
RADIO PLUS POLSKA ZACHOD	WARSAW (POLAND)		63.93	80.00
RADIO SALU – EURO RADIO SAAR	SARREBRUCK (GERMANY)		51.15	51.30
RRM BUCAREST	BUCHAREST (ROMANIA)		99.89	100.00
RRM PRAGUE	PRAGUE (CZECH REPUBLIC)		99.89	100.00
RRM SLOVAKIA	BRATISLAVA (SLOVAKIA)		99.89	100.00
SPOPKA PRODUCENCKA PLUS POLSKA	WARSAW (POLAND)		89.90	100.00
STUDIO ZET	WARSAW (POLAND)		99.89	100.00
LEGUIDE GROUP				
LEGUIDE.COM	12, rue Godot de Mauroy – 75009 PARIS	425 085 875	100.00	100.00
DOOYOO GmbH	BERLIN (GERMANY)		100.00	100.00
DOOYOO LTD	CANVEY (UNITED KINGDOM)		100.00	100.00

(*) The shareholder agreement confers control of the group to Lagardère Active.

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
GOOSTER	12, rue Godot de Mauroy – 75009 PARIS	450 888 433	100.00	100.00
SHOPPING GUIDE GmbH (CIAO)	MUNICH (GERMANY)		100.00	100.00
RÉSERVOIR GROUP				
RÉSERVOIR HOLDING	7-15 rue du Dôme 92100 BOULOGNE-BILLANCOURT	799 890 108	69.92	70.00
GROUPE RÉSERVOIR	101-103 boulevard Murat – 75016 PARIS	395 221 286	69.92	100.00
RÉSERVOIR MUSIC	101-103 boulevard Murat – 75016 PARIS	439 170 333	69.92	100.00
RÉSERVOIR NET	101-103 boulevard Murat – 75016 PARIS	429 944 986	69.92	100.00
RÉSERVOIR PROD	101-103 boulevard Murat – 75016 PARIS	432 411 502	69.92	100.00
LAGARDÈRE SPORTS AND ENTERTAINMENT				
LAGARDÈRE SPORTS AND ENTERTAINMENT SAS	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	453 759 078	100.00	100.00
IFAP SPORTS SAS	16 avenue Hoche – 75008 PARIS	448 759 078	100.00	100.00
LAGARDÈRE SPORTS AND ENTERTAINMENT BRAZIL	SAO PAULO (BRAZIL)		100.00	100.00
LAGARDÈRE SPORTS AND ENTERTAINMENT FINANCE SAS	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	519 085 658	100.00	100.00
LAGARDÈRE UNLIMITED UK	LONDON (UNITED KINGDOM)		100.00	100.00
SPORTFIVE GROUP				
LAGARDÈRE SPORTS SAS	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	873 803 456	100.00	100.00
AJOINT COMMUNICATION GmbH	FRANKFURT (GERMANY)		100.00	100.00
AKZIO! GmbH	MUNICH (GERMANY)		100.00	100.00
EVENT 360	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	527 670 590	100.00	100.00
EVENT KNOWLEDGE SERVICES SA	LAUSANNE (SWITZERLAND)		100.00	100.00
LAGARDÈRE SPORTS MEDIA SOLUTIONS SAS	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	350 857 686	100.00	100.00
LAGARDÈRE UNLIMITED ESPAÑA	MADRID (SPAIN)		100.00	100.00
LAGARDÈRE UNLIMITED STADIUM SOLUTIONS HONGRIE	BUDAPEST (HUNGARY)		100.00	100.00
LAGARDÈRE UNLIMITED STADIUM SOLUTIONS SAS	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	321 500 803	100.00	100.00
LU GERMANY GmbH	HAMBURG (GERMANY)		100.00	100.00
MULTIMEDIA GLOBAL FINANCE	LUXEMBOURG (LUXEMBOURG)		100.00	100.00
SPONSORSHIP 360	2-6 rue Marcel Monge – 92150 SURESNES	518 902 283	100.00	100.00
SPORTFIVE ASIA SDN.BHD	KUALA LUMPUR (MALAYSIA)		100.00	100.00
SPORTFIVE GmbH	HAMBURG (GERMANY)		100.00	100.00
SPORTFIVE INTERNATIONAL SA	GENEVA (SWITZERLAND)		100.00	100.00
SPORTFIVE ITALY SRL	TURIN (ITALY)		100.00	100.00
SPORTFIVE MARKETING ESPORTIVO LTDA	RIO DE JANEIRO (BRAZIL)		100.00	100.00
SPORTFIVE NETHERLANDS BV	AMSTERDAM (NETHERLANDS)		100.00	100.00
SPORTFIVE POLAND SP ZOO	WARSAW (POLAND)		100.00	100.00
SPORTFIVE SINGAPORE PTE LTD	SINGAPORE (REPUBLIC OF SINGAPORE)		100.00	100.00
SPORTFIVE UK LTD	LONDON (UNITED KINGDOM)		100.00	100.00
UFA SPORTS GmbH	HAMBURG (GERMANY)		100.00	100.00
UFA SPORTS SP ZOO	WARSAW (POLAND)		100.00	100.00
UFA SPORTS SLOVAKIA SRO	BRATISLAVA (SLOVAKIA)		100.00	100.00
UFA SPORTS VENTURES GmbH	COLOGNE (GERMANY)		100.00	100.00

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
UNITED SPORTS DIGITAL GmbH	HAMBURG (GERMANY)		100.00	100.00
VIP SPORTSTRAVEL AG	ZURICH (SWITZERLAND)		100.00	100.00
VIP SPORTSTRAVEL GmbH	BERLIN (GERMANY)		100.00	100.00
ZACHEL AG	BERLIN (GERMANY)		100.00	100.00
LU SCANDINAVIA GROUP				
LAGARDÈRE SPORTS SCANDINAVIA AB	GOTHENBURG (SWEDEN)		100.00	100.00
LU SCANDINAVIA AB	GOTHENBURG (SWEDEN)		100.00	100.00
PR EVENT I BASTAD AB	GOTHENBURG (SWEDEN)		100.00	100.00
IEC IN SPORTS GROUP				
IEC IN SPORTS AB	STOCKHOLM (SWEDEN)		100.00	100.00
ARENA MANAGEMENT SWEDEN AB	SOLNA (SWEDEN)			
IEC IN SPORTS ASIA PACIFIC LTD	HONG KONG (CHINA)		100.00	100.00
IEC IN SPORTS (SUISSE) SARL	LAUSANNE (SWITZERLAND)		100.00	100.00
WORLD TRIATHLON STOCKHOLM AB	STOCKHOLM (SWEDEN)		55.00	100.00
SPORTS INVESTMENT COMPANY GROUP				
SPORTS INVESTMENT COMPANY LLC	WILMINGTON (UNITED STATES)		100.00	100.00
LAGARDÈRE UNLIMITED BASEBALL LLC	WILMINGTON (UNITED STATES)		100.00	100.00
SPORTS MEDIA ADVISORS LLC	WASHINGTON (UNITED STATES)		100.00	100.00
TENNIS ADVISORS LLC	WASHINGTON (UNITED STATES)		100.00	100.00
WORLWIDE FOOTBALL LLC	JERICHO (UNITED STATES)		100.00	100.00
GROUPE LU EVENTS				
LU EVENTS GmbH	HAMBURG (GERMANY)		100.00	100.00
LU EVENTS AG	HAMBURG (GERMANY)		100.00	100.00
LU EVENTS NORTH AMERICA LLC	CHICAGO (UNITED STATES)		100.00	100.00
LU EVENTS OCEANIA	AUCKLAND (NEW ZEALAND)		80.00	80.00
LU EVENTS SPORTS UK	LONDON (UNITED KINGDOM)		100.00	100.00
UPSOLUT USAT LLC	WILMINGTON (UNITED STATES)		78.00	78.00
LAGARDÈRE SPORTS AND ENTERTAINMENT INC. GROUP				
LAGARDÈRE UNLIMITED INC.	WILMINGTON (UNITED STATES)		100.00	100.00
JEFF SANDERS PROMOTION	BEAVERTON (UNITED STATES)		100.00	100.00
LAGARDÈRE UNLIMITED ARIZONA LLC	SCOTTSDALE, ARIZONA (UNITED STATES)		80.00	80.00
LAGARDÈRE UNLIMITED CONSULTING LLC	WILMINGTON (UNITED STATES)		100.00	100.00
LU SSI LLC	ST SIMONS ISLAND (UNITED STATES)		100.00	100.00
LAGARDÈRE LIVE ENTERTAINMENT GROUP				
CASINO DE PARIS	16 rue de Clichy – 75009 PARIS	582 047 957	100.00	100.00
COACH ACADEMIE DE PARIS	8 rue de la Michodière – 75002 PARIS	494 528 193	60.00	100.00
LAGARDÈRE LIVE ENTERTAINMENT	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	441 268 380	100.00	100.00
LAGARDÈRE PARIS RACING RESSOURCES	Chemin de la Croix Catelan – 75116 PARIS	433 565 819	100.00	100.00
LAGARDÈRE SPORTS AND ENTERTAINMENT TALENTS FRANCE	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	402 345 425	100.00	100.00
LP 1	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	808 265 235	70.00	70.00
LULE MUSIC	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	509 763 611	100.00	100.00
SIIS DEVELOPPEMENT	8 rue de la Michodière – 75002 PARIS	537 915 712	60.00	60.00
SIIS EUROPE	SAINT-GILLES (BELGIUM)		60.00	60.00

SUBSIDIARIES	REGISTERED OFFICE	Registration number	% interest	% control
SENSO	33 rue Lecocq – 33000 BORDEAUX	790 021 760	100.00	100.00
SOCIÉTÉ D'EXPLOITATION DES FOLIES BERGÈRE	16-18 rue du Dôme 92100 BOULOGNE-BILLANCOURT	509 763 694	100.00	100.00
SOCIÉTÉ D'EXPLOITATION DES SPECTACLES BATACLAN	50 boulevard Voltaire – 75011 PARIS	702 012 931	70.00	100.00
WORLD SPORT GROUP				
WORLD SPORT GROUP INVESTMENTS LTD	TORTOLA (BRITISH VIRGIN ISLANDS)		78.60	78.60
WORLD SPORT FOOTBALL LTD	HONG KONG (CHINA)		70.74	100.00
WORLD SPORT GROUP BEIJING LTD	BEIJING (CHINA)		70.74	100.00
WORLD SPORT GROUP EAST ASIA	HONG KONG (CHINA)		70.74	100.00
WORLD SPORT GROUP FZ-LLC	DUBAI (UNITED ARAB EMIRATES)		70.74	100.00
WORLD SPORT GROUP HOLDINGS LTD	TORTOLA (BRITISH VIRGIN ISLANDS)		70.74	90.00
WORLD SPORT GROUP INDIA LTD	MUMBAI (INDIA)		70.74	100.00
WORLD SPORT GROUP LTD	HONG KONG (CHINA)		70.74	100.00
WORLD SPORT GROUP MAURITIUS LTD	PORT LOUIS (MAURITIUS)		70.74	100.00
WORLD SPORT GROUP PTE LTD	SINGAPORE (REPUBLIC OF SINGAPORE)		70.74	100.00
WORLD SPORT GROUP PTY LTD	BROOKVALE (AUSTRALIA)		70.74	100.00
SMAM GROUP				
LAGARDÈRE SPORTS AUSTRALIA HOLDING PTY LTD	SYDNEY (AUSTRALIA)		100.00	100.00
JAVELIN AUSTRALIA PTY LTD	ST LEONARDS (AUSTRALIA)		100.00	100.00
LAGARDÈRE SPORTS AUSTRALIA PTY LTD	ST LEONARDS (AUSTRALIA)		100.00	100.00
SPORTS MARKETING & MANAGEMENT (U.K.) LTD	SURREY (UNITED KINGDOM)		100.00	100.00
OTHER ACTIVITIES				
LAGARDÈRE SCA	4 rue de Presbourg – 75116 PARIS	320 366 446	100.00	100.00
COMPAGNIE IMMOBILIÈRE EUROPA	149 rue Anatole France 92300 LEVALLOIS-PERRET	407 662 329	99.98	100.00
DARIADE	42 rue Washington – 75408 PARIS	400 231 072	100.00	100.00
ÉCRINVEST 4	42 rue Washington – 75408 PARIS	434 211 793	100.00	100.00
ÉDIFINANCE PARTICIPATIONS	42 rue Washington – 75408 PARIS	440 143 741	100.00	100.00
FINANCIÈRE DE PICHAT ET CIE	42 rue Washington – 75408 PARIS	320 366 453	100.00	100.00
HÉLIOS	42 rue Washington – 75408 PARIS	433 436 870	100.00	100.00
HOLPA	42 rue Washington – 75408 PARIS	572 011 526	100.00	100.00
LAGARDÈRE FINANCE	42 rue Washington – 75408 PARIS	409 882 883	100.00	100.00
LAGARDÈRE HOLDING TV	42 rue Washington – 75408 PARIS	428 705 537	100.00	100.00
LAGARDÈRE MEDIA	4 rue de Presbourg – 75116 PARIS	402 345 128	100.00	100.00
LAGARDÈRE NORTH AMERICA INC.	NEW YORK (UNITED STATES)		100.00	100.00
LAGARDÈRE PARTICIPATIONS	4 rue de Presbourg – 75116 PARIS	303 600 902	100.00	100.00
LAGARDÈRE RESSOURCES	42 rue Washington – 75408 PARIS	348 991 167	100.00	100.00
LAGARDÈRE UK	LONDON (UNITED KINGDOM)		100.00	100.00
MATRA MANUFACTURING & SERVICES	4 rue de Presbourg – 75116 PARIS	318 353 661	100.00	100.00
MNC	42 rue Washington – 75408 PARIS	345 078 927	100.00	100.00
PROMOTEC 5000 SL	MADRID (SPAIN)		100.00	100.00
SOFRIMO	42 rue Washington – 75408 PARIS	569 803 687	100.00	100.00
SOFRIMO IBERIA	MADRID (SPAIN)		100.00	100.00
TEAM LAGARDÈRE	42 rue Washington – 75408 PARIS	482 741 725	100.00	100.00

Companies jointly controlled and accounted for under the equity method at 31 December 2015:

JOINT VENTURES	REGISTERED OFFICE	Registration number	% interest	% control
LAGARDÈRE PUBLISHING				
HARLEQUIN SA	83-85 boulevard Vincent Auriol – 75013 PARIS	318 671 591	50.00	50.00
LIGHTNING SOURCE	1 avenue Gutenberg – 78910 MAUREPAS	515 014 785	50.00	50.00
LAGARDÈRE TRAVEL RETAIL				
C-STORE	55 rue Deguingand – 92300 LEVALLOIS-PERRET	505 387 795	50.00	50.00
CZ PRESS	PRAGUE (CZECH REPUBLIC)		40.22	50.00
DUTYFLY SOLUTIONS	ZAC du Moulin 6, rue du Meunier 95700 ROISSY EN FRANCE	443 014 527	45.02	50.00
DUTYFLY SOLUTIONS ESPAÑA	MADRID (SPAIN)		45.02	50.00
DUTYFLY SOLUTIONS ITALIA	MILAN (ITALY)		45.02	50.00
DUTYFLY SOLUTIONS LUXEMBOURG	LUXEMBOURG (LUXEMBOURG)		45.02	50.00
DUTYFLY SOLUTIONS ROMANIA	BUCHAREST (ROMANIA)		45.02	50.00
HUNGARO PRESSE	BUDAPEST (HUNGARY)		40.22	50.00
LAGARDÈRE CAPITAL LLC	ABU DHABI (UNITED ARAB EMIRATES)		50.00	50.00
LYON DUTY FREE	295 rue de Finlande – Aéroport Lyon Saint Exupéry – 69124 COLOMBIER-SAUNIEU	533 770 074	45.02	50.00
RELAY@ADP	55 rue Deguingand – 92300 LEVALLOIS-PERRET	533 970 950	49.84	50.00
SDA CROATIE	ZAGREB (CROATIA)		45.02	50.00
SOCIÉTÉ DE DISTRIBUTION AÉROPORTUAIRE	114 avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE	552 016 628	45.02	50.00
SOCIÉTÉ DES COMMERCE EN GARES	55 rue Deguingand – 92300 LEVALLOIS-PERRET	799 394 739	50.00	50.00
SVRLS@LAREUNION SAS	Tour Prisma, 4-6 avenue d'Alsace 92982 PARIS LA DÉFENSE Cedex	538 210 147	44.84	50.00
SUMO TRAVEL RETAIL PTY LTD	SURRY HILLS (AUSTRALIA)		50.00	50.00
TIMES NEWSLINK	SINGAPORE (REPUBLIC OF SINGAPORE)		50.00	50.00
LAGARDÈRE ACTIVE				
DISNEY HACHETTE PRESSE	124 rue Danton – 92300 LEVALLOIS-PERRET	380 254 763	49.99	50.00
MULTIPARK MADRID	MADRID (SPAIN)		40.95	50.00
NOVA VERANDA 2010	BARCELONA (SPAIN)		40.95	50.00
RADIOHOUSE SRO	PRAGUE (CZECH REPUBLIC)		49.95	50.00
LAGARDÈRE SPORTS AND ENTERTAINMENT				
LU BRAZIL GROUP				
LU ARENA	SAO PAULO (BRAZIL)		50.00	50.00
LU CASTELAO	SAO PAULO (BRAZIL)		50.00	50.00
SPE INDEPENDENCIA	SAO PAULO (BRAZIL)		50.00	50.00
SPORTFIVE GROUP				
STADION FRANKFURT MANAGEMENT GmbH	FRANKFURT (GERMANY)		50.00	50.00
LU EVENTS GROUP				
LU EVENTS SOUTH AFRICA PROPRIETARY LTD	LE CAP (SOUTH AFRICA)		50.00	50.00
OTHER ACTIVITIES				
GLOBAL CAR SERVICES	42 rue Washington – 75408 PARIS	304 233 406	50.00	50.00

Companies in which the Group exercises significant influence, accounted for under the equity method at 31 December 2015:

ASSOCIATES	REGISTERED OFFICE	Registration number	% interest	% control
LAGARDÈRE PUBLISHING				
ÉDITIONS J'AI LU	87 quai Panhard et Levassor – 75013 PARIS	582 039 673	35.33	35.33
LAGARDÈRE TRAVEL RETAIL				
INMEDIO SP ZOO	WARSAW (POLAND)		49.00	49.00
LAGARDÈRE ACTIVE				
BANDSINTOWN GROUP INC.	NEW YORK (UNITED STATES)		47.92	47.92
EUROPE RÉGIES OUEST	16 avenue Henry Fréville – 35200 RENNES	410 666 150	48.60	49.00
LA PLACE MEDIA	43 boulevard Barbès – 75018 PARIS	753 186 337	24.67	24.68
MARIE CLAIRE	149 rue Anatole France 92300 LEVALLOIS-PERRET	383 953 601	41.99	42.00
SETC	48-50 boulevard Senard – 92210 SAINT-CLOUD	378 558 779	49.29	49.31
LARI INTERNATIONAL GROUP				
107.8 ANTENNE AC GmbH	WÜRSELEN (GERMANY)		22.50	44.00
107.8 ANTENNE AC GmbH & CO KG	WÜRSELEN (GERMANY)		22.50	44.00
25 AM	LE CAP (SOUTH AFRICA)		49.95	50.00
MAX LOYD	PRAGUE (CZECH REPUBLIC)		33.96	34.00
MEDIAMARK	RIVONIA (SOUTH AFRICA)		49.94	50.00
RADIO 21	BUCHAREST (ROMANIA)		19.98	20.00
LAGARDÈRE SPORTS AND ENTERTAINMENT				
SADDLEBROOK INTERNATIONAL	WESLEY CHAPEL (UNITED STATES)		30.00	30.00
SPORTFIVE GROUP				
JUNIPER GROUP GmbH	BERLIN (GERMANY)		25.50	25.50

NOTE 39 CONSOLIDATED FINANCIAL STATEMENTS FOR 2014 AND 2013

In application of article 28 of European Commission regulation no. 809/2004, the documents listed below are incorporated by reference in this Reference Document:

- ▶ the consolidated financial statements and the related audit report on pages 85 to 194 of the French Reference Document for 2014, filed with the AMF on 1 April 2015 under registration number D.15-0269;

- ▶ the consolidated financial statements and the related audit report on pages 91 to 196 of the French Reference Document for 2013, filed with the AMF on 4 April 2014 under registration number D.14-0289.

The non-incorporated parts of the above documents are either irrelevant for investors or covered in another part of this Reference Document.

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6.4 PRESENTATION OF THE LAGARDÈRE SCA PARENT COMPANY FINANCIAL STATEMENTS

AFR

Comments on the Lagardère SCA parent company financial statements at 31 December 2015

6.4.1 INCOME STATEMENT

The condensed income statements are as follows:

(in millions of euros)	2015	2014
Operating revenues	56	52
Operating loss	(29)	(38)
Net financial expense	(2)	(81)
Earnings (loss) before tax and exceptional items	(31)	(119)
Net exceptional income (expense)	(2)	19
Income tax gain	74	43
Profit (loss) for the year	41	(57)

In 2015, the Company reported an operating loss of €29 million, an improvement of €9 million compared with 2014. Operating profit or loss chiefly represents the difference between holding company operating expenses and the services billed to the Group's divisions.

Since 1 January 2014, Lagardère SCA has been directly responsible for billing the Group's operating divisions for assistance provided by Corporate Departments, instead and in place of its subsidiary, Lagardère Ressources. This led to the following organisational changes:

- ▶ Lagardère SCA, which previously had no employees, now employs nine people managing the Corporate Departments.

These managers make use of Lagardère Ressources teams and resources, which the latter makes available to them. Lagardère Ressources continues to play a supervisory role in this respect.

- ▶ In consideration for the services provided to it, Lagardère SCA pays Lagardère Ressources a fee intended to cover the costs directly or indirectly incurred by the latter. The annual amount of this fee is calculated based on the actual costs booked in the accounts.

As in the past, Lagardère SCA continues to directly handle expenses relating to certain services provided to it at its request by external consultants.

Financial income and expenses break down as follows:

(in millions of euros)	2015	2014
Interest income from marketable securities and other	-	-
Net interest income (expense) on loans to subsidiaries	-	(2)
Interest and expenses on borrowings	(45)	(56)
Finance costs, net	(45)	(58)
Dividends received or receivable	63	53
Net additions to provisions	(18)	(76)
Other	(2)	-
Net financial expense	(2)	(81)

In 2015, the Company reported net financial expense of €2 million, a €79 million improvement on the expense reported in 2014. This reflected:

- ▶ An €11 million reduction in interest on borrowings, resulting:
 - mainly from a fall in the average interest rate on bonds, due to the redemption at maturity in October 2014 of the outstanding 2009 bond issue (€640 million at a fixed rate of 4.875%), in view of the fact that the new €500 million bond issued in September 2014 pays interest at 2%;

- partially offset by cost incurred in connection with setting up the new multi-currency €1.25 billion syndicated credit facility in May 2015.

- ▶ A €10 million increase in dividends received. In 2015, Lagardère SCA received dividends from Matra Nortel Communications (€30 million, compared to nil in 2014) and Lagardère Finance (€33 million, compared to €29 million in 2014). In 2014, Financière de Pichat paid a dividend of €24 million, deducted from reserves.

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

- ▶ Additions to provisions totalling €35 million in 2015 (€76 million in 2014) and relating mainly to:
 - shares in Matra Nortel Communications for €11 million, as the adjusting entry for a portion of the amount distributed out of reserves;
 - unrealised foreign exchange risks for €19 million, attributable to the translation into euros of the USD 530 million loan agreed in October 2015 to finance the acquisition of the Paradis group.

In 2014, additions to provisions concerned shares in Matra Manufacturing Services, the net carrying amount of which was written down in full (€40 million); shares in Financière de Pichat (€24 million) and treasury shares (€13 million), relating to the adjustment made in line with the share price at year-end.

- ▶ A €15 million reversal, attributable to the adjustment made to the carrying amount of treasury shares based on the reference share price at 31 December 2015 (€27.05).

Exceptional items represented an expense of €2 million in 2015, and related to additions to provisions for risks. Exceptional items represented income of €19 million in 2014, and related to reversals of provisions for risks.

The Company reported an income tax gain of €74 million in 2015. This included an expense of €5 million corresponding to the 3% tax contribution on dividends paid and income of €79 million arising on tax consolidation (taxes paid by subsidiaries in the tax group in excess of the tax due by the whole consolidated tax group). The corresponding figures for 2014 were an expense of €28 million and income of €71 million, respectively.

6.4.2 BALANCE SHEET AND CASH FLOWS

Assets

(in millions of euros)	31 Dec. 2015	31 Dec. 2014
Fixed assets	6,614	6,114
Trade receivables and other	126	55
Cash and cash equivalents	5	4
Total assets	6,745	6,173

Liabilities and shareholders' equity

(in millions of euros)	31 Dec. 2015	31 Dec. 2014
Shareholders' equity	3,063	3,207
Provisions for risks and liabilities	41	17
Borrowings	3,570	2,896
Short-term bank loans	-	-
Other liabilities	71	53
Total liabilities and shareholders' equity	6,745	6,173

In 2015, cash from operating activities amounted to €54 million. Net cash used in investing activities came to €496 million, including €469 million attributable to a loan granted to US subsidiary Lagardère North America and €26 million to the subscription to the capital increase at Lagardère Media following the exercise of share subscription warrants acquired in 2014. Net cash used in investing activities also includes the sale and purchase of treasury shares within the scope of the liquidity agreement.

Financing activities generated a net cash inflow of €443 million and reflected:

- ▶ a negative €167 million due to the payment of the dividend;

- ▶ a positive €83 million reflecting an increase in outstanding commercial paper;

- ▶ a positive €75 million relating to the use of a short-term credit facility;

- ▶ a positive USD 530 million (around €468 million) attributable to a bridge loan contracted in October 2015 to fund the acquisition of the Paradis group;

- ▶ a negative €17 million attributable to amounts borrowed from Lagardère Finance.

Net debt – which corresponds to cash and cash equivalents less borrowings – was as follows at 31 December 2015 and 2014:

(in millions of euros)	31 Dec. 2015	31 Dec. 2014
Net debt	(3,565)	(2,892)

Net debt increased by €673 million over the year, essentially reflecting dividends paid (€167 million), the loan granted to US subsidiary Lagardère North America (€469 million) and the subscription to the capital increase at Lagardère Media (€34 million).

Term of payment for trade payables

In application of the French Commercial Code (*Code de commerce*), all of Lagardère SCA's trade payables at 31 December 2015 are due within 30 days.

6.5 PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2015

AFR

Parent company balance sheet

Assets (in millions of euros)	31 Dec. 2015 Gross	31 Dec. 2015 Depreciation, amortisation and impairment	31 Dec. 2015 Net	31 Dec. 2014 Net
Tangible assets	-	-	-	-
Long-term investments:				
- <i>Investments in subsidiaries and affiliates</i>	6,317	265	6,052	6,028
- <i>Loans and advances to subsidiaries and affiliates</i>	488	-	488	-
- <i>Other investment securities</i>	80	6	74	86
- <i>Loans</i>	-	-	-	-
- <i>Other long-term investments</i>	-	-	-	-
Fixed assets	6,885	271	6,614	6,114
Trade receivables	11	-	11	5
Other receivables	90	-	90	42
Marketable securities	4	-	4	3
Cash and cash equivalents	1	-	1	1
Prepaid expenses	5	-	5	6
Current assets	111	-	111	57
Deferred charges	1	-	1	2
Translation adjustment	19	-	19	-
Total assets	7,016	271	6,745	6,173

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

Liabilities and shareholders' equity (in millions of euros)	31 Dec. 2015 Amount	31 Dec. 2014 Amount
Share capital	800	800
Share and other premiums	229	247
Reserves:		
- <i>Legal reserve</i>	87	87
- <i>Reserves</i>	-	-
- <i>Other reserves</i>	1,532	1,531
Retained earnings	374	599
Profit (loss) for the year	41	(57)
Interim dividend to be allocated	-	-
Shareholders' equity	3,063	3,207
Provisions for risks and liabilities	41	17
Borrowings subject to specific conditions	-	-
Borrowings:		
- <i>Bonds</i>	1,006	1,006
- <i>Bank loans</i>	962	316
- <i>Loans from subsidiaries and affiliates</i>	1,602	1,574
Trade payables	12	15
Other payables	40	38
Accrued expenses and deferred income	-	-
Translation adjustment	19	-
Total liabilities and shareholders' equity	6,745	6,173

Parent company income statement

(in millions of euros)	2015	2014
Operating revenues	56	52
Operating expenses	(85)	(90)
Operating loss	(29)	(38)
Financial income	65	53
Financial expenses	(49)	(91)
Net additions to provisions	(18)	(43)
Net financial expense	(2)	(81)
Earnings (loss) before tax and exceptional items	(31)	(119)
Net exceptional income (expense)	(2)	19
Income tax gain	74	43
Profit (loss) for the year	41	(57)

Parent company statement of cash flows

(in millions of euros)	2015	2014
Profit (loss) for the year	41	(57)
Depreciation, amortisation and provision expense (reversal)	21	58
Net loss on sale of fixed assets	(1)	-
Changes in working capital	(7)	(7)
Cash from (used in) operating activities	54	(6)
Acquisitions of long-term investments	(514)	(45)
Proceeds from disposals of long-term investments	18	20
Decrease in loans and receivables	-	-
Cash used in investing activities	(496)	(25)
Cash used in operating and investing activities	(442)	(31)
Dividends paid	(167)	(945)
Decrease in borrowings and financial liabilities	-	(640)
Proceeds from new borrowings	626	816
Change in Group current accounts	(16)	796
Cash from financing activities	443	27
Translation adjustments	-	-
Change in cash and cash equivalents	1	(4)
Cash and cash equivalents at beginning of year	4	8
Cash and cash equivalents at end of year	5	4

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

(All figures are expressed in millions of euros unless otherwise specified)

PRELIMINARY INFORMATION

Lagardère SCA – the parent company of the Lagardère group – is a holding company, and as such its balance sheet items principally comprise investments and the Group's financing resources.

Since 1 January 2014, Lagardère SCA has been directly responsible for billing the Group's operating divisions for assistance provided by corporate departments, instead and in place of its subsidiary, Lagardère Ressources. This led to the following organisational changes:

- ▶ Lagardère SCA, which previously had no employees, now employs nine people managing the corporate departments. These managers make use of Lagardère Ressources teams and resources, which the latter makes available to them. Lagardère Ressources continues to play a supervisory role in this respect.
- ▶ In consideration for the services provided to it, Lagardère SCA pays Lagardère Ressources a fee intended to cover the costs directly or indirectly incurred by the latter. The annual amount of this fee is calculated based on the actual costs booked in the accounts.

As in the past, Lagardère SCA continues to directly handle expenses relating to certain services provided to it on its request by parties outside the Group.

ACCOUNTING POLICIES

1. GENERAL INFORMATION

Lagardère SCA's annual financial statements have been prepared in accordance with the accounting methods and principles established by the laws and regulations applicable in France. In particular, they comply with Regulation 2014-03 issued by the French Accounting Standards Committee (*Autorité des Normes Comptables – ANC*).

All figures in the tables below are expressed in millions of euros.

2. LONG-TERM INVESTMENTS

Investments in subsidiaries and affiliates are stated at acquisition cost or subscription price. Impairment losses are booked to cover any unrealised losses, which are generally estimated on the basis of a review of the past year and outlook for future years, together with any other relevant information that may contribute to a meaningful valuation.

3. MARKETABLE SECURITIES

Marketable securities are stated at purchase cost using the first-in-first out (FIFO) method. Impairment losses are booked when the market price or realisable value of the securities at the year-end is lower than their initial acquisition cost.

Gains and losses on disposals of marketable securities are reported net of revenues generated by the same securities on a single line of the income statement, such that the economic benefit of transactions on these securities is directly visible.

4. TRANSACTIONS IN FOREIGN CURRENCIES

Amounts receivable and payable in foreign currencies are translated into euros at year-end rates.

Unrealised exchange gains are deferred in the balance sheet and do not affect the income statement.

All unrealised exchange losses are provided for in full, unless:

- ▶ the foreign currency transaction is associated with a parallel transaction intended to hedge the results of any exchange rate fluctuations (forward hedge): in such cases, the provision covers only the unhedged portion of the risk;
- ▶ the unrealised gains and losses concern transactions with similar settlement dates: in such cases, a provision is only recognised to the extent of the unrealised net loss.

NOTES TO THE PARENT COMPANY BALANCE SHEET AND INCOME STATEMENT

1. FIXED ASSETS

Movements in the gross value of fixed assets can be analysed as follows:

	1 Jan. 2015	Increase	Decrease	31 Dec. 2015
Tangible assets	-	-	-	-
Long-term investments:				
Investments in subsidiaries and affiliates and other investment securities ^(*)	6,396	52	51	6,397
Loans and advances to subsidiaries and affiliates	-	488	-	488
Other long-term investments	-	-	-	-
Total fixed assets	6,396	540	51	6,885

(*) This item includes the Company's investment in the FPCI l'dinvest fund amounting to €11 million. €4 million had been subscribed at 31 December 2015, of which €2 million in 2015.

Loans and advances to subsidiaries and affiliates comprise the US dollar loan granted to Lagardère North America to finance the acquisition of the Paradis group.

The €52 million increase in investments in subsidiaries and affiliates and other investment securities corresponds chiefly to:

- ▶ purchases of treasury shares €18 million;
- ▶ subscription to the capital increase at Lagardère Media within the scope of the exercise of share subscription warrants. €34 million.

The €51 million decrease in investments in subsidiaries and affiliates and other investment securities corresponds chiefly to:

- ▶ cancellation of share subscription warrants further to exercise €8 million;
- ▶ cancellation of the gross amount of treasury shares by means of a capital reduction €22 million;
- ▶ sale of treasury shares under the liquidity agreement €18 million.

Changes in depreciation, amortisation and impairment can be analysed as follows:

	1 Jan. 2015	Increase	Decrease	31 Dec. 2015
Long-term investments:				
Investments in subsidiaries and affiliates and other investment securities	282	11	22	271
Loans and advances to subsidiaries and affiliates	-	-	-	-
Total	282	11	22	271

The increase in this item during the year is attributable to the impairment of Matra Nortel Communications shares in the amount of €11 million.

Decreases in the year result from the cancellation of provisions set aside for treasury shares, with the offsetting entry recorded as a reduction in capital.

2. RECEIVABLES

At 31 December 2015, the maturity of receivables was as follows:

	Gross	Due within one year	Due beyond one year
Long-term receivables	488	-	488
Short-term receivables	101	101	-
Total	589	101	488

Long-term receivables mainly correspond to the loan granted to Lagardère North America.

Short-term receivables include:

- ▶ €11 million in Group trade receivables;
- ▶ €21 million in tax receivables (including €17 million in tax credits and €4 million in refundable VAT);
- ▶ €45 million attributable to the Lagardère Finance USD current account;
- ▶ €24 million in intercompany receivables arising on tax consolidation.

3. MARKETABLE SECURITIES

	31 Dec. 2015	31 Dec. 2014
At cost	4	3
Impairment	-	-
Carrying amount	4	3
Market value	4	3
Unrealised gains	-	-

4. CHANGES IN SHAREHOLDERS' EQUITY

Changes in shareholders' equity are analysed below:

	Share capital	Share premiums and reserves	Retained earnings	Profit (loss) for the year	Interim dividend to be allocated	Total
Shareholders' equity at 31 December 2014	800	1,865	599	(57)	-	3,207
Capital reduction	(4)	(18)	-	-	-	(22)
Capital increase	4	-	-	-	-	4
Appropriation of profit for 2014	-	-	(57)	57	-	-
Dividends paid ^(*)	-	-	(167)	-	-	(167)
Profit (loss) for the year	-	-	-	41	-	41
Shareholders' equity at 31 December 2015	800	1,847	375	41	-	3,063

(*) Including the portion of profit paid to the General Partners.

At 31 December 2015, the share capital of Lagardère SCA amounted to €799,913,044.60, represented by 131,133,286 shares with a par value of €6.10 each, all ranking *pari passu* and fully paid up.

In 2015 the Group carried out a number of capital reductions by cancelling 651,658 treasury shares for an amount of €22 million. These operations took place following capital increases carried out by capitalising reserves and involving the same number of shares.

The newly-issued shares were allocated:

- ▶ on 1 April 2015 to the Group's Co-Managing Partners who are beneficiaries under the 25 June 2012 plan;
- ▶ on 27 December 2015 to French tax residents who are beneficiaries under the 26 December 2013 plan;
- ▶ on 30 December 2015 to non-French tax residents who are beneficiaries under the 29 December 2011 plan.

5. TREASURY SHARES

Changes in the number of treasury shares held by Lagardère SCA break down as follows for 2015:

	2015
Number of treasury shares held at 1 January	2,986,120
Purchases of treasury shares under the liquidity agreement ^(*)	684,214
Sales of treasury shares under the liquidity agreement ^(*)	(694,519)
Purchases (for treasury shares awarded to employees)	-
Awards	-
Capital reduction by cancellation of treasury shares	(651,658)
Number of treasury shares held at 31 December	2,324,157

(*) Liquidity agreement entered into in 2008 with Crédit Agricole Cheuvreux for market-making purposes.

6. BONDS

On 17 October 2012, Lagardère SCA undertook a **€500 million bond issue** settled on 31 October 2012, which is redeemable at maturity on 31 October 2017 and pays interest at a fixed rate of 4.125%.

The interest expense for 2015 amounted to €21 million.

On 10 September 2014, Lagardère SCA undertook a **€500 million bond issue** settled on 19 September 2014, which is redeemable at maturity on 19 September 2019 and pays interest at a fixed rate of 2.00%.

The interest expense for 2015 amounted to €10 million.

7. MATURITIES OF LIABILITIES

	31 Dec. 2015	Due within one year	Due between one and five years	Due beyond five years
Bonds	1,006	6	1,000	-
Commercial paper	399	399	-	-
Other borrowings	2,165	76	487	1,602
Trade and other payables	52	52	-	-
Total	3,622	533	1,487	1,602

Other borrowings mainly comprise the current account with Lagardère Finance in the amount of €1,602 million and the new US dollar loan taken out to finance the acquisition of the Paradis group, in an amount of €487 million at 31 December 2015.

8. PROVISIONS

Type of provision and impairment	1 Jan. 2015	Additions	Reversals	31 Dec. 2015
Provisions for risks and liabilities	17	25 ^(*)	1 ^(**)	41
Impairment:				
- long-term investments	282	11 ^(**)	22 ^(***)	271
- other	-	-	-	-
Impairment sub-total	282	11	22	271
Total	299	36	23	312
Including additions and reversals:				
- relating to financial items	-	34	22	-
- relating to exceptional items	-	2	1	-

(*) Including additions to provisions for currency risks for €19 million.

(**) Reversal of utilised provisions for €1 million.

(***) See note 1, Fixed assets.

9. TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES (NET VALUES) – BALANCE SHEET

Assets		Liabilities	
Long-term investments	6,540	Borrowings	1,602
Short-term receivables	81	Trade and other payables	35
Other	-	Other	-

10. TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES – INCOME STATEMENT

Expenses		Revenues	
Operating ^(*)	70	Operating ^(**)	56
Financial ^(***)	16	Financial ^(****)	66
Exceptional	1	Exceptional	1

(*) General services provided by Lagardère Ressources.

(**) Including brand royalty (€8 million) and fees for assistance provided to divisions (€48 million).

(***) Including interest on the Lagardère Finance current account (€1 million), provisions for investments in subsidiaries and affiliates (€11 million) and provisions for risks and liabilities (€4 million).

(****) Including dividends (€63 million) and financial expenses (€2 million).

11. ACCRUED INCOME AND EXPENSES

Accrued income included in the following balance sheet items:		Accrued expenses included in the following balance sheet items:	
Long-term investments	-	Borrowings	6
Short-term receivables	5	Trade and other payables	17
Cash and cash equivalents	-		
Total	5	Total	23

12. PREPAID EXPENSES AND DEFERRED INCOME

	Amount		Amount
Prepaid expenses ^(*)	5	Deferred income	-

(*) This chiefly relates to the cost of the interest rate pre-hedge on the €500 million bond issued in September 2014. This cost is amortised over the term of the bond.

13. NET FINANCIAL EXPENSE

	2015	2014
Financial income	80	55
Financial income from investments in subsidiaries and affiliates	63	53
Income from other investment securities and long-term receivables	2	-
Other interest and similar income	-	-
Net income from marketable securities	-	-
Reversals of provisions and expense transfers	17	2
Foreign exchange gains	-	-
Financial expenses	(82)	(136)
Interest and similar expenses	(49)	(58)
Additions to provisions	(35)	(78)
Foreign exchange losses	-	-
Net financial expense	(2)	(81)

14. EXCEPTIONAL ITEMS

	2015	2014
Net gains on disposals of assets	-	-
Net (additions to) reversals of provisions	(1)	19
Other exceptional income and expenses	(1)	-
Net exceptional income (expense)	(2)	19

15. INCOME TAX GAIN

The €74 million income tax gain recorded in 2015 included an expense of €5 million corresponding to the 3% tax on dividends paid, with the balance relating to the gain generated by taxes paid by subsidiaries in the tax group in excess of the tax due by the

whole consolidated tax group. At 31 December 2015, the tax group comprising Lagardère SCA and its subsidiaries had unused tax loss carryforwards of some €446 million.

16. OFF-BALANCE SHEET COMMITMENTS

Commitments given	Amount	Commitments received	Amount
Guarantees given on behalf of subsidiaries to cover contract-related financial commitments	-	Debt waivers with return to profit clauses	-
Rent guarantees given to subsidiaries	3	Confirmed, unused lines of credit	1,250
Guarantees given to third parties	-	Counter-guarantees received from third parties	-
Bank interest on long-term loans	94		

Commitments in relation to currency and interest rate risk

As part of the management of currency and interest rate risks arising on external financing or intragroup loans and borrowings in foreign currency, the Company may enter into hedging agreements with leading banks.

At 31 December 2015, the Company had contracted staggered EUR/USD cross currency swaps. The total nominal amount of these hedges was USD 265 million at end-2015.

Cover for the share purchase plan

The 2006 plan, involving 1,895,336 options at €44.78 was covered by the allocation of 2,274,462 shares held directly by Lagardère SCA.

At 31 December 2015, the Lagardère share price was €27.51.

Free share award plans

From 2012 to 2015, the Group set up plans to award free shares to employees, the Co-Managing Partners and members of Lagardère Media's Operating Committee. The number of shares awarded under these plans was as follows:

	Number of free shares awarded at inception	Number of outstanding rights At 31 December 2015
25 June 2012 plans	645,800	139,467
26 December 2013 plans	712,950	431,155
22 December 2014 plans	306,120	295,320
1 April 2015 plans	444,440	444,440

For salaried employees of the Group who are beneficiaries of the 2012 to 2014 plans, these plans do not include any performance conditions and the shares vest after a two-year period, provided the beneficiaries have remained in the Group's employment throughout that time. For beneficiaries who are not tax-resident in France, the shares vest at the end of a four-year period provided that the beneficiaries have remained in the Group's employment for two years.

For salaried employees of the Group who are beneficiaries of the 1 April 2015 plan, the shares will only vest if the beneficiaries are still with the Group in three years and if certain performance conditions are met, based on Group recurring operating profit and consolidated net cash flows from operating activities. The shares will fully vest in three years for beneficiaries who are French tax residents, and in four years for beneficiaries who are not French tax residents.

For the Co-Managing Partners, the shares will only vest subject to:

- ▶ the beneficiaries remaining with the Group until at least 31 March 2018, 31 December 2016, and 1 April 2015 respectively under the 2015, 2013 and 2012 plans;
- ▶ achievement of objectives based on criteria internal to the Group (consolidated recurring operating profit and net cash flows from operating activities), with the number of shares awarded reduced accordingly if these objectives are not met.

For the members of Lagardère Media's Operating Committee, who are beneficiaries of the 26 December 2013 and 1 April 2015 plans, the shares will only vest subject to:

- ▶ the beneficiaries remaining with the Group until at least 31 March 2018 and 31 December 2016 respectively under the 2015 and 2013 plans;
- ▶ achievement of performance conditions based on Group recurring operating profit and consolidated net cash flows from operating activities.

Subsidiaries and affiliates at 31 December 2015

(in thousands of euros)	Share capital	Reserves (excl. retained earnings)	Share of capital held (%)	
Information on investments with a book value in excess of 1% of Lagardère SCA's share capital or over which it exercises significant influence				
A - Subsidiaries (Lagardère SCA's holding: at least 50%)				
FINANCIÈRE DE PICHAT & Compagnie (6 rue Laurent Pichat - 75116 Paris)	99,169	12,149	99.25	
HOLPA (immeuble Monceau - 42 rue Washington - 75008 Paris)	536	3,056	100.00	
LAGARDÈRE FINANCE (immeuble Monceau - 42 rue Washington - 75008 Paris)	2,800,000	290,679	100.00	
LAGARDÈRE MEDIA (4 rue de Presbourg - 75116 Paris)	879,611	334,319	100.00	
LAGARDÈRE PARTICIPATIONS (4 rue de Presbourg - 75116 Paris)	15,250	2,467	100.00	
LAGARDÈRE RESSOURCES (immeuble Monceau - 42 rue Washington - 75008 Paris)	10,000	(16,787)	100.00	
MATRA MANUFACTURING & SERVICES (4 rue de Presbourg - 75116 Paris)	13,528	24,548	100.00	
M N C (immeuble Monceau - 42 rue Washington - 75008 Paris)	89,865	7,564	100.00	
B - Affiliates (Lagardère SCA's holding: 10% to 50%)				
C - Other significant investments (Lagardère SCA's holding: less than 10%)				
Information concerning other subsidiaries and affiliates				
A - Subsidiaries not included in paragraph A above				
- Other subsidiaries: Lagardère UK				
B - Affiliates not included in paragraph B above				
- Other subsidiaries				
C - Investments not included in paragraph C above				
- Other subsidiaries				

(*) Profit to be adjusted.

	Carrying amount of shares held		Outstanding loans and advances granted by the Company	Guarantees given by the Company	Sales for the last financial year	Profit (loss) for the last financial year	Dividends received by the Company during the year
	Gross	Net					
	165,451	110,653				(17)	
	16,938	3,570				(22)	
	3,080,000	3,080,000				34,274	33,040
	2,730,374	2,730,374			8,101 ^(f)	38,710	
	25,445	25,445				(86)	
	92,332	0			78,761	50	
	94,035	0			4,696	(462)	
	112,732	101,775				4,347	30,060
	452	452					

Investment portfolio at 31 December 2015

(Article 6 of the French law of 1 March 1984)

I. Investments in subsidiaries and affiliates (in thousands of euros)		
A. Investments in French companies		
Book value over €15,000		6,051,817
<i>Number of shares held:</i>		
6,453,988	Financière de Pichat & Compagnie	110,653
107,284	Holpa	3,570
280,000,000	Lagardère Finance	3,080,000
55,011,673	Lagardère Media	2,730,374
999,991	Lagardère Participations	25,445
1,000,000	Lagardère Ressources	0
845,474	Matra Manufacturing & Services	0
7,848,480	MNC	101,775
Book value below €15,000		0
Total investments in French companies		6,051,817
B. Investments in non-French companies		
<i>Number of shares held:</i>		
325,100	Lagardère UK	452
Book value below €15,000		0
Total investments in non-French companies		452
Total investments in subsidiaries and affiliates		6,052,269
II. Other long-term investments (in thousands of euros)		
C. Investment funds		
	FCPR Idinvest	3,681
Total investment funds		3,681
D. Treasury shares		
Total treasury shares		62,874
Total other long-term investments		66,555
III. Short-term investments (in thousands of euros)		
A. French securities		
1. Equities and mutual funds		
		0
<i>Number of shares held:</i>		
2. Collective investment funds		
		3,787,598
<i>Number of shares held:</i>		
5	AMUNDI TRESO 3 MOIS PARTS DP	3,787,598
Total short-term investments (book value)		3,787,598

Lagardère SCA - Five-year financial summary

(Articles R. 225-83 and R. 225-102 of the French Commercial Code)

Type of indications	2011	2012	2013	2014	2015
I Share capital at 31 December (in euros)					
a) Share capital	799,913,045	799,913,045	799,913,045	799,913,045	799,913,045
b) Number of ordinary shares outstanding	131,133,286	131,133,286	131,133,286	131,133,286	131,133,286
c) Maximum number of shares to be issued upon exercise of share subscription options	-	-	-	-	-
d) Maximum number of shares to be issued upon conversion of bonds	-	-	-	-	-
e) Maximum number of shares to be issued upon exercise of subscription warrants	-	-	-	-	-
II Results of operations (in thousands of euros)					
a) Sales	12,535	7,054	7,239	52,028	56,327
b) Earnings before tax, depreciation, amortisation and provisions	257,302	(65,638)	1,976,989	(75,353)	(13,960)
c) Income tax ^(*)	93,037	88,276	23,410	43,467	74,308
d) Earnings after tax, depreciation, amortisation and provisions	297,253	53,952	2,006,615	(57,052)	41,082
e) Total dividends	165,700	166,247	2,100,928	166,783	(**)
III Earnings per share (in euros)					
a) Earnings per share after tax, but before depreciation, amortisation and provisions	2.67	0.17	15.25	(0.91)	(0.67)
b) Earnings per share after tax, depreciation, amortisation and provisions	2.27	0.41	15.30	(0.44)	0.31
c) Dividend per share	1.30	1.30	16.30	1.30	(**)
IV Staff					
a) Average employee headcount	-	-	-	9	9
b) Total wages and salaries	-	-	-	3,178,984	2,509,884
c) Total employee benefit expense	-	-	-	1,837,379	1,038,059

(*) Mainly the tax gain resulting from tax consolidation.

(**) The Annual General Meeting on 3 May 2016 will be asked to approve a dividend of €1.30 per share.

6.6 STATUTORY AUDITORS' REPORT ON THE COMPANY'S FINANCIAL STATEMENTS

AFR

To the Partners,

In compliance with the assignment entrusted to us by your General Meetings, we hereby report to you, for the financial year ended 31 December 2015, 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 2015 and of the results of operations for the year then ended in accordance with the accounting rules and principles applicable in France.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

ACCOUNTING PRINCIPLES AND VALUATION METHODS

The Note 2 "Financial assets" part of "Accounting principles and methods" presented in the appendix explains the criteria used for the valuation of long-term investments.

As part of our assessments of the accounting principles and methods used by your Company, we verified the appropriateness of the accounting methods used and the reasonableness of estimates made.

These assessments were made in the context of our audit of the annual financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with the professional standards applicable in France, the specific verifications required by law.

We have no matters to report regarding the fair presentation and the conformity with the financial statements of the information given in the management report by the Managing Partners and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the Commercial Code relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified their consistency with the annual financial statements, or with the data used to prepare these annual financial statements and, where applicable, with the information obtained by the Company from companies controlling your Company or controlled by it. On the basis of this research, we certify the accuracy and fair presentation of this information.

In accordance with the law, we have verified that the management report contains the appropriate disclosures regarding the identity of shareholders.

French language original signed at Paris - La Défense
and Courbevoie, on 30 March 2016

The Statutory Auditors

ERNST & YOUNG et Autres	MAZARS
Bruno BIZET	Thierry BLANCHETIER

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

6.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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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 2015, on:

- ▶ the audit of the accompanying consolidated financial statements of Lagardère S.C.A.;
- ▶ the justification of our assessments;
- ▶ the specific verification required by law.

These consolidated financial statements have been approved by the Managing Partners. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the persons and entities that constitute the consolidated Group and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without calling into question the opinion expressed above, we draw your attention to the matter described in Note 10 to the consolidated financial statements related to the intangible fixed assets of Lagardère Sports and Entertainment (ex – Lagardère Unlimited), and LeGuide group.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

As specified in Notes 3.10 and 10 to the consolidated financial statements, at least once a year the Lagardère group performs an impairment test on intangible fixed assets and on goodwill. We have assessed the assumptions used in determining the recoverable value of these assets for the purpose of comparison with their book value. This recoverable value is assessed primarily on the basis of the discounted cash flow forecasts prepared at the end of 2015.

Regarding the assets of the Lagardère Sports and Entertainment division (ex – Lagardère Unlimited), the achievement of the assumptions used by management in determining the cash flow forecasts depends on the conditions in which current contracts will be completed, the ability to renew these contracts or to win new ones as well as the related margin conditions.

With regard to the assets of LeGuide group (Lagardère Active division), the achievement of the assumptions used by management in determining the cash flow forecasts depends in particular on the reestablishment of a balanced competitive environment through an evolution of the European regulatory framework and on the success of diversification into new activities.

In the context described above, we have not identified any matters likely to call into question the overall reasonable nature of the assumptions made by management in the business plans used for the impairment tests.

As specified in Note 3.10 to the consolidated financial statements, these estimates rely on assumptions which are uncertain by nature, and actual results are likely to be sometimes significantly different from the forecasts data used.

We have assessed the reasonableness of the information included in the notes to the consolidated financial statements, related notably to the discounted cash flow forecasts used.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

French language original signed at Courbevoie and Paris - La Défense, on 30 March 2016

The Statutory Auditors

MAZARS

Thierry BLANCHETIER

ERNST & YOUNG et Autres

Bruno BIZET

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

6.8 SPECIAL STATUTORY AUDITORS' REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

To the Partners,

In our capacity as Statutory Auditors of your company, we hereby present our report on regulated agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of the agreements and commitments of which we were informed or which may have come to our attention during our assignment, without pronouncing on their utility and merits, or seeking the existence of other agreements and commitments. It is your responsibility, pursuant to Article R. 226-2 of the Commercial Code, to assess the merit of these agreements and commitments with a view to approving them.

We are also required to provide you with the information required under Article R. 226-2 of the Commercial Code in respect of the execution during the past year of any agreements and commitments already approved by the general meeting.

We carried out the work we deemed necessary in light of the professional standards of the Compagnie Nationale des Commissaires aux Comptes applicable to this responsibility. These standards require that we perform procedures to verify that the information given to us is coherent with the underlying documents.

AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE GENERAL MEETING

We have not been informed of any agreement or commitment authorised during the past year to be submitted to the general meeting for approval in accordance with Article L. 226-10 of the Commercial Code.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

In application of Article R. 226-2 of the Commercial Code, we have been informed of the following agreements and commitments, already approved by the general meeting during previous years and applicable during the period:

AGREEMENTS WITH LAGARDÈRE CAPITAL & MANAGEMENT, SHAREHOLDER OF THE COMPANY

Service Agreement

Under an agreement signed in 1988 by Lagardère Capital & Management with Matra and Hachette, Lagardère Capital & Management provides a range of resources and skills specific to general strategy, international development, company operations, and management of financial capacity, human potential and corporate image. All top management working at Lagardère Capital & Management are members of the management bodies of the Group and its principal subsidiaries.

Following the various reorganizations that have taken place since 1988, this agreement is now between Lagardère Capital & Management and Lagardère Ressources.

The remuneration of Lagardère Capital & Management was modified with effect from 1 July 1999 by an amendment approved in principle by the Supervisory Board on 22 September 1999 and in its final version on 22 March 2000. It was 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 2015, the amount of this margin is €1 million.

Additional pension plan for certain Lagardère Capital & Management employees who are members of Lagardère group's Executive Committee

At its meeting of 14 September 2005, your Supervisory Board approved the introduction of an additional pension plan by Lagardère Capital & Management to complement the basic pension system for certain employees who are members of the Executive Committee. The maximum benefit entitlement under this plan is an additional pension, upon retirement at the age of 65, equal to 35% of the benchmark remuneration, which cannot exceed 50 times the annual limit defined by the French social security system.

The employees of Lagardère Capital & Management who are members of the Executive Committee are beneficiaries of this plan.

The plan came into effect at 1 July 2005, and benefits vest at the rate of 1.75% of the benchmark remuneration per year of seniority in the Executive Committee, up to a limit of 20 years' seniority. The pension earned under this plan is payable on condition the beneficiary is still with the company at retirement age, or when he takes early retirement. It also remains payable in the event of termination after the age of 55 or invalidity.

For 2015, the amount billed by Lagardère Capital & Management in accordance with those agreements amounted to 27.1 million euros, compared to 30.2 million euros in 2014.

French language original signed at Paris - La Défense and Courbevoie, on 30 March 2016

The Statutory Auditors

ERNST & YOUNG et Autres	MAZARS
Bruno BIZET	Thierry BLANCHETIER

7

ORGANISATION OF THE COMPANY AND THE GROUP – CORPORATE GOVERNANCE

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

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



7.1.1 GENERAL PRESENTATION OF FRENCH PARTNERSHIPS LIMITED BY SHARES

A French partnership limited by shares (*société en commandite par actions* – SCA) has two categories of partners:

- ▶ one or more General Partners (*Associés Commandités*), who are indefinitely personally liable for the Company's liabilities;
- ▶ Limited Partners (*Associés Commanditaires* or shareholders), whose situation is the same as that of shareholders in a joint-stock corporation (*société anonyme*). Their shares can be sold or otherwise transferred under the same conditions as shares in a joint-stock corporation, and they are liable for the Company's liabilities only to the extent of their contribution to the partnership. They are represented by a Supervisory Board.

A partnership limited by shares is managed by one or more Managing Partners (*Gérants*), who may be individuals or corporate entities. They are selected from amongst the General Partners or third parties, and may not be shareholders.

Because of the two categories of partners, collective decisions are taken at two different levels: by the Limited Partners in General Meetings, and by the General Partners. Members of the Supervisory Board are appointed only by the Limited Partners. If a General Partner is also a Limited Partner he cannot take part in the vote.

7.1.2 PRESENTATION OF LAGARDÈRE SCA

The provisions of French law related to partnerships limited by shares, as well as the Company's Articles of Association (see section 8.2), give Lagardère SCA an up-to-date organisational structure that is wholly in line with current corporate governance requirements as it effectively complies with the two basic principles of establishing a clear distinction between management and control, and closely involving shareholders in the oversight of the Company.

This structure is characterised as follows:

- ▶ There is a very clear segregation between the Managing Partners (*Gérants*), who are responsible for running the business, and the Supervisory Board, which represents the shareholders and is responsible for overseeing the Company's accounts and management. The Managing Partners cannot be members of the Supervisory Board, and the General Partners cannot take part in appointing the members of the Supervisory Board.
- ▶ The Supervisory Board is entitled to oppose the General Partners' appointment or re-appointment of a Managing Partner, although

the final decision thereon is taken by shareholders in an Ordinary General Meeting (see Chapter 8, section 8.2.6). The term of office of a Managing Partner cannot exceed six years, but may be renewed.

- ▶ The General Partners' unlimited liability to the full extent of their assets is evidence of the proper balance between financial risk, power and responsibility.
- ▶ The Supervisory Board is entitled to receive the same information and has the same powers as the Statutory Auditors.
- ▶ The Supervisory Board must draw up a report on any proposed increase or reduction in the Company's share capital to be submitted to shareholders for approval.

These arrangements obviate the confusion, for which some French joint-stock corporations are criticised, between the role of the Chairman of the Board of Directors (*Président du Conseil d'Administration*) and the role of the Chief Executive Officer (*Directeur Général*).

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

7.2 GENERAL PARTNERS, MANAGING PARTNERS AND MEMBERS OF THE SUPERVISORY BOARDS

AFR

7.2.1 GENERAL PARTNERS

Arnaud Lagardère

4, rue de Presbourg – 75116 Paris, France

Arjil Commanditée-Arco

A French joint-stock corporation with share capital of €40,000
4 rue de Presbourg – 75116 Paris, France

7.2.2 MANAGING PARTNERS

At 31 December 2015, the Company was managed by two Managing Partners:

- ▶ Arnaud Lagardère; and
- ▶ Arjil Commanditée-Arco.

7.2.2.1 ARNAUD LAGARDÈRE

4 rue de Presbourg – 75116 Paris

Date of birth: 18 March 1964

Number of Lagardère SCA shares held directly and indirectly at 31 December 2015 (see Chapter 8, section 8.1.8.1.): 10,438,225.

Arnaud Lagardère was appointed Managing Partner in March 2003 and the Supervisory Board approved the General Partners' proposals to renew his appointment on 11 March 2009 and 11 March 2015 for successive six-year terms, the latest expiring on 25 March 2021.

Arnaud Lagardère also controls and is the Chairman of Lagardère SAS and Lagardère Capital & Management SAS. Arnaud Lagardère and these two companies held a combined 7.96% of Lagardère SCA's share capital at 31 December 2015 (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 (AT 31 DECEMBER 2015)

Managing Partner of Lagardère SCA

B) DIRECTORSHIPS AND OTHER POSITIONS HELD IN THE GROUP (AT 31 DECEMBER 2015)

Chairman and Chief Executive Officer, Arjil Commanditée-Arco SA

Chairman, Lagardère SAS

Chairman, Lagardère Capital & Management SAS

Chairman and Chief Executive Officer and Chairman of the Board of Directors, Lagardère Media SAS

Director, Hachette Livre SA

Chairman of the Supervisory Board, Lagardère Travel Retail SAS

Chairman of the Supervisory Board, Lagardère Active SAS

Chairman of the Executive Committee, Lagardère Sports and Entertainment SAS

Director, Lagardère Ressources SAS

Chairman, Lagardère Sports US Inc.

Chairman, Sports Investment Company LLC

Member of the Board of Directors, Lagardère Sports Asia Investments Ltd

Member of the Board of Directors, Lagardère Sports Asia Holdings Ltd

Chairman, Fondation Jean-Luc Lagardère

Chairman, Lagardère Paris Racing Ressources sports association (not-for-profit organisation)

Chairman, Lagardère Paris Racing sports association (not-for-profit organisation)

C) DIRECTORSHIPS AND OTHER POSITIONS HELD OUTSIDE THE GROUP

None.

D) DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Chairman of the Supervisory Board, Lagardère Sports SAS (*until May 2011*)

Member of the Board of Directors, European Aeronautic Defence and Space Company – EADS NV (*until April 2013*)

Member of the Board of Directors, EADS Participations BV (*until April 2013*)

Chairman and Director, Sogeade Gérance SAS (*until October 2013*)

Permanent representative, Lagardère Unlimited Inc., Managing Member, Lagardère Unlimited LLC (*until September 2014*)

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

7.2.2.2 ARJIL COMMANDITÉE-ARCO

A French joint-stock corporation with share capital of €40,000⁽¹⁾

4 rue de Presbourg – 75116 Paris, France

Represented by Arnaud Lagardère, Pierre Leroy and Thierry Funck-Brentano.

Arjil Commanditée-Arco was appointed Managing Partner on 17 March 1998 and the Supervisory Board approved the General Partners' proposals to renew its appointment as Managing Partner on 10 March 2010 and 9 March 2016 for successive six-year terms expiring on 17 March 2022.

At the time of the most recent re-appointment of Arjil Commanditée-Arco on 9 March 2016, the Supervisory Board, in application of the provisions of Article 14-2 of the Articles of Association and acting on the recommendation of the General Partners, re-appointed:

- ▶ Arnaud Lagardère, as Chairman and Chief Executive Officer;
- ▶ Pierre Leroy, as Deputy Chairman and Chief Operating Officer;
- ▶ Thierry Funck-Brentano, as Chief Operating Officer.

As legal representatives of Arjil Commanditée-Arco, Managing Partner of Lagardère SCA, Pierre Leroy and Thierry Funck-Brentano act as "Co-Managing Partners" of Lagardère SCA and are, along with Arnaud Lagardère, executive corporate officers.

Positions held by Arjil Commanditée-Arco in other companies
None.

Positions held by the legal representatives of Arjil Commanditée-Arco in other companies (at 31 December 2015):

ARNAUD LAGARDÈRE (see above)

PIERRE LEROY

4 rue de Presbourg – 75116 Paris, France

Date of birth: 8 October 1948

Number of Lagardère SCA shares held at 31 December 2015: 89,800

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 (AT 31 DECEMBER 2015)

Co-Managing Partner of Lagardère SCA

Secretary General of the Lagardère group

B) DIRECTORSHIPS AND OTHER POSITIONS HELD IN THE GROUP (AT 31 DECEMBER 2015)

Director, Deputy Chairman and Chief Operating Officer, Arjil Commanditée Arco SA

President and Chairman of the Board of Directors, Lagardère Ressources SAS

Director, Deputy Chairman and Chief Operating Officer, Lagardère Media SAS

Director, Hachette Livre SA

Member of the Supervisory Board, Lagardère Travel Retail SAS

Member of the Supervisory Board, Lagardère Active SAS
Director, Lagardère Active Broadcast (a Monaco-based joint-stock corporation)

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

Liquidator, Financière de Pichat & Compagnie SCA

Chairman, Lagardère Participations SAS

Chairman, Lagardère Expression SAS

Chairman, Dariade SAS

Chairman, Sofrimo SAS

Chairman, Holpa SAS

Representative, Lagardère Participations, Chairman, Hélios SAS

Director, Ecrinvest 4 SA

Director, Fondation Jean-Luc Lagardère

Chairman and Chief Executive Officer, Lagardère Paris Racing
Ressources SASP

Manager, Team Lagardère SNC

Director Lagardère UK Ltd

Director, Lagardère Capital & Management SAS

C) DIRECTORSHIPS AND OTHER POSITIONS HELD OUTSIDE THE GROUP

Chairman, IMEC (*Institut Mémoires de l'Édition Contemporaine*)

Chairman, Mémoire de la Création Contemporaine endowment Fund

Chairman of the jury for the "Prix des Prix" literary awards

D) DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Member of the Supervisory Board, Lagardère Sports SAS
(*until May 2011*)

Manager, Presstalis (formerly NMPP) (*until June 2011*)

Director, Lagardère Entertainment SAS (*until June 2012*)

Chairman, Désirade SAS (*until April 2013*)

Director, Sogead Gérance SAS (*until April 2013*)

Manager, Financière de Pichat & Compagnie SCA
(*until August 2014*)

Representative of Lagardère Participations, Manager, Matpar 4 SCA (*until December 2014*)

Permanent representative of Lagardère Participations to the Board of Directors, Galice SA (*until January 2015*)

DOMINIQUE D'HINNIN

4 rue de Presbourg – 75116 Paris, France

Date of birth: 4 August 1959

Number of Lagardère SCA shares held at 31 December 2015: 123,852

Dominique D'Hinnin is an alumnus of the École Normale Supérieure and the École Nationale d'Administration, and is also an inspector of public finances. He joined the Lagardère group in 1990 as a special assistant to Philippe Camus.

(1) See Chapter 8, section 8.2.4 of the individual financial statements of Arjil Commanditée-Arco.

He subsequently served as the Group's Internal Audit Director and then as Chief Financial Officer of Hachette Livre in 1993 before becoming Executive Vice President of Grolier Inc. (United States) in 1994. On his return to France in 1998, Dominique D'Hinnin was appointed as Lagardère SCA's Chief Financial Officer.

A) PRINCIPAL POSITIONS (AT 31 DECEMBER 2015)

Co-Managing Partner of Lagardère SCA
Chief Financial Officer, Lagardère group

B) DIRECTORSHIPS AND OTHER POSITIONS HELD IN THE GROUP (AT 31 DECEMBER 2015)

Chief Operating Officer, Arjil Commanditée-Arco SA
Director and Chief Operating Officer, Lagardère Media SAS
Chairman and Chief Executive Officer, Ecrinvest 4 SA
Member of the Supervisory Board, Lagardère Active SAS
Permanent representative of Lagardère Media SAS to the Board of Directors of Lagardère Active Broadcast (a Monaco-based joint-stock corporation)
Member of the Supervisory Board, Lagardère Travel Retail SAS
Director, Hachette Livre SA
Director, Lagardère Ressources SAS
Member of the Supervisory Board, Matra Manufacturing & Services SAS
Director, Marie Claire Album SA
Director, Holding E. Prouvost SA
Member of the Board of Directors, Lagardère North America, Inc.

C) DIRECTORSHIPS AND OTHER POSITIONS HELD OUTSIDE THE GROUP

Chairman, Club des Normaliens dans l'Entreprise
Treasurer, Fondation de l'École Normale Supérieure
Chairman, Institut de l'École Normale Supérieure

D) DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Chairman, Club des Trente (an association for the Chief Financial Officers of France's largest listed companies) *(until January 2011)*
Deputy Chairman of the Board of Directors and Chairman of the Audit Committee, Atari SA *(until March 2011)*
Member of the Supervisory Board, Lagardère Sports SAS *(until May 2011)*
Director, Le Monde Interactif SA *(until December 2011)*
Director, Lagardère Entertainment SAS *(until June 2012)*
Director, Sogeaide Gérance SAS *(until April 2013)*
Member of the Board of Directors, European Aeronautic Defence and Space Company – EADS NV *(until April 2013)*
Member of the Board of Directors, EADS Participations BV *(until April 2013)*
Permanent representative of Hachette Filipacchi Presse to the Board of Directors, Les Éditions P. Amaury SA *(until May 2013)*
Member of the Strategy Board, PricewaterhouseCoopers France *(until June 2013)*

Deputy Chairman, member of the Supervisory Board and member of the Audit Committee, Canal+ France SA *(until November 2013)*

Member of the Supervisory Board, Financière de Pichat & Compagnie SCA *(until August 2014)*

THIERRY FUNCK-BRENTANO

4 rue de Presbourg – 75116 Paris, France

Date of birth: 2 May 1947

Number of Lagardère SCA shares held at 31 December 2015: 103,631

Thierry Funck-Brentano holds a master's degree in management from the University of Paris Dauphine as well as an MBA from Northwestern University (Kellogg) in the United States. He has spent his entire career with the Lagardère group.

A) PRINCIPAL POSITIONS (AT 31 DECEMBER 2015)

Co-Managing Partner of Lagardère SCA
Chief Human Relations, Communications and Sustainable Development Officer, Lagardère group

B) DIRECTORSHIPS AND OTHER POSITIONS HELD IN THE GROUP (AT 31 DECEMBER 2015)

Director and Chief Operating Officer, Arjil Commanditée-Arco SA
Director and Chief Operating Officer, Lagardère Media SAS
Permanent representative of Lagardère Media SAS to the Board of Directors, Hachette Livre SA
Member of the Supervisory Board, Lagardère Active SAS
Member of the Supervisory Board, Lagardère Travel Retail SAS
Chairman and member of the Executive Committee, Lagardère Sports and Entertainment SAS
Member of the Board of Directors, Lagardère Sports Asia Holdings Ltd
Member of the Board of Directors, Lagardère Sports Asia Investments Ltd
Representative, Lagardère Sports and Entertainment, Chairman, Lagardère Unlimited Stadium Solutions SAS
Director, Lagardère Active Broadcast (a Monaco-based joint-stock corporation)
Director, Lagardère Ressources SAS
Member of the Supervisory Board, Société d'Exploitation des Folies Bergère SAS
Director, Lagardère Capital & Management SAS
Chairman of the Supervisory Board, Matra Manufacturing & Services SAS
Director, Ecrinvest 4 SA
Director, Fondation Jean-Luc Lagardère
Director, Secretary General and Treasurer, Lagardère Paris Racing Ressources sports association (not-for-profit organisation)
Secretary General and member of the steering committee, Lagardère Paris Racing sports association

C) DIRECTORSHIPS AND OTHER POSITIONS HELD OUTSIDE THE GROUP

None.

D) DIRECTORSHIPS AND OTHER POSITIONS HELD DURING THE LAST FIVE YEARS

Member of the Supervisory Board, Lagardère Sports SAS
(until May 2011)

Director, Hachette Filipacchi Presse SA *(until June 2011)*

Manager, Presstalis (formerly NMPP) *(until June 2011)*

Manager, SAEM Transports Presse *(until June 2011)*

Director, Mediakiosk SAS (formerly AAP) *(until November 2011)*

Director, SGEL (Sociedad General Española de Librería)
(until July 2012)

Director, Université Paris-Dauphine *(until 2012)*

Director, Fondation Paris-Dauphine *(until 2012)*

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

7.2.3 MEMBERS OF THE SUPERVISORY BOARD

List of members of the Supervisory Board during 2015

		Date of first appointment or re-appointment	End of current term of office
Chairman of the Board Chairman of the Audit Committee	Xavier de Sarrau Independent member of the Board ⁽¹⁾	6 May 2014	2018 OGM ^(*)
Member of the Board Member of the Audit Committee	Nathalie Andrieux Independent member of the Board ⁽¹⁾	3 May 2012	2016 OGM ^(*)
Member of the Board	Martine Chêne Independent member of the Board ⁽¹⁾	6 May 2014	2017 OGM ^(*)
Member of the Board Member of the Appointments, Remuneration and Governance Committee	Georges Chodron de Courcel Independent member of the Board ⁽¹⁾	3 May 2012	2016 OGM ^(*)
Member of the Board Member of the Audit Committee Chairman of the Appointments, Remuneration and Governance Committee	François David Independent member of the Board ⁽¹⁾	6 May 2014	2017 OGM ^(*)
Member of the Board	Yves Guillemot Independent member of the Board ⁽¹⁾	6 May 2014	2018 OGM ^(*)
Member of the Board Member of the Appointments, Remuneration and Governance Committee	Pierre Lescure Independent member of the Board ⁽¹⁾	6 May 2014	2016 OGM ^(*)
Member of the Board	Jean-Claude Magendie Independent member of the Board ⁽¹⁾	6 May 2014	2018 OGM ^(*)
Member of the Board Member of the Appointments, Remuneration and Governance Committee	Soumia Belaidi Malinbaum Independent member of the Board ⁽¹⁾	3 May 2013	2017 OGM ^(*)
Member of the Board Member of the Appointments, Remuneration and Governance Committee	Hélène Molinari Independent member of the Board ⁽¹⁾	3 May 2012	2016 OGM ^(*)
Member of the Board	Javier Monzón Independent member of the Board ⁽¹⁾	6 May 2014	2017 OGM ^(*)
Member of the Board	François Roussely Independent member of the Board ⁽¹⁾	3 May 2012	2016 OGM ^(*)
Member of the Board Member of the Audit Committee	Aline Sylla-Walbaum Independent member of the Board ⁽¹⁾	3 May 2013	2017 OGM ^(*)
Member of the Board	Susan M. Tolson Independent member of the Board ⁽¹⁾	5 May 2015	2019 OGM ^(*)
Member of the Board Member of the Audit Committee	Patrick Valroff Independent member of the Board ⁽¹⁾	6 May 2014	2018 OGM ^(*)
Secretary	Laure Rivière-Doumenc		

(1) Under the Afep-Medef corporate governance criteria applied by the Supervisory Board (see section 7.4.2 below).

(*) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

XAVIER DE SARRAU

16 West Halkin Street, SW1 X8JL London, United Kingdom

Date of birth: 11 December 1950

Nationality: Swiss

First appointed: 10 March 2010⁽¹⁾

Date of re-appointment: 6 May 2014

End of current term of office: 2018 OGM⁽²⁾

Number of Lagardère SCA shares held: 600

Chairman of the Supervisory Board of Lagardère SCA and of its Audit Committee.

Xavier de Sarrau is a graduate of the HEC Business School and holds a doctorate in tax law. He is a lawyer registered with the Bars of Paris and Geneva and specialises in issues concerning the governance and organisational structure of family-owned companies and private holdings.

Xavier de Sarrau worked with the Arthur Andersen Group from 1978 to 2002, serving as Managing Partner for France, Managing Partner for EMEIA, and Managing Partner for Worldwide Global Management Services, and was also a member of the firm's World Executive Committee.

After founding his own law firm outside France, in 2005 Xavier de Sarrau was one of the founders of the Paris law firm Sarrau Thomas Couderc. In 2008, he left Sarrau Thomas Couderc (which was subsequently renamed STC Partners) and since that date he has not held any interests in the firm.

Directorships and other positions held in other companies

In France:

Member of the Supervisory Board, JC Decaux⁽³⁾

Chairman of the Audit Committee and Ethics Committee, JC Decaux⁽³⁾

Outside France:

Chairman of the Board, Thala SA (Switzerland)

Director, Oredon Associates (UK)

Director, Verny Capital (Kazakhstan)

Director, Gordon S. Blair (Monaco)

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

Directorships and other positions held during the last five years

Director, IRR SA (Switzerland)

Member of the Supervisory Board, Bernardaud SA

Member of the Board, Dombes SA (Switzerland)

Member of the Board, FCI Holding SA

Member of the Board, Continental Motors Inns SA (Luxembourg)

NATHALIE ANDRIEUX

171 rue de l'Université – 75007 Paris, France

Date of birth: 27 July 1965

Nationality: French

First appointed: 3 May 2012

End of current term of office: 2016 OGM⁽²⁾

Number of Lagardère SCA shares held: 600

Member of the Audit Committee of Lagardère SCA.

Nathalie Andrieux graduated from the École Supérieure d'Informatique (SUPINFO) in Paris in 1988. She began her career in banking with the Banques Populaires group, where she was involved in information systems development projects. In 1997, she joined the La Poste group as manager of the corporate information systems department. In late 2001, she became head of strategic marketing within the strategy division and, in 2003, was appointed head of La Poste's innovation and e-Services department.

Based on her solid background in management, strategy, innovation and organisation, Nathalie became Chief Executive Officer of Mediapost in 2004 and led its European expansion starting in 2008.

Appointed Chair of Mediapost in 2009, Nathalie Andrieux was responsible for Mediapost's 2010-2013 strategic plan and expanded its media services offering with the creation of Mediapost Publicité and the acquisitions of Sogec (a leader in promotional marketing), Mediaprism (a communications and customer knowledge agency), Adverline (an internet media operator), Cabestan (a leading company in digital marketing platforms and customer relationship management solutions).

She was appointed Chair of Mediapost Communication at the time of its creation in September 2011.

In addition to holding this position, in September 2012, she was appointed Executive Vice President in charge of expanding the digital services of the La Poste group.

On 18 January 2013, she became a member of the French Digital Council (*Conseil national du numérique*) and joined the Mines-Télécom Institute's Scientific Advisory Board (*Conseil Scientifique de l'Institut Mines Télécom*) in September 2013.

In April 2014, under the "La Poste 2020: Conquering the Future" strategic plan, Nathalie Andrieux became the head of the group's new Digital Division.

In November 2014, she became a member of the Supervisory Board of XAnge Private Equity. She left the La Poste group in March 2015.

Directorships and other positions held in other companies

In France:

Member of the French Digital Council

Member of the Scientific Advisory Board, Institut Mines-Télécom

Member of the Board of Directors and Remuneration Committee, Casino Guichard⁽³⁾

Member of the Strategy Committee, Groupe Open⁽³⁾

Member of the Strategy Committee, Geolid

Directorships and other positions held during the last five years

Member of the Investment Committee, XAnge Capital 2

Member of the Supervisory Board, XAnge Private Equity Chair, Mediapost Holding

Member of the Steering Committee, Matching

Member of the Steering Committee, Media Prisme

Director, Maileva

Member of the Steering Committee, Mediapost

Member of the Steering Committee, Mediapost Publicité

Member of the Steering Committee, SMP

Member of the Steering Committee, Cabestan

(1) Co-opted by the Supervisory Board on 10 March 2010, ratified by the General Meeting of 27 April 2010.

(2) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the preceding year.

(3) Listed company.

Director, Mix Commerce
 Member of the Strategic Committee, Idenum
 Director, Docapost
 Director, Mediapost SGPS (Portugal)
 Director, Mediapost Spain
 Member of the Supervisory Board, La Banque Postale
 Member of the Strategic Committee, La Banque Postale
 Director, Mediapost Hit Mail (Romania)
 Member of the Steering Committee, Neopress
 Chair, Mediapost
 Chair, Mediapost Publicité
 Chair, SMP
 Chair, Financière Adverline
 Chair, Adverline, Permanent representative, Financière Adverline
 Chair, Cabestan
 Chair of the Board of Directors, Mix Commerce
 Chair, Mediapost Multicanal
 Committee member, Mediapost Multicanal
 Chair and Chief Executive Officer, Mediapost
 Chair of the Board of Directors, Mediapost
 Chair of the Board of Directors, Adverline
 Chair of the Board of Directors, Mediapost Hit Mail (Romania)
 Chair of the Board of Directors, Mediapost SGPS (Portugal)
 Chair of the Board of Directors, Mediapost Spain
 Chair, Financière Sogec Marketing, Permanent representative of SMP
 Chair, MDP 1
 Chair, Media Prisme
 Chair, Matching

MARTINE CHÈNE

64 rue du Parc – 34980 Saint-Gely-du-Fesc, France
Date of birth: 12 May 1950
Nationality: French
 First appointed: 29 April 2008
 Date of re-appointment: 6 May 2014
 End of current term of office: 2017 OGM⁽¹⁾
 Number of Lagardère SCA shares held: 400
 Martine Chêne joined the Lagardère group in 1984, and worked as an archivist at Hachette Filipacchi Associés (HFA) until March 2009. She was the secretary of HFA's Works Committee, a CFDT union representative and an employee representative. She represented the CFDT union on the Group Employees' Committee.

Directorships and other positions held in other companies

Martine Chêne exercises no positions in any other companies.

Directorships and other positions held during the last five years

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

GEORGES CHODRON DE COURCEL

7 bis rue de Monceau – 75008 Paris, France
Date of birth: 20 May 1950
Nationality: French
 First appointed: 19 May 1998
 Date of re-appointment: 3 May 2012
 End of current term of office: 2016 OGM⁽¹⁾
 Number of Lagardère SCA shares held: 600
 Member of the Appointments, Remuneration and Governance Committee of Lagardère SCA.
 Georges Chodron de Courcel is an engineering graduate of the École Centrale de Paris. In 1972, he joined BNP where he held a number of management positions before becoming Chief Operating Officer in 1996. He was made Head of Corporate and Investment Banking at BNP Paribas from 1999 to 2003 and was Chief Operating Officer between June 2003 and June 2014.

Directorships and other positions held in other companies

In France:

Chairman of the Board of Directors, Nexans SA⁽²⁾
 Director, FFP SA (Société Foncière, Financière et de Participations)⁽²⁾
 Chairman, GCC Associés (SAS)

Outside France:

Director, Erbé SA (Belgium)
 Director, Scor Holding Switzerland AG (Switzerland)
 Director, Scor Global Life Rückversicherung Schweiz AG (Switzerland)
 Director, Scor Switzerland AG (Switzerland)
 Director, SGLRI (Scor Global Life Reinsurance Ireland)

Directorships and other positions held during the last five years

Director, Bouygues SA
 Director, GBL – Groupe Bruxelles Lambert (Belgium)
 Director, Alstom SA
 Director, Verner Investissements SAS
 Board Advisor (*censeur*), Exane SA
 Chairman, BNP Paribas SA (Switzerland)
 Deputy Chairman, Fortis Bank SA/NV (Belgium)
 Director, CNP (Compagnie Nationale à Portefeuille – Belgium)
 Board Advisor (*censeur*), Safran SA
 Board Advisor (*censeur*), Scor SE
 Chairman, Compagnie d'Investissement de Paris SAS
 Chairman, Financière BNP Paribas SAS

FRANÇOIS DAVID

6 rue Auguste Bartholdi – 75015 Paris, France
Date of birth: 5 December 1941
Nationality: French
 First appointed: 29 April 2008
 Date of re-appointment: 6 May 2014
 End of current term of office: 2017 OGM⁽¹⁾

(1) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the preceding year.

(2) Listed company.

Number of Lagardère SCA shares held: 600

Member of the Audit Committee of Lagardère SCA.

Chairman of the Appointments, Remuneration and Governance Committee of Lagardère SCA.

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

Directorships and other positions held in other companies

In France:

Honorary Chairman, Coface group⁽²⁾

Member of the Supervisory Board, Galatée Films

Member of the Board, Order of the Legion of Honour

Directorships and other positions held during the last five years

Director, Rexel

Member of the Supervisory Board, Areva

Member of the Board of Directors, Natixis Coficine

Director, Vinci

European Adviser, CityGroup

Chairman of the Board of Directors, Coface Services

Chairman, OR Informatique

Chairman of the Supervisory Board, Coface

Kreditversicherung AG (Germany)

Chairman of the Board of Directors, Coface Assicurazioni (Italy)

YVES GUILLEMOT

28 rue Armand Carrel – 93100 Montreuil, France

Date of birth: 21 July 1960

Nationality: French

First appointed: 6 May 2014

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

Number of Lagardère SCA shares held: 600

Yves Guillemot is a graduate of the Institut de Petites et Moyennes Entreprises. He co-founded Ubisoft along with his four brothers in 1986, before becoming Chairman. Ubisoft expanded rapidly in France as well as on the main international markets. As the Chairman and Chief Executive Officer, Yves Guillemot has led Ubisoft to its current position as the world's third largest independent video game publisher. Ubisoft employs 9,200 talented people across 29 countries, who create and sell video games published by Ubisoft and its partners in more than 55 countries around the globe.

In 2009, Yves Guillemot was named "Entrepreneur of the Year" by audit firm Ernst & Young. He also won the "Franco-Québécois Company Manager of the Year Award" in France in 2012, the "Personality Award" at the European Games Awards in Germany in 2011 and the "Grand Prix" at the MCV Awards in the UK in 2011.

Directorships and other positions held in other companies

In France:

Chairman and Chief Executive Officer and Director, Ubisoft Entertainment SA⁽²⁾

Deputy Chief Executive Officer and Director, Gameloft SE, Guillemot Corporation SA⁽²⁾

Director, Rémy Cointreau AMA SA⁽²⁾

Outside France:

Director and Deputy Chief Executive Officer, Guillemot Brothers SE (UK)

Director, Advanced Mobile Applications Ltd (UK)

Yves Guillemot also holds the following positions within the Ubisoft, Gameloft, Guillemot Corporation and Guillemot Brothers SE groups, both in France and abroad:

In France:

Chairman of Ubisoft Annecy SAS, Ubisoft Emea SAS, Ubisoft France SAS, Ubisoft International SAS, Ubisoft Montpellier SAS, Ubisoft Motion Pictures Rabbids SAS, Ubisoft Motion Pictures Assassin's Creed SAS, Ubisoft Motion Pictures Splinter Cell SAS, Ubisoft Paris SAS, Ubisoft Production Internationale SAS, Nadeo SAS, Owlent SAS, Ubisoft Création SAS, Ivory Tower SAS

Chief Executive Officer, Guillemot Brothers SAS

General Manager of Ubisoft Learning & Development SARL, Ubisoft Motion Pictures SARL, Script Movie SARL, Ubisoft Mobile Games SARL, Ubisoft Paris – Mobile SARL, Ivory Art & Design SARL

Outside France:

General Manager of Blue Byte GmbH (Germany), Ubisoft GmbH (Germany), Ubisoft EooD (Bulgaria), Ubisoft Studios Sri (Italy), Ubisoft Entertainment SARL (Luxembourg), Ubisoft SARL (Morocco)

Chairman and Director of Ubisoft Divertissements Inc. (Canada), Ubisoft Editions Musique Inc. (Canada), Hybride Technologies Inc. (Canada), Ubisoft Toronto Inc. (Canada), Ubisoft Nordic A/S (Denmark), Ubisoft Entertainment India Private Ltd (India), Ubi Games SA (Switzerland), Red Storm Entertainment Inc. (United States), Ubisoft CRC Ltd (United Kingdom), Ubisoft L.A. Inc. (United States)

Vice-Chairman and Director of Ubisoft Inc. (United States)

Chief Executive Officer and Director of Ubisoft Emirates FZ LLC (United Arab Emirates)

Executive Director of Shanghai Ubi Computer Software Co. Ltd (China), Chengdu Ubi Computer Software Co. Ltd (China)

Director of Ubisoft Pty Ltd (Australia), Ubisoft SA (Spain), Ubi Studios SL (Spain), Ubisoft Barcelona Mobile SL (Spain), Ubisoft Ltd (Hong Kong), Ubisoft SpA (Italy), Ubisoft KK (Japan), Ubisoft Osaka KK (Japan), Ubisoft BV (Netherlands), Ubisoft Srl (Romania), Ubisoft Ltd (United Kingdom), Ubisoft Reflections Ltd (United Kingdom), Red Storm Entertainment Ltd (United Kingdom), Future Games of London Ltd (United Kingdom), Ubisoft Singapore Pte Ltd (Singapore), Ubisoft Entertainment Sweden A/B (Sweden), RedLynx Oy (Finland), Gameloft Divertissements Inc. (Canada), Guillemot Inc. (Canada), Gameloft Live Developpements Inc. (Canada), Guillemot Inc. (United States), Guillemot Ltd (United Kingdom)

(1) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the preceding year.

(2) Listed company.

Yves Guillemot has also held the following positions within the Ubisoft group and Guillemot Brothers, both in France and abroad, over the last five years:

In France:

Chairman of Ludi Factory SAS, Ubisoft Books & Records SAS, Ubisoft Design SAS, Ubisoft Graphics SAS, Ubisoft Manufacturing & Administration SAS, Ubisoft Organisation SAS, Ubisoft World SAS, Tiwak SAS, Ubisoft Computing SAS, Ubisoft Marketing International SAS, Ubisoft Development SAS, Ubisoft Editorial SAS, Ubisoft Operational Marketing SAS, Ubisoft Support Studios SAS, Ubisoft Motion Pictures Far Cry SAS, Ubisoft Motion Pictures Ghost Recon SAS

Executive Vice President and Director of Guillemot Brothers SE (France)

General Manager of Ubisoft Art SARL, Ubisoft Castelnau SARL, Ubisoft Counsel & Acquisitions SARL, Ubisoft Emea SARL, Ubisoft Gameplay SARL, Ubisoft Market Research SARL, Ubisoft Marketing France SARL, Ubisoft Paris Studios SARL, Ubisoft Production Internationale SARL, Ubisoft Production Annecy SARL, Ubisoft Production Montpellier SARL, Ubisoft Design Montpellier SARL, Ubisoft Talent Management SARL, Ubisoft IT Project Management SARL, Ubisoft Innovation SARL, Ubisoft Services SARL, Ubisoft Créa SARL, Ubisoft Studios Montpellier SARL

Outside France:

Chairman and Director of Chengdu Ubi Computer Software Co. Ltd (China), Quazal Technologies Inc. (Canada), Ubisoft Arts Numériques (Canada), Ubisoft Vancouver (Canada), Ubisoft Canada Inc. (Canada), L'Atelier Ubi Inc. (Canada), Ubisoft Musique Inc. (Canada), 9276-8309 Québec Inc. (Canada), Studio Ubisoft Saint-Antoine Inc. (Canada), Ubisoft Holdings Inc. (United States)

Chairman of Ubisoft LLC (United States)

General Manager of Ubisoft GmbH (Germany), Max Design Entertainment Software Entwicklung GmbH (Austria), Spieleentwicklungskombinat GmbH (Germany), Related Designs Software GmbH (Germany)

Director of Ubisoft Ltd (Ireland), Ubisoft Sweden A/B (Sweden)

Sole member of the Liquidation Committee and Chairman of Ubisoft Norway A/S (Norway)

PIERRE LESCURÉ

38 rue Guynemer – 75006 Paris, France

Date of birth: 2 July 1945

Nationality: French

First appointed: 22 March 2000

Date of re-appointment: 6 May 2014

End of current term of office: 2016 OGM⁽¹⁾

Number of Lagardère SCA shares held: 150

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

After graduating from the Centre de Formation des Journalistes in Paris, Pierre Lescure started his career as a radio journalist. He then moved into television, where he held a number of different positions. In 1984, he participated in the launch of France's first private TV channel, Canal+, becoming Chief Executive Officer in 1986. In 1994 he was appointed Chairman and Chief Executive Officer of the Canal+ group and, in 2001, Chief Operating Officer of Vivendi Universal. He left Vivendi Universal and the Canal+ group

in April 2002. In November of the same year he was elected to the Board of Directors of Thomson Multimedia, before stepping down from the role in 2009. In June 2008, he was appointed director of the Theatre Marigny where he served until July 2013.

In 2013, at the request of the French government, he led a study on digital content and cultural policy in the digital era. He submitted his report *Acte II de l'exception culturelle à l'ère du numérique* (Act II of the cultural exception in the digital era) in May 2013.

Since 1 July 2014, Pierre Lescure has been the President of the Cannes Film Festival.

Directorships and other positions held in other companies

In France:

Chairman, AnnaRose Productions SAS

Deputy Chairman, Molotov

Outside France:

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

Directorships and other positions held during the last five years

Member of the Executive Commission, Prisa TV (Spain) and Digital+ (Spain)

Director, Théâtre Marigny

Director, Havas

JEAN-CLAUDE MAGENDIE

19 rue Raynouard – 75016 Paris, France

Date of birth: 24 May 1945

Nationality: French

First appointed: 27 April 2010

Date of re-appointment: 6 May 2014

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

Number of Lagardère SCA shares held: 600

Jean-Claude Magendie is a former magistrate. He started out as an examining judge (1970-1975) before becoming deputy general secretary to the First President of the Paris Court of Cassation, referendary at the same court, President of a Chamber at Rouen Court of Appeal, then Versailles Court of Appeal, President of the Créteil magistrates' court then the Paris magistrates' court (*Tribunal de grande instance de Créteil/Paris*), and finally First President of the Paris Court of Appeal.

Jean-Claude Magendie has written a number of reports on civil law procedure and mediation, and was Secretary General for the study commission on Europe and the legal professions.

He was also a Member of the Commission for analysis on prevention of conflicts of interest in public life.

Within the scope of his role as Chairman of the Justice Commission of the French think tank Le Club des Juristes, he published a report on reform within the commercial courts which appeared in the general edition of the weekly *La Semaine Juridique* on 15 July 2013.

Directorships and other positions held in other companies

President, European College for Conflict Resolution

Chairman, Association médiation entreprises

Arbitrator and mediator

Editor of the law section of the *Nouvel Économiste* newspaper

(1) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the preceding year.

(2) Listed company.

Directorships and other positions held during the last five years

Consultant for the French Union of Manufacturers (Unifab)
 Member of the Commission for analysis on prevention of conflicts of interest in public life
 Member of the Board of Directors, Lextenso

SOUMIA BELAIDI MALINBAUM

11 rue des Villarmins – 92210 Saint Cloud, France

Date of birth: 8 April 1962

Nationality: French

First appointed: 3 May 2013

End of current term of office: 2017 OGM⁽¹⁾

Number of Lagardère SCA shares held: 600

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

Soumia Belaïdi Malinbaum has spent most of her career working in the digital and technologies sector, both as a founder and managing director of small and medium-sized companies. She is currently Deputy Chief Executive Officer of Keyrus, a management consulting firm which was merged with Specimen, the IT company she created and managed for 15 years. Before being appointed Business Development Manager of the group, she was Director of Human Resources.

She is extremely committed to promoting and managing diversity in the corporate environment and is President of the European Association of Diversity Managers and founder of the French equivalent (AFMD).

Directorships and other positions held in other companies

Director, Nexity⁽²⁾

Member of the Board of Directors, Université Paris Dauphine

Directorships and other positions held during the last five years

Director and Chair of the Audit Committee, FMM (France Médias Monde)

Member of the Educational Board, HEC Paris

Member of the Board of Directors, Institut du monde arabe (IMA)

HÉLÈNE MOLINARI

19 bis rue des Poissonniers – 92200 Neuilly sur Seine, France

Date of birth: 1 March 1963

Nationality: French

First appointed: 3 May 2012

End of current term of office: 2016 OGM⁽¹⁾

Number of Lagardère SCA shares held: 600

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

Hélène Molinari is a graduate engineer. She began her career in 1985 as a consultant at Cap Gemini and in 1987 joined the Robeco group where she was responsible for developing institutional sales. In 1991, she joined the Axa group where she was involved in creating Axa Asset Managers, a leading asset management company. In 2000, she was appointed Head of Marketing and e-Business at Axa Investment Managers and in 2004 became a

member of the Management Committee as Global Head of Brand and Communication.

In 2005, she joined Medef where she occupied a number of positions reporting to Laurence Parisot, notably as head of communications, membership and social activities. She also supervised a number of support functions including the Corporate Secretary's department, and contributed to the drafting of the Afep-Medef Corporate Governance Code. In 2011, she was appointed Chief Operating Officer and member of the Executive Council of Medef.

In 2013, she joined Be-Bound as Vice-President. Be-Bound is a digital startup that is based in France and in Silicon Valley, which allows users to remain connected to the Internet even with no data access.

In 2014, she became executive corporate officer of AHM Conseil, a company specialising in the organisation of cultural events.

Directorships and other positions held in other companies

Director and Chair of the Appointments Committee, Amundi⁽²⁾

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

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

Directorships and other positions held during the last five years

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

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

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

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

Member of the Board of Directors, Axa IM Limited

JAVIER MONZÓN

Segre 16 – 2008 Madrid

Date of birth: 29 March 1956

Nationality: Spanish

First appointed: 29 April 2008

Date of re-appointment: 6 May 2014

End of current term of office: 2017 OGM⁽¹⁾

Number of Lagardère SCA shares held: 600

Javier Monzón is an economist whose professional career has centred around finance and managing large corporations, including working for ten years at a major financial company in Spain. He became Chief Financial Officer and subsequently Executive Vice Chairman of Telefónica, responsible for corporate development, before taking up the position of Chairman of Telefónica International, gaining a wealth of practical experience in Latin America.

Between 1993 and 2015 he served as Chairman and Chief Executive Officer of Indra, Spain's largest IT company, with operations in more than 100 countries and more than 40 international subsidiaries. The company has a strong presence in Latin America, Europe, the Middle East, Asia and the United States.

In addition to his corporate management roles, Javier Monzón has also been deeply involved in assisting companies that aim to promote education, innovation and entrepreneurship.

(1) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the preceding year.

(2) Listed company.

Directorships and other positions held in other companies**Outside France:**

Member of the Board, ACS Group (Spain)⁽²⁾
 Member of the Board, Ferroglobe⁽²⁾
 Member of the Board of Banco Santander⁽²⁾ (Spain) and Senior Advisor to the Executive Chairman of Santander Group
 Member of the Advisory Board, Chemo Group
 Chairman of the Executive Committee, Knowledge and Development Foundation (Fundacion CyD)
 Vice-President, Carlos III University
 Member of the Board, Endeavor Spain
 Member of the Brookings International Advisory Council

Directorships and other positions held during the last five years

Chairman and Chief Executive Officer, Indra Sistemas (Spain)
 Member of the Board of Directors, YPF SA (Argentina)

FRANÇOIS ROUSSELY

73 rue de Miromesnil – 75008 Paris, France

Date of birth: 9 January 1945

Nationality: French

First appointed: 11 May 2004

Date of re-appointment: 3 May 2012

End of current term of office: 2016 OGM⁽¹⁾

Number of Lagardère SCA shares held: 300

François Roussely is a graduate of the Institut d'études politiques de Paris, Paris University of Law and Economics, and École nationale d'administration. He is an honorary senior advisor to the French National Audit Office (*Cour des Comptes*). He began his career in the French Ministry of Finance and the Economy and held several prominent positions for the French government, the Ministry of Defence and then the Ministry of the Interior from 1981 to 1997. He was Chairman and Chief Executive Officer of EDF from 1998 to 2004, then Chief Executive Officer of Crédit Suisse France, before becoming Deputy Chairman of Crédit Suisse Europe from 2009 until 2015.

In October 2015, he joined the investment banking firm Messier Maris.

Directorships and other positions held in other companies

Honorary senior advisor, French National Audit Office (*Cour des Comptes*)

Member of the Board of Directors, Imagine Institute of Genetic Diseases

Directorships and other positions held during the last five years

Deputy Chairman, Crédit Suisse Europe
 Deputy Chairman, Fondation du Collège de France
 Chairman, Budé Committee (Collège de France)
 Chairman and Chief Executive Officer, Crédit Suisse (France)
 Chairman, Crédit Suisse Banque d'Investissement France
 Honorary Chairman, EDF

ALINE SYLLA-WALBAUM

Kingscliffe, Antrim road – London NW3 4XS, United Kingdom

Date of birth: 12 June 1972

Nationality: French

First appointed: 3 May 2013

End of current term of office: 2017 OGM⁽¹⁾

Number of Lagardère SCA shares held: 610

Member of the Audit Committee of Lagardère SCA.

A graduate of HEC Business School, Institut d'études politiques de Paris and École nationale d'administration, Aline Sylla-Walbaum is an Inspector of Finance and was appointed International Managing Director (Luxury) of Christie's in September 2014. Before joining Christie's in 2012 as Managing Director of Christie's France, the world's leading art business, she was Deputy Chief Executive Officer of Development at Unibail-Rodamco, Europe's leading listed commercial property company, Cultural and communications advisor to the office of the French Prime Minister from 2007 to 2008, and Deputy Executive Director, Director of cultural development at the Louvre museum for five years.

Directorships and other positions held in other companies

Member of the Board of Directors, Musée d'Orsay

Directorships and other positions held during the last five years

Vice-Chair of the Board of Directors, Orchestre de Paris
 Member of the Board of Directors, Louvre-Lens museum

SUSAN M. TOLSON

3319 Prospect St. NW, Washington, DC 20007, USA

Date of birth: 7 March 1962

Nationality: American

First appointed: 10 May 2011

Date of re-appointment: 5 May 2015

End of current term of office: 2019 OGM⁽¹⁾

Number of Lagardère SCA shares held: 600

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

(1) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the preceding year.

(2) Listed company.

Directorships and other positions held in other companies

In France:

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

Honorary Chair, American Friends of The Musée d'Orsay

Outside France:

Director, the American Cinémathèque

Director, Terra Alpha LLC

Director, Outfront Media⁽²⁾, Chair of the Governance and Appointments Committee and member of the Audit Committee

Director, Take-Two Interactive⁽²⁾, member of the Audit Committee
Member of the Los Angeles World Affairs Council, the Paley Center For Media and the Los Angeles Society of Financial Analysts

Directorships and other positions held during the last five years

Director, America Media, Inc.

Member of the Board of Trustees, American University of Paris

Honorary Chair, American Women's Group in Paris

Director, Fulbright Commission

PATRICK VALROFF

26 rue de Clichy – 75009 Paris, France

Date of birth: 3 January 1949

Nationality: French

First appointed: 27 April 2010

Date of re-appointment: 6 May 2014

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

Number of Lagardère SCA shares held: 600

Member of the Audit Committee of Lagardère SCA.

Patrick Valroff holds a degree in law and is a graduate of the Institut d'Études Politiques de Paris and École Nationale d'Administration. He began his career in the French civil service. In 1991, he joined the specialist consumer credit company Sofinco as Deputy Chief Executive Officer. In 2003, he was appointed Head of Specialised Financial Services at Crédit Agricole SA Group, which comprises Sofinco, Finaref, Crédit Agricole Leasing and Eurofactor, and subsequently served as Chairman and CEO of Sofinco. From May 2008 to December 2010, Patrick Valroff was Chief Executive Officer of Crédit Agricole Corporate and Investment Bank.

Directorships and other positions held in other companies

Director, Néovacs⁽²⁾

Member of the Financial Committee of the International Chamber of Commerce

Directorships and other positions held during the last five years

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

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

7.2.4.1 DECLARATION OF NON-CONVICTION AND COMPETENCE

To the best of Lagardère SCA's knowledge:

- ▶ No member of the Supervisory Board or Managing Partner has been convicted of fraud in the last five years.
- ▶ No member of the Supervisory Board or Managing Partner has been associated with any bankruptcy, receivership or liquidation proceedings in the last five years.
- ▶ No member of the Supervisory Board or Managing Partner has been subject to charges or official public sanction by statutory or regulatory authorities (including designated professional bodies).
- ▶ No member of the Supervisory Board or Managing Partner has been barred by a court from acting as a member of a governing, management or supervisory body or participating in a listed company's business management or governance in the last five years.

7.2.4.2 AGREEMENTS BETWEEN A MEMBER OF THE SUPERVISORY BOARD OR A MANAGING PARTNER AND LAGARDÈRE SCA OR ANY OF ITS SUBSIDIARIES

To the best of Lagardère SCA's knowledge, no member of the Supervisory Board or Managing Partner has entered into a service agreement with Lagardère SCA or any of its subsidiaries, with

the exception, as regards the Managing Partners, of the service agreement signed between Lagardère Ressources and LC&M (a company almost entirely owned by Arnaud Lagardère). For more information on this agreement, see section 7.5.1 below and the Statutory Auditors' report on related party agreements and commitments in Chapter 6, section 6.8.

7.2.4.3 CONFLICTS OF INTERESTS

To the best of Lagardère SCA's knowledge, no arrangement or agreement has been entered into between the Company and its major shareholders, or with its customers, suppliers or any other party pursuant to which any Supervisory Board member or Managing Partner was selected.

To the best of Lagardère SCA's knowledge, no potential conflict of interests exists with respect to Lagardère SCA between the duties of the members of the Supervisory Board or the Managing Partners and their personal interests, or between those duties and any other responsibilities they may hold.

(1) The Ordinary General Meeting to be held in the year indicated to approve the financial statements for the preceding year.

(2) Listed company.

7.2.4.4 RESTRICTIONS ON THE SALE BY MEMBERS OF THE SUPERVISORY BOARD OR MANAGING PARTNERS OF THEIR SHARES IN LAGARDÈRE SCA

To the best of Lagardère SCA's knowledge:

- ▶ No restriction has been accepted by members of the Supervisory Board concerning the sale of their interest in the Company's share capital within a certain period of time, except for the rules for trading in Lagardère SCA shares set forth in the internal rules of the Supervisory Board (see section 7.4.2).

- ▶ No restriction has been accepted by the Managing Partners concerning the sale of their interest in the Company's share capital within a certain period of time, except for:
 - the rules for trading in Lagardère SCA shares defined in the laws in force or the "Charter on trading in Lagardère SCA shares by Group employees";
 - the holding period set by the Supervisory Board since 2008 for free share awards (see the Special Report of the Managing Partners in section 7.3.5).

7.3 REMUNERATION AND BENEFITS

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7.3.1 MANAGING PARTNERS AND MEMBERS OF THE EXECUTIVE COMMITTEE

The Executive Committee, chaired by Arnaud Lagardère as Managing Partner of Lagardère SCA, holds meetings with the heads of the major central management functions of the Group. At 31 December 2015, three of them were, along with Arnaud Lagardère, executive corporate officers.

At 31 December 2015, the members of the Executive Committee were as follows:

Arnaud Lagardère,	General and Managing Partner, Committee Chairman	} Managing Partners
Pierre Leroy,	Secretary General, Co-Managing Partner	
Dominique D'Hinnin,	Chief Financial Officer, Co-Managing Partner	
Thierry Funck-Brentano,	Chief Human Relations, Communications and Sustainable Development Officer, Co-Managing Partner	
Ramzi Khiroun	Spokesman for Lagardère SCA, Chief External Relations Officer	

The salaries paid to the members of the Executive Committee for their positions and duties within the Lagardère group are entirely borne by their employer, Lagardère Capital & Management (LC&M), and account for most of the management fees charged by LC&M to Lagardère Ressources (see section 7.5.1).

7.3.1.1 REMUNERATION POLICY

The principles governing the remuneration policy of the members of the Executive Committee of Lagardère SCA were mainly determined in 2003 upon Arnaud Lagardère's appointment as General and Managing Partner. They have been applied consistently since that date, subject to changes in accordance with the recommendations of the Afp-Medef Corporate Governance Code which the Company uses as its corporate governance framework, so as to remain consistent with the Group's strategy, objectives and performance.

The objective is to achieve an equitable balance – through various vehicles – both individually and collectively, commensurate with the work performed and the level of responsibility, between a "fixed" portion (annual fixed base salary), and a "variable" portion directly linked to the Group's results, corporate life and development (variable salary and performance share awards). Within the variable portion, a balance must also be sought between the portion based on short-term objectives (variable salary based on components for the year concerned) and the portion based on medium- and long-term components (performance shares).

The objectives used to determine the variable salary and the vesting of performance shares are mainly financial and are related to two indicators deemed essential to the Group's health: (i) recurring operating profit of fully consolidated companies and (ii) net cash from operating activities of fully consolidated companies, which represents the cash flows generated by the Group's activities. The variable portion also includes non-financial criteria used for a qualitative assessment of the beneficiaries' performances, based on a set of priority targets assigned to them each year.

As conditions for the vesting of performance shares, the targets described above are assessed over a period of at least three consecutive years. The vested shares become available for sale subject to a holding period of at least two years (i.e., five years after the granting of the potential rights). Additional lock-up conditions have been set for the Company's executive corporate officers, which relate to the holding of a minimum Lagardère SCA share portfolio for a quarter of these vested shares and the termination of the executive corporate officer's duties for another quarter of the shares. In view of the conditions of vesting and liquidity of the shares, this is a long-term remuneration plan, the final value of which is mainly based on changes in the Company's share price and the Group's results over a minimum period of five years.

Bonuses can also be granted, in very exceptional circumstances, for the achievement of outstanding operations, whose effects are particularly significant for the Group, especially when the criteria used to determine the variable portion of remuneration do not take into account these effects.

Lastly, the members of the Executive Committee have a conditional right to receive a supplementary pension in addition to the basic pension system. To be entitled to this supplementary pension, the beneficiary must still be with the Company at retirement age. In addition, to receive the full amount, which cannot exceed 35% of the benchmark remuneration, the beneficiary must have at least 20 years' seniority on the Executive Committee.

In light of all these elements, the members of the Executive Committee do not receive:

- ▶ deferred or multi-annual salary;
- ▶ attendance fees within the Group;
- ▶ benefits linked to taking up or terminating office;
- ▶ benefits linked to non-competition agreements.

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

Furthermore, Arnaud Lagardère, who is a major shareholder in the Company, has not received any share options or free share awards since he has been a Managing Partner.

The remuneration level is reviewed on a regular basis compared to the practices of other issuers for the purpose of identifying benchmarks and calibrating both processes and amounts.

The system establishes a strong correlation between the remuneration of senior management and the interests of shareholders, those of the Company and more generally its stakeholders, in line with the Group's strategy and objectives. It is applied in a fully transparent manner as shown by the information provided below.

7.3.1.2 COMPONENTS OF REMUNERATION

A) FIXED ANNUAL SALARY

Fixed salaries are paid in 12 equal monthly instalments over the year. Arnaud Lagardère's fixed salary has not changed since 2009 while the fixed salaries of the other executive corporate officers have not changed since 2011.

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

B) VARIABLE ANNUAL SALARY

For the year concerned, the variable salary comprises a quantitative portion and, except for Arnaud Lagardère, a qualitative portion, based on reference amounts determined for each member of the Executive Committee.

Reference amounts and ceilings

Since Arnaud Lagardère receives neither a qualitative portion, nor share options, nor free shares, his variable salary is based on a reference amount of €1,400,000, to which are applied the quantitative criteria described below, with no minimum limit and with a maximum limit of 150% of his fixed salary for the year.

For the other members of the Executive Committee, the reference quantitative portion and qualitative portion are equal. For each of the three executive corporate officers, they represent a total of €300,000 each, i.e., an aggregate reference amount of €600,000 as

a basis for their variable salary. For each executive corporate officer, the amount of the qualitative portion may not exceed 33% of his fixed salary for the same year, and the total amount of his variable salary may not exceed 75% of his fixed salary.

Overall, the reference amounts represent 62% of the fixed salaries of the members of the Executive Committee.

Quantitative portion

The quantitative portion of the variable salary is directly related to Group performance based on the reference amount in relation to the average of the two following inputs:

- ▶ the differential between the rate of growth in recurring operating profit of fully consolidated companies communicated as market guidance at the beginning of the year (or the mid-point of a range of values if the rate of growth was expressed in the form of a range of values in the market guidance), and the growth rate in recurring operating profit actually achieved for the year concerned, calculated based on rules set out in the market guidance. This differential is applied on a directly proportional basis in the event of a negative difference and at a rate of 10% per percentage point in the event of a positive difference; an underperformance therefore has a greater impact than an outperformance;
- ▶ the percentage differential between the amount of net cash from operating activities of fully consolidated companies as forecast in the budget for the year/Group consolidated statement of cash flows for the year concerned, and the amount of net cash from operating activities of fully consolidated companies actually achieved for the year concerned; the differential is applied on a directly proportional basis.

Since 2011, the result calculated by applying the average of these two inputs may be impacted downward only in the event of a negative change in recurring operating profit of fully consolidated companies for the year concerned in relation to that achieved in the previous year, by directly applying the percentage of negative change to the amount of the quantitative variable portion determined based on the two previous criteria.

For 2015, the relevant input-based formula results in the application of a factor of 1.47975 to the qualitative reference amounts (versus 1.02 in 2012, 1.176 in 2013 and 0.903 in 2014), leading to a quantitative portion of €1,711,093 for Arnaud Lagardère (after applying the relevant cap), and €443,925 for Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano.

	Recurring operating profit of fully consolidated companies	Net cash from operating activities	Average
2015 guidance	+5.00%		
2015 budget		€332.4 million	
2015 achievement	+8.84%	€523.7 million	
Difference	+3.84 points	+€191.3 million	
Impact	+38.40%	+57.55%	
Applicable factor	1.384	1.5755	1.47975
Change vs. 2014 recurring operating profit of fully consolidated companies			Positive
Final factor			1.47975

Qualitative portion

The variable salary of the members of the Executive Committee (with the exception of Arnaud Lagardère) also includes a qualitative portion based on a set of priority targets related to the following three domains:

- ▶ the rollout of the Group's strategic plan;
- ▶ the quality of governance and management;
- ▶ the implementation of the Group's CSR policy.

The performance levels achieved by the members of the Executive Committee in these three domains, each of which has been given an equal weighting in determining the qualitative portion, are directly assessed by Arnaud Lagardère, in his capacity as Managing Partner. His assessment is based in particular on reports prepared by the technical departments concerned (Human Resources, Compliance, etc.) and, for the objectives relating to the implementation of the Group's CSR policy, on a detailed report issued by the Sustainable Development Department.

The level of the qualitative performance can increase or decrease the reference amount set for each member of the Executive Committee, though the resulting amount may not under any circumstances exceed 33% of the individual's fixed salary. This cap had been set at 25% until 2014 but was raised in order to appropriately recognise outperformance of the objectives, given that the margin available under the previous cap had only a very limited and uncorrelated impact on potential outperformance.

In light of the achievements described below, Arnaud Lagardère deemed that the level of qualitative performance achieved by each member of the Executive Committee in 2015 in each of the three domains set out above had been either good or very good. In view of this assessment, Arnaud Lagardère decided to allocate Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano a qualitative portion of €325,000 each, corresponding to 108.33% of their qualitative reference amount.

The rollout of the Group's strategic plan

In 2015, the Group's strategic roadmap was based on the following three priorities:

1. reducing the Group's exposure to contracting activities;
2. adapting existing activities and strengthening leadership positions;
3. investing in high-growth activities.

With regard to the first objective, the process to dispose of distribution activities and integrated retail subsidiaries continued with the sales of Lagardère Services Distribution Suisse in February 2015, Curtis Circulation Company (United States and Canada) in July 2015, and SGEL (Spain) in October 2015. In the Magazine Publishing business, the Group sold the magazine *Parents*.

Under the second strategic priority, the Group entered into strategic partnerships with Yahoo and Google to help it to speed up its digital transformation, extended the partnership between the Confédération Africaine de Football (CAF) and Sportfive, and continued to expand its Audiovisual activities in Africa (music stations, Gulli and film distribution). In addition, 2015 saw the creation of Lagardère Lab, which aims to promote innovation and bolster the Group's organic growth.

Lastly, Lagardère pursued the third strategic objective through its acquisitions of Spanish audiovisual production group Boomerang TV, enabling Lagardère Entertainment to step up its international expansion, UFA Sports, confirming the strengthening of Lagardère Sports and Entertainment's marketing rights management and media activities, and the North American group Paradies, representing an important step in Lagardère Travel Retail's growth strategy.

Quality of governance and management

The priority targets assigned to the members of the Executive Committee in this second domain were related to:

1. preparing and monitoring succession plans for the Group's most senior executives (the Company's executive corporate officers and the heads of the Group's operating divisions), and
2. safeguarding the Group's reputation and assets by implementing and monitoring Compliance programmes.

With regard to the first priority target, the succession plans prepared by the Managing Partners and presented to the Supervisory Board in 2014 were reviewed in 2015 to ensure the measures proposed were consistent and appropriate. For obvious confidentiality reasons, the details of the actions carried out within the framework of this priority target cannot be disclosed.

With regard to the second priority target, in 2015, efforts to ensure Compliance were boosted by an official announcement by the Managing Partners to all Group employees to remind them of the importance of Compliance issues.

Measures to promote Compliance were further strengthened by the decision to integrate Compliance issues into the Group's financial commitment, internal audit and risk mapping procedures.

Finally, the Group stepped up its implementation of anti-corruption programmes in its four operating divisions through, among other measures, an expanded employee training programme, and developed and launched a new programme specifically focused on OFAC's guidelines on international economic sanctions.

The implementation of the Group's CSR policy

Lagardère identified five priority targets in relation to the Group's CSR policy, described in section 5.3.1 of this Reference Document. These priority targets are set out below, along with the achievements by the Group in 2015 corresponding to each one:

1. Representing diversity: in 2015, the Group continued to deploy the action plan agreed in 2014, which involved analysing its recruitment procedures in each of its divisions, organising training sessions with the Executive Committees of two divisions on the theme of combating stereotypes, and entering into a partnership with a firm specialised in promoting diversity at Group level.
2. Ensuring responsible digital management: a number of measures were implemented in 2015 to raise awareness among Group employees of data security issues. Alongside several other companies and Lagardère's long-term partner Netexplo, the Group contributed to the creation and online distribution to its employees of the Netexplo Academy, a training programme to educate people about digital technologies.
3. Encouraging responsibility in the media (media education, promoting cultural diversity, raising awareness of sustainable development): the Group was deeply involved in the COP21 Climate Conference, particularly through the support provided by the Jean-Luc Lagardère Foundation at the Footprint exhibition and through its organisation of various events to promote awareness among employees, as well as through the publication of special editions of *Elle*, *Europe 1*, *Paris Match*, etc.
4. Fighting climate change: the Group's Corporate Departments oversaw the performance of energy audits in each division. Lagardère Publishing carried out its third carbon audit and several companies in the division moved to a new building in Vanves certified as HQE (built to High Quality Environmental Standards) and BBC (the French standard for low-energy buildings).
5. Improving the Group's CSR performance: the Group's reporting process for social, societal and environmental information was significantly improved through the deployment of the new software tool Indicia. Lagardère also entered into a partnership with Ecovadis (a supplier sustainability assessment platform)

as part of the Group's sustainable procurement policy. Finally, the Group's ESG rating improved with its inclusion in a new index (Vigeo Europe 120), while continuing to be listed in three others (Vigeo Eurozone 120, the STOXX Global ESG Leaders index and the MSCI global sustainability index).

Components of variable salary granted for 2015

Since the variable portion of salary can only be calculated after the year-end, it is paid during the following year.

(in euros)	Minimum amount	Reference amount	Maximum amount (% of fixed salary)	Achievement rate	Amount to be paid	% of fixed salary	
Arnaud Lagardère							
Quantitative	0	1,400,000		150%	1,47975	1,711,093	150%
Qualitative	N/A	N/A		N/A	N/A	N/A	N/A
Total				150%		1,711,093	150%
Pierre Leroy							
Quantitative	0	300,000			1.47975	443,925	30.12%
Qualitative	0	300,000	33%		1.083	325,000	22.04%
Total				75%		768,925	52.16%
Dominique D'Hinnin							
Quantitative	0	300,000			1.47975	443,925	36.81%
Qualitative	0	300,000	33%		1.083	325,000	26.95%
Total				75%		768,925	63.76%
Thierry Funck-Brentano							
Quantitative	0	300,000			1.47975	443,925	36.81%
Qualitative	0	300,000	33%		1.083	325,000	26.95%
Total				75%		768,925	63.76%

C) EXTRAORDINARY COMPENSATION

The executive corporate officers did not receive any extraordinary compensation for 2015.

D) DEFERRED VARIABLE SALARY

The members of the Executive Committee do not receive any deferred variable salary.

E) MULTI-ANNUAL VARIABLE SALARY

The members of the Executive Committee do not receive any multi-annual variable salary.

F) ATTENDANCE FEES

The members of the Executive Committee do not receive any attendance fees for their duties within the Lagardère group.

G) AWARDING OF SHARE OPTIONS AND/OR PERFORMANCE SHARES

The members of the Executive Committee have not received share options since 2006.

However, they may be awarded performance shares by Arnaud Lagardère, in his capacity as Managing Partner.

For the executive corporate officers, the number of such performance shares may not exceed 0.025% of the number of shares making up the Company's share capital, per year and per person, in accordance with the authorisation given at the Annual General Meeting. In addition, in accordance with the provisions of the Afep-Medef Corporate Governance Code governing such awards, the Supervisory Board resolved that (i) the maximum value of the

performance shares awarded each year to an executive corporate officer would be set at one-third of that executive corporate officer's total remuneration for the previous year, and (ii) the overall number of performance shares awarded to all of the executive corporate officers could not represent more than 20% of the total performance share awards authorised by the shareholders.

Free shares have been awarded annually since 2009. Based on the four plans completed since that date and their measurement in accordance with IFRS, the initial rights granted to the executive corporate officers represented 33% of the total remuneration received. The average aggregate ratio of the initial awards actually confirmed was 86.58% and the average number of shares vested each year to each executive corporate officer represented 0.019% of the share capital.

On 1 April 2015, the executive corporate officers were each awarded 32,000 performance shares (representing 0.024% of the total number of shares comprising the share capital and a carrying amount of €731,200 under IFRS). The performance shares were granted in compliance with the framework laid down by the Supervisory Board which, in its meeting of 11 March 2015, after reviewing the Group's results for 2014, confirmed the terms and conditions governing the ceilings, performance conditions and lock-up conditions applicable to free shares awarded to the executive corporate officers, as described below.

- ▶ *Vesting period:* the shares awarded will not vest until 1 April 2018 subject to the fulfilment by that date of the presence and performance conditions.
- ▶ *Presence condition:* in order for the shares to vest, each executive corporate officer must still be an executive corporate officer of Lagardère SCA at midnight on 31 March 2018; however, this condition will still be deemed met in the event of forced termination for reasons other than misconduct.

- **Performance conditions:** these conditions are based on objectives that are internal to the Company as Lagardère SCA does not have any suitable market comparables in view of the diversity of its business.

Objectives relating to Group recurring operating profit: One-half of the shares will vest subject to the Group achieving a recurring operating profit in 2015, 2016 and 2017 in line with the objective communicated as market guidance for each of these years.

Objectives relating to net cash from operating activities of fully consolidated companies: The other half of the shares will vest subject to the Group achieving a level of net cash from operating activities of fully consolidated companies in 2015, 2016 and 2017 in line with the amount contained in the budget for each of these years.

Each of these objectives counts for one-sixth of the total number of performance shares awarded. If the achievement rate is lower than 50% then none of the shares allocated to that objective would be awarded. If the achievement rate is between 50% and 100%, an equivalent proportion of the number of shares allocated to that objective will be awarded. And if the achievement rate exceeds 100% (i.e., in the event of outperformance) a proportionate number of shares will also be granted, capped however at 150% of the total number of shares allocated to the objective concerned. In all cases, the overall number of each executive corporate officer's vested performance shares may not be more than the total number of rights to shares that were originally awarded.

Objective relating to intrinsic growth in Group recurring operating profit: The final vesting condition applicable to the performance shares is that Group recurring operating profit for 2017 must be equal to or exceed the average of Group recurring operating profit for 2015 and 2016. If this objective is not achieved the total number of vested free shares will be reduced proportionately.

- **Holding of shares:** on top of the standard holding period for all vested shares applicable from 1 April 2018 to 1 April 2020 inclusive, each executive corporate officer would be required to keep in a registered share account (*nominatif pur*) (i) 25% of the fully vested shares until such time as he ceases to be an executive corporate officer of Lagardère SCA, and (ii) an additional 25% of the fully vested shares until such time as the value of the Lagardère SCA shares held by the executive corporate officer concerned equals at least one year's worth of his gross fixed and variable salary (calculated each year based on a) the average share price for the month of December of the previous year and b) the executive corporate officer's fixed and variable salary for the past year, with the maximum potential amount used for the variable portion). At the close of the mandatory holding periods, the corresponding shares will become transferable and can be traded under the terms and conditions established by law and regulations and in accordance with the trading periods established by Lagardère SCA in its Charter for Prevention of Insider Offences and Misconducts by Lagardère Group Associates.

Each executive corporate officer has formally agreed not to enter into transactions to hedge risks associated with their performance shares during the holding period. In addition, no risk hedging instruments have been implemented in relation to the performance shares granted to the executive corporate officers under previous plans.

H) BENEFITS LINKED TO TAKING UP OR TERMINATING OFFICE

No commitments or promises have been made to grant benefits linked to taking up or terminating office to the members of the Executive Committee.

I) BENEFITS LINKED TO NON-COMPETITION AGREEMENTS

No commitments have been made to grant benefits linked to non-competition agreements to members of the Executive Committee.

J) SUPPLEMENTARY PENSION PLAN

A supplementary pension plan was set up by LC&M on 1 July 2005 for members of the Executive Committee. This is a defined supplementary benefit plan as provided for in article L. 137-11 of the French Social Security Code (*Code de la sécurité sociale*) and article 39 of the French Tax Code (*Code général des impôts*).

Only employees or senior managers of LC&M which are members of the Executive Committee are entitled to benefit from this plan.

The plan is a conditional benefit plan, and the pension will only be payable if the beneficiary is still with the Company at retirement age, except in the event of termination (other than for gross misconduct) after the age of 55 (provided that the beneficiary is not actively employed thereafter), early retirement or long-term disability. In addition, beneficiaries are required to have been members of the Executive Committee for at least five years at the date that they retire. After the beneficiary's death, 60% of the pension is transferable to the surviving spouse.

The beneficiaries of this plan acquire supplementary pension entitlements equivalent to 1.75% of the Benchmark Remuneration per year of seniority in the plan.

The Benchmark Remuneration corresponds to the average gross annual remuneration over the last five years (fixed + variable up to a maximum of 100% of the fixed portion). In addition, it cannot exceed 50 times the annual limit defined by the French social security system i.e., a maximum amount of €1,930,800 in 2016.

Since the years of seniority used to calculate the benefit entitlements are capped at 20 years, the income replacement rate of the supplementary pension is capped at 35% of the Benchmark Remuneration, i.e., a maximum amount of €675,780 in 2016.

The entitlements are fully borne by the Company and this benefit is taken into account in determining the overall remuneration of the members of the Executive Committee.

The characteristics described above fully comply with the recommendations of the Afep-Medef Corporate Governance Code.

At 31 December 2015, the estimated amounts of annual benefits payable to each of the executive corporate officers, in accordance with the provisions of article D. 225-104-1 II of the French Commercial Code, are €675,780 for Arnaud Lagardère and Pierre Leroy, €542,670 for Dominique D'Hinnin and €645,802 for Thierry Funck-Brentano.

Under current social security laws (article L.137-11 of the French Social Security Code), the Company is required to pay a contribution equal to 32% of the amount of the benefits, at the time that such benefits are paid.

In addition to the tax and social security contributions applicable to pensions (levied at a rate of 8.4%, of which 4.2% is tax-deductible), under current tax and social security laws, the annual benefits paid to the beneficiaries are also subject to a specific, non-tax-deductible contribution of 14%, before income tax and any surtaxes on high incomes.

K) BENEFITS IN KIND – BUSINESS EXPENSES

Travel and entertainment expenses incurred by the members of the Executive Committee in the course of their duties are borne by the Group.

Benefits in kind generally take the form of any potential personal use of a company car.

L) OTHER COMPONENTS OF REMUNERATION

On 21 May 2013, the Group paid shareholders an extra interim dividend of €9 per share, representing more than 30% of the market value of the share before the corresponding ex dividend date. Taking into account the significant impact of this extra dividend on the value of free shares that had not yet vested, in December 2014, following an announcement at the end of 2013, the Group paid all of its impacted employees and senior managers who received free shares under the 2010, 2011 and 2012 plans, as a final compensation and by way of salary, a premium equal to €9 per free share, i.e., a total gross amount (before social security contributions) of around €7 million.

The members of the Executive Committee, whose free shares granted under the plan of 25 June 2012 were also impacted, similarly received compensation.

The executive corporate officers (with the exception of Arnaud Lagardère, who does not receive any free shares) did not receive their compensation until April 2015, after the number of vested shares under the 2012 plan, in accordance with the related performance conditions, could be calculated. Each executive corporate officer received a gross amount of compensation totalling €261,045 (before social security contributions).

7.3.1.3 REMUNERATION AND BENEFITS OF MEMBERS OF THE EXECUTIVE COMMITTEE**A) GROSS REMUNERATION PAID (BEFORE DEDUCTING SOCIAL SECURITY CONTRIBUTIONS)**

	2013	2014	2015
	(1)	(1)	(1)
Fixed salary	5,866,729	5,866,729	6,022,729
Variable portion	4,040,000	3,357,500	4,530,484
Extraordinary compensation	-	4,400,000	550,000
Attendance fees	19,475	-	-
Total	9,926,204	13,624,229	11,103,213

(1) Arnaud Lagardère, Pierre Leroy, Dominique D'Hinnin, Thierry Funck-Brentano and Ramzi Khiroun (full time).

B) SHARE OPTIONS

Date of plan/AGM authorisation	No. of options originally granted	Exercise price	No. of beneficiaries	Options exercised in 2015	Options forfeited at end-2015	Options outstanding at end-2015	Exercise period
Subscription options							
None							
Purchase options							
Plans expired:							
18 Dec. 2003 23 May 2000	178,000	€51.45	5	0	178,000	0	18 Dec. 2005 to 18 Dec. 2013
20 Nov. 2004 11 May 2004	178,000	€41.64 ^(*)	5	0	186,604 ^(*)	0	20 Nov. 2006 to 20 Nov. 2014
20 Nov. 2005 11 May 2004	240,000	€45.69 ^(*)	5	0	286,911 ^(*)	0	21 Nov. 2007 to 21 Nov. 2015
Plans in force:							
14 Dec. 2006 11 May 2004	242,000	€44.78 ^(*)	5	0	50,000	239,424 ^(*)	14 Dec. 2008 to 14 Dec. 2016

(*) After the adjustment of 20 June 2014.

C) FREE SHARE AWARDS

Date of plan/AGM authorisation	Number of shares awarded	No. of beneficiaries	Number of shares vested at end-2015	Number of shares forfeited at end-2015	Number of shares outstanding at end-2015	Vesting date
Plans expired						
28 Dec. 2007	107,000	7	0 ^(*)	107,000	0 ^(*)	29 Dec. 2009
1 Oct. 2009 31 Dec. 2009	126,000	6	21,155	7,690	0	2 Oct. 2011 ^(**) 2 April 2012 ^(***)
17 Dec. 2010	126,000	5	69,547	56,453	0	18 Dec. 2012 2 April 2013 ^(***)
29 Dec. 2011	119,000	5	72,054	31,946	0	30 Dec. 2013 2 April 2014 ^(***)
25 June 2012	111,000	4	122,225 ^(****)	10,764 ^(****)	0	26 June 2014 1 April 2015 ^(***)
Plans in force						
26 Dec. 2013	115,000	4	0	0	137,781 ^(****)	1 April 2017
01 April 2015	116,000	4	0	0	116,000	1 April 2018

(*) No shares vested under this plan since the stock market performance condition was not met at 29 December 2009.

(**) 3 October 2013 for beneficiaries who are not French tax residents and 2 April 2014 for the executive corporate officer who is not a French tax resident.

(***) For the executive corporate officers.

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

7.3.1.4 MANAGING PARTNERS**Arnaud Lagardère**

Summary of gross remuneration and benefits granted for the year (before deducting social security contributions)				
	2014		2015	
	Amounts payable	Amounts received	Amounts payable	Amounts received
Fixed salary	1,140,729	1,140,729	1,140,729	1,140,729
Variable salary	1,264,200 ⁽¹⁾	1,646,400	1,711,093 ⁽¹⁾	1,264,200
Extraordinary compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind	20,499	20,499	20,028	20,028
Total	2,425,428	2,807,628	2,871,850	2,424,957

(1) Since the variable portion of salary can only be calculated after the year-end, it is paid during the following year.

Since his appointment as General and Managing Partner in 2003, Arnaud Lagardère has not been awarded any share options or free shares.

► Share options granted during the year: none.

► Share options exercised during the year: none.

► Performance shares granted during the year: none.

► Performance shares that became available during the year: none.

Total remuneration and benefits, share options and performance shares granted		
	2014	2015
Remuneration and benefits payable for the year (details in previous table)	2,425,428	2,871,850
Value of share options granted during the year	None	None
Value of performance shares granted during the year	None	None
Total	2,425,428	2,871,850

Pierre Leroy

Summary of gross remuneration and benefits granted for the year (before deducting social security contributions)				
	2014		2015	
	Amounts payable	Amounts received	Amounts payable	Amounts received
Fixed salary	1,474,000	1,474,000	1,474,000	1,474,000
Variable salary	570,900 ⁽¹⁾	652,800	768,925 ⁽¹⁾	570,900
Extraordinary compensation	1,100,000	1,100,000	-	-
Attendance fees	-	-	-	-
Benefits in kind	8,406	8,406	11,026	11,026
Total	3,153,306	3,235,206	2,253,951	2,055,926

(1) Since the variable portion of salary can only be calculated after the year-end, it is paid during the following year.

- ▶ Share options granted during the year: none.
- ▶ Performance shares granted during the year: 32,000.
- ▶ Share options exercised during the year: none.

Performance shares granted in 2015						
Authorisation of AGM	Date of the plan	No. of shares awarded	Carrying amount under IFRS	Vesting date	Date of availability	Performance conditions
3 May 2013	1 April 2015	32,000	731,200	1 April 2018	1 April 2020 ⁽¹⁾	⁽²⁾

(1) Applicable to 50% of the vested shares. The shares corresponding to the remaining 50% are subject to additional lock-up conditions (see section 7.3.1.2.G above).

(2) For further details, see section 7.3.1.2.G above.

- ▶ Performance shares that became available during the year: 9,923. The mandatory holding period for the 19,849 performance shares which vested to Pierre Leroy on 2 April 2013 under the plan of 17 December 2010, ended on 2 April 2015. According to the holding rules defined by the Supervisory Board in accordance with the applicable laws and the recommendations of the Afep-Medef Corporate Governance Code, half of these shares are still subject to holding periods based on the valuation of Pierre Leroy's share portfolio and the termination of his duties.
- ▶ Performance shares that vested during the year: 34,751.

Of the 38,339 free shares granted to Pierre Leroy (increased from the original amount of 32,000 granted under the plan of 25 June 2012 after adjustments carried out on 20 June 2014), 34,751 vested on 1 April 2015, i.e., 90.64% of the shares granted, following the

application of performance conditions provided for in the decision to award the shares:

- ▶ average achievement of objectives relating to Group recurring operating profit: $\geq 100\%$
- ▶ average achievement of objectives relating to net cash from operating activities of fully consolidated companies: 81.28%
- ▶ change in 2014 recurring operating profit of fully consolidated companies compared with the 2012-2013 average: Positive

In addition, to cover the impact of the extra interim dividend paid in 2013, in 2015, Pierre Leroy, as every other impacted beneficiary of the 2010, 2011 and 2012 free share award plans, was paid, as a final compensation and by way of salary, a premium equal to €9 per 2012 free share, i.e., a total gross amount (before social security contributions) of €261,045 (see section 7.3.1.2.L above).

Total remuneration and benefits, share options and performance shares granted		
	2014	2015
Remuneration and benefits payable for the year (details in previous table)	3,153,306	2,253,951
Value of share options granted during the year	None	None
Value of performance shares granted during the year	None	731,200
Total	3,153,306	2,985,151

Dominique D'Hinnin

Summary of gross remuneration and benefits granted for the year (before deducting social security contributions)				
	2014		2015	
	Amounts payable	Amounts received	Amounts payable	Amounts received
Fixed salary	1,206,000	1,206,000	1,206,000	1,206,000
Variable salary	570,900 ⁽¹⁾	652,800	768,925 ⁽¹⁾	570,900
Extraordinary compensation	1,100,000	1,100,000	-	-
Attendance fees	-	-	-	-
Benefits in kind	8,925	8,925	10,120	10,120
Total	2,885,825	2,967,725	1,985,045	1,787,020

(1) Since the variable portion of salary can only be calculated after the year-end, it is paid during the following year.

- ▶ Share options granted during the year: none.
- ▶ Performance shares granted during the year: 32,000.
- ▶ Share options exercised during the year: none.

Performance shares granted in 2015						
Authorisation of AGM	Date of the plan	No. of shares awarded	Carrying amount under IFRS	Vesting date	Date of availability	Performance conditions
3 May 2013	1 April 2015	32,000	731,200	1 April 2018	1 April 2020 ⁽¹⁾	(2)

(1) Applicable to 50% of the vested shares. The shares corresponding to the remaining 50% are subject to additional lock-up conditions (see section 7.3.1.2.G above).

(2) For further details, see section 7.3.1.2.G above.

- ▶ Performance shares that became available during the year: 14,886.

The mandatory holding period for the 19,849 performance shares which vested to Dominique D'Hinnin on 2 April 2013 under the plan of 17 December 2010, ended on 2 April 2015. According to the holding rules defined by the Supervisory Board in accordance with the applicable laws, a quarter of these shares remained subject to a holding period until the termination of Dominique D'Hinnin's duties. Since the valuation of Dominique D'Hinnin's share portfolio is higher than one year of his fixed and variable salary, the holding period established in accordance with the recommendations of the Afep-Medef Corporate Governance Code and applicable to a quarter of the shares, has been removed.

- ▶ Performance shares that vested during the year: 34,751.

Of the 38,339 free shares granted to Dominique D'Hinnin (increased from the original amount of 32,000 granted under the plan of

25 June 2012 after adjustments carried out on 20 June 2014), 34,751 vested on 1 April 2015, i.e., 90.64% of the shares granted, following the application of performance conditions provided for in the decision to award the shares:

- ▶ average achievement of objectives relating to Group recurring operating profit: $\geq 100\%$
- ▶ average achievement of objectives relating to net cash from operating activities of fully consolidated companies: 81.28%
- ▶ change in 2014 recurring operating profit of fully consolidated companies compared with the 2012-2013 average: Positive

In addition, to cover the impact of the extra interim dividend paid in 2013, in 2015, Dominique D'Hinnin, as every other impacted beneficiary of the 2010, 2011 and 2012 free share award plans, was paid, as a final compensation and by way of salary, a premium equal to €9 per 2012 free share, i.e., a total gross amount (before social security contributions) of €261,045 (see section 7.3.1.2.L above).

Total remuneration and benefits, share options and performance shares granted		
	2014	2015
Remuneration and benefits payable for the year (details in previous table)	2,885,825	1,985,045
Value of share options granted during the year	None	None
Value of performance shares granted during the year	None	731,200
Total	2,885,825	2,716,245

Thierry Funck-Brentano

Summary of gross remuneration and benefits granted for the year (before deducting social security contributions)				
	2014		2015	
	Amounts payable	Amounts received	Amounts payable	Amounts received
Fixed salary	1,206,000	1,206,000	1,206,000	1,206,000
Variable salary	570,900 ⁽¹⁾	652,800	768,925 ⁽¹⁾	570,900
Extraordinary compensation	1,100,000	1,100,000	-	-
Attendance fees	-	-	-	-
Benefits in kind	10,683	10,683	13,151	13,151
Total	2,887,583	2,969,483	1,988,076	1,790,051

(1) Since the variable portion of salary can only be calculated after the year-end, it is paid during the following year.

- ▶ Share options granted during the year: none.
- ▶ Share options exercised during the year: none.
- ▶ Performance shares granted during the year: 32,000.

Performance shares granted in 2015						
Authorisation of AGM	Date of the plan	No. of shares awarded	Carrying amount under IFRS	Vesting date	Date of availability	Performance conditions
3 May 2013	1 April 2015	32,000	731,200	1 April 2018	1 April 2020 ⁽¹⁾	⁽²⁾

(1) Applicable to 50% of the vested shares. The shares corresponding to the remaining 50% are subject to additional lock-up conditions (see section 7.3.1.2.G above).

(2) For further details, see section 7.3.1.2.G above.

- ▶ Performance shares that became available during the year: 14,886.

The mandatory holding period for the 19,849 performance shares which vested to Thierry Funck-Brentano on 2 April 2013 under the plan of 17 December 2010, ended on 2 April 2015. According to the holding rules defined by the Supervisory Board in accordance with the applicable laws, a quarter of these shares are still subject to a holding period until the termination of Thierry Funck-Brentano's duties. Since the valuation of Thierry Funck-Brentano's share portfolio is higher than one year of his fixed and variable salary, the holding period established in accordance with the recommendations of the Afep Medef Corporate Governance Code and applicable to a quarter of the shares, has been removed.

- ▶ Performance shares that vested during the year: 34,751.

Of the 38,339 free shares granted to Thierry Funck-Brentano (increased from the original amount of 32,000 granted under the plan

of 25 June 2012 after adjustments carried out on 20 June 2014), 34,751 vested on 1 April 2015, i.e., 90.64% of the shares granted, following the application of performance conditions provided for in the decision to award the shares:

- ▶ average achievement of objectives relating to Group recurring operating profit: $\geq 100\%$
- ▶ average achievement of objectives relating to net cash from operating activities of fully consolidated companies: 81.28%
- ▶ change in 2014 recurring operating profit of fully consolidated companies compared with the 2012-2013 average: Positive

In addition, to cover the impact of the extra interim dividend paid in 2013, in 2015, Thierry Funck-Brentano, as every other impacted beneficiary of the 2010, 2011 and 2012 free share award plans, was paid, as a final compensation and by way of salary, a premium equal to €9 per 2012 free share, i.e., a total gross amount (before social security contributions) of €261,045 (see section 7.3.1.2.L above).

Total remuneration and benefits, share options and performance shares granted		
	2014	2015
Remuneration and benefits payable for the year (details in previous table)	2,887,583	1,988,076
Value of share options granted during the year	None	None
Value of performance shares granted during the year	None	731,200
Total	2,887,583	2,719,276

Share options⁽¹⁾

	Plans expired					Plans in force
	2001 Plan	2002 Plan	2003 Plan	2004 Plan	2005 Plan	2006 Plan
Date of AGM	23 May 2000		23 May 2000 and 13 May 2003	11 May 2004		2 May 2006
Date of Board of Directors' or Executive Board meeting (as relevant)	Not relevant to Lagardère SCA which is a French partnership limited by shares Grant date = date of decision by the Managing Partners to set up the plan					
Total number of shares under option ⁽¹⁾	1,271,740 ⁽¹⁾	1,313,639 ⁽¹⁾	1,453,451 ⁽¹⁾	1,577,677 ^(***)	1,736,769 ^(***)	1,919,029 ^(***)
Of which shares available for subscription or purchase by Managing Partners and members of the Supervisory Board⁽¹⁾:						
Arnaud Lagardère	50,560	50,554	0	0	0	0
Pierre Leroy	30,336	30,333	40,444	50,433	62,345	62,350
Philippe Camus	20,224	20,222	30,333	30,336	50,000	50,000
Dominique D'Hinnin	30,336	30,333	40,444	50,433	62,345	62,350
Thierry Funck-Brentano	30,336	30,333	40,444	50,433	62,345	62,350
Start of exercise period	19 Dec. 2003	19 Dec. 2004	18 Dec. 2005	20 Nov. 2006	21 Nov. 2007	14 Dec. 2008
Option expiry date	19 Dec. 2008	19 Dec. 2009	18 Dec. 2013	20 Nov. 2014	21 Nov. 2015	14 Dec. 2016
Subscription or purchase price	€46.48 ⁽¹⁾	€51.45 ⁽¹⁾	€51.45 ⁽¹⁾	€41.64 ^(**)	€45.69 ^(**)	€44.78 ^(**)
Number of shares vested at 29 February 2016	30,336 ⁽²⁾	-	-	-	-	-
Total number of share options cancelled or forfeited:						
Arnaud Lagardère	50,560	50,554	-	-	-	-
Pierre Leroy	-	30,333	40,444	50,433	62,345	-
Philippe Camus	20,224	20,222	30,333	30,336	50,000	50,000
Dominique D'Hinnin	30,336	30,333	40,444	50,433	62,345	-
Thierry Funck-Brentano	30,336	30,333	40,444	50,433	62,345	-
Share options⁽¹⁾ outstanding at end-2015:						
Arnaud Lagardère	0	0	-	-	-	-
Pierre Leroy	0	0	0	0	0	62,350
Philippe Camus	0	0	0	0	0	0
Dominique D'Hinnin	0	0	0	0	0	62,350
Thierry Funck-Brentano	0	0	0	0	0	62,350

(1) Share purchase plans only.

(2) Exercised by Pierre Leroy on 20 December 2005.

(1) After adjustment on 6 July 2005.

(**) After adjustment on 20 June 2014.

(***) After the adjustments on 6 July 2005 and 20 June 2014.

No options have been exercised under the 2005 and 2006 plans in view of Lagardère SCA share price trends.

Historical information on performance share grants

	Plan 1	Plan 2	Plan 3	Plan 4	Plan 5	Plan 6
Date of AGM	28 April 2009	28 April 2009	28 April 2009	28 April 2009	3 May 2013	3 May 2013
Date of grant ^(*)	31 Dec. 2009	17 Dec. 2010	29 Dec. 2011	25 June 2012	26 Dec. 2013	1 April 2015
Total number of free shares granted ^(**)	50,000	116,000	104,000	115,017	115,017	96,000
Of which granted to:						
Arnaud Lagardère ^(***)	-	-	-	-	-	-
Pierre Leroy	25,000	29,000	26,000	38,339	38,339	32,000
Philippe Camus	25,000	29,000	26,000	-	-	-
Dominique D'Hinnin	-	29,000	26,000	38,339	38,339	32,000
Thierry Funck-Brentano	-	29,000	26,000	38,339	38,339	32,000
Vesting date	2 April 2012 2 April 2014	2 April 2013	2 April 2014	1 April 2015	1 April 2017	1 April 2018
End of holding period ^(****)	2 April 2014	2 April 2015	2 April 2016	1 April 2017	1 April 2019	1 April 2020
Performance conditions	Yes	Yes	Yes	Yes	Yes	Yes
Number of shares vested at 29 February 2016	42,310	59,547	72,054	104,253	0	0
Total number of shares cancelled or forfeited	7,690	56,453	31,946	10,764	0	0
Arnaud Lagardère	-	-	-	-	-	-
Pierre Leroy	3,845	9,151	1,982	3,588	0	0
Philippe Camus	3,845	29,000	26,000	-	-	-
Dominique D'Hinnin	-	9,151	1,982	3,588	0	0
Thierry Funck-Brentano	-	9,151	1,982	3,588	0	0
Performance shares outstanding at end-2015 ^(**) :	0	0	0	0	115,017	96,000
Arnaud Lagardère	-	-	-	-	-	-
Pierre Leroy	0	0	0	0	38,339	32,000
Philippe Camus	0	0	0	-	-	-
Dominique D'Hinnin	-	0	0	0	38,339	32,000
Thierry Funck-Brentano	-	0	0	0	38,339	32,000

(*) Since Lagardère SCA is a French partnership limited by shares, the granting of performance shares is the responsibility of the Managing Partners and is coordinated by the Supervisory Board.

(**) After adjustment on 20 June 2014.

(***) Arnaud Lagardère, Managing Partner, does not receive any performance shares.

(****) Applicable to 50% of the vested shares. The shares corresponding to the remaining 50% are subject to additional lock-up conditions (see section 7.3.1.2.G above).

Other information

Executive corporate officers	Employment contract ⁽¹⁾		Supplementary pension plan		Indemnities or benefits payable or likely to be payable due to a termination or change of function		Indemnities payable under a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Arnaud Lagardère Position: Managing Partner Date of appointment: } Renewed on 11 March 2015 for a six-year period End of term of office: }		X	X			X		X
Pierre Leroy Position: ^(a) Date of appointment: End of term of office:		NA ⁽¹⁾	X			X		X
Dominique D'Hinnin Position: ^(b) Date of appointment: End of term of office:		NA ⁽¹⁾	X			X		X
Thierry Funck-Brentano Position: ^(c) Date of appointment: End of term of office:		NA ⁽¹⁾	X			X		X

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

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

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

(1) The Afep-Medef Corporate Governance Code recommendations that company officers should not hold employment contracts with the company only apply to the following persons: Chairman of the Board of Directors, Chairman and Chief Executive Officer, Chief Executive Officer of companies with a Board of Directors, Chairman of the Management Board, Chief Executive Officer of companies with a Management Board and Supervisory Board, and Managing Partner of French partnerships limited by shares (SCA).

7.3.2

CONSULTATION OF THE SHAREHOLDERS ON THE COMPONENTS OF REMUNERATION PAYABLE OR GRANTED TO THE EXECUTIVE CORPORATE OFFICERS IN RESPECT OF 2015

In application of the recommendation set out in paragraph 24.3 of the Afep-Medef Corporate Governance Code – which the Company uses as its corporate governance framework in accordance with article L. 225-68 of the French Commercial Code – shareholders are invited to issue an advisory opinion on the components of remuneration payable or granted in respect of the previous year to each of the Company's executive corporate officers, namely:

- ▶ Arnaud Lagardère, in his capacity as Managing Partner of Lagardère SCA and Chairman and Chief Executive Officer of Arjil Commanditée-Arco, Managing Partner of Lagardère SCA;

- ▶ Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano, in their capacity as Chief Operating Officers of Arjil Commanditée Arco, Managing Partner of Lagardère SCA.

The shareholders' advisory opinion is sought regarding the components of remuneration, payable or granted to these persons in respect of 2015, taken as a whole. These components of remuneration were described in detail in the previous section. They are summarised below in the format provided in the guidelines of the Afep-Medef Corporate Governance Code.

ARNAUD LAGARDÈRE (gross amount before deducting social security contributions)

Components of remuneration payable or granted for 2015	Amount or accounting value	Comments
Fixed salary	€1,140,729	▶ This is the salary before deducting social security contributions, the amount of which has not changed since 2009.
Variable salary	€1,711,093	<p>▶ This gross variable salary is determined on the basis of rules defined in 2003, which have been consistently applied since that date, except for the scope used to measure performance, which was extended in 2015 to cover all of the Group's consolidated companies whereas it previously only included the companies making up Lagardère Media (corresponding to the Group's four operating divisions).</p> <p>▶ This variable salary is based solely on quantitative criteria related to the Group's performance in 2015 (growth rate for Group recurring operating profit compared with the target growth rate for Group recurring operating profit communicated as market guidance, and net cash from operating activities of fully consolidated companies compared with the budget prepared at the start of the year. These results may be reduced, where appropriate, by applying the ratio between Group recurring operating profit in 2015 and that generated in 2014) (see section 7.3.1 of the Reference Document).</p> <p>▶ The achievement rate for the above objectives is applied to a benchmark amount of €1,400,000, it being specified that Arnaud Lagardère's variable salary may not exceed 150% of his fixed salary.</p> <p>▶ In light of the achievement rate for these objectives in 2015 (1.47975 versus 0.903 in 2014 and 1.176 in 2013), Arnaud Lagardère's variable salary amounted to 150% of his fixed annual salary in 2015 (after applying the relevant cap).</p>
Deferred variable salary	N/A	▶ Arnaud Lagardère does not receive any deferred variable salary.
Multi-annual variable salary	N/A	▶ Arnaud Lagardère does not receive any multi-annual variable salary.
Extraordinary compensation	N/A	▶ Arnaud Lagardère did not receive any extraordinary compensation for 2015.
Attendance fees	N/A	▶ Arnaud Lagardère was not entitled to and did not receive any attendance fees for 2015.
Awarding of share options and/or performance shares	N/A	▶ Arnaud Lagardère has not received any share options or performance shares since his appointment as Managing Partner in 2003.
Benefits linked to non-competition agreements	N/A	▶ Arnaud Lagardère is not entitled to any benefits of this nature.
Benefits linked to taking up or terminating office	N/A	▶ Arnaud Lagardère is not entitled to any benefits of this nature.
Supplementary pension plan	€0	<p>▶ Arnaud Lagardère is a beneficiary of the defined benefit supplementary pension plan open and in force within Lagardère Capital & Management and is subject to the same terms and conditions as the other beneficiaries (see section 7.3.1 of the Reference Document).</p> <p>▶ His entitlements under the plan are acquired at a rate of 1.75% of the Benchmark Remuneration per year up to a limit of 20 years. Accordingly, his supplementary pension benefits cannot exceed 35% of the Benchmark Remuneration.</p> <p>▶ The Benchmark Remuneration corresponds to the average gross annual remuneration over the last five years (fixed + variable up to a maximum of 100% of the fixed portion) and cannot exceed 50 times the annual ceiling used to calculate social security contributions.</p> <p>▶ The plan is a conditional benefit plan, and the pension will only be payable if the beneficiary is still with the Company at retirement age, except in the event of termination after the age of 55, early retirement or long-term disability.</p> <p>▶ The corresponding commitment was authorised insofar as may be required by the Supervisory Board on 14 September 2005 (in accordance with the rules governing related party agreements) and approved by the Annual General Meeting of 2 May 2006 (4th resolution).</p> <p>▶ By way of example, if the annual annuity payable to Arnaud Lagardère was calculated today based on the Benchmark Remuneration as defined in the plan, it would represent approximately 28.10% of his fixed and variable salary paid in 2015.</p> <p>▶ No benefits were payable to Arnaud Lagardère under this plan for 2015.</p>
Benefits in kind	€20,028	▶ This corresponds to Arnaud Lagardère's potential personal use of his company car.

PIERRE LEROY (gross amount before deducting social security contributions)

Components of remuneration payable or granted for 2015	Amount or accounting value	Comments
Fixed salary	€1,474,000	► This is the salary before deducting social security contributions, the amount of which has not changed since 2011.
Variable salary	€768,925	<p>► This gross variable salary is determined on the basis of rules defined in 2003, which have been consistently applied since that date, except for (i) the scope used to measure the applicable quantitative criteria, which was extended in 2015 to cover all of the Group's consolidated companies whereas it previously only included the companies making up Lagardère Media (corresponding to the Group's four operating divisions), and (ii) the cap applicable to the portion based on qualitative criteria, which was raised from 25% to 33% of the fixed salary in 2015.</p> <p>► The variable salary includes:</p> <ul style="list-style-type: none"> - A portion based on qualitative criteria, which may not exceed 33% of his fixed salary. These qualitative criteria correspond to a set of priority targets related to three domains, each of which are given an equal weighting: the rollout of the Group's strategic plan, the quality of governance and management, and the implementation of the Group's CSR policy (see section 7.3.1 of the Reference Document). - A portion based on quantitative criteria, determined by reference to the Group's performance in 2015 (growth rate for Group recurring operating profit compared with the target growth rate for Group recurring operating profit communicated as market guidance, and net cash from operating activities of fully consolidated companies compared with the budget prepared at the start of the year. These results may be reduced, where appropriate, by applying the ratio between Group recurring operating profit in 2015 and that generated in 2014) (see section 7.3.1 of the Reference Document). <p>► The achievement rate for the above objectives is applied to a benchmark amount of €600,000 (€300,000 for the qualitative portion and €300,000 for the quantitative portion), it being specified that the variable salary may not exceed 75% of the fixed salary.</p> <p>► In light of the achievement rates for these objectives in 2015 (1.47975 for the quantitative objectives versus 0.903 in 2014 and 1.176 in 2013; and 1.083 for the qualitative objectives versus 1 in 2014 and 2013), Pierre Leroy's variable salary amounted to 52.16% of his fixed annual salary in 2015.</p>
Deferred variable salary	N/A	► Pierre Leroy does not receive any deferred variable salary.
Multi-annual variable salary	N/A	► Pierre Leroy does not receive any multi-annual variable salary.
Extraordinary compensation	N/A	► Pierre Leroy did not receive any extraordinary compensation for 2015.
Attendance fees	N/A	► Pierre Leroy was not entitled to and did not receive any attendance fees for 2015.
Awarding of share options and/or performance shares	€731,200	<p>► Pierre Leroy did not receive any share options in 2015.</p> <p>► In 2015 Pierre Leroy was awarded 32,000 performance shares, representing 0.024% of the Company's share capital.</p> <p>► These performance shares will vest in 2018 provided that (i) Pierre Leroy is still with the Company at the vesting date, and (ii) the objectives related to the Group's performance in 2015, 2016 and 2017 are met, as based on the following indicators for those three years: Group recurring operating profit compared with the target growth rates communicated as market guidance, net cash from operating activities of fully consolidated companies compared with the amounts in the budgets prepared at the start of each year, and intrinsic growth in Group recurring operating profit (see section 7.3.5 of the Reference Document).</p> <p>► The performance shares were granted by the Managing Partners on 1 April 2015 using the authorisation given at the 3 May 2013 Annual General Meeting (17th resolution).</p>
Benefits linked to non-competition agreements	N/A	► Pierre Leroy is not entitled to any benefits of this nature.
Benefits linked to taking up or terminating office	N/A	► Pierre Leroy is not entitled to any benefits of this nature.

Components of remuneration payable or granted for 2015	Amount or accounting value	Comments
Supplementary pension plan	€0	<ul style="list-style-type: none"> ▶ Pierre Leroy is a beneficiary of the defined benefit supplementary pension plan open and in force within Lagardère Capital & Management and is subject to the same terms and conditions as the other beneficiaries (see section 7.3.1. of the Reference Document). ▶ His entitlements under the plan are acquired at a rate of 1.75% of the Benchmark Remuneration per year up to a limit of 20 years. Accordingly, his supplementary pension benefits cannot exceed 35% of the Benchmark Remuneration. ▶ The Benchmark Remuneration corresponds to the average gross annual remuneration over the last five years (fixed + variable) and cannot exceed 50 times the annual ceiling used to calculate social security contributions. ▶ The plan is a conditional benefit plan, and the pension will only be payable if the beneficiary is still with the Company at retirement age, except in the event of termination after the age of 55, early retirement or long-term disability. ▶ The corresponding commitment was authorised insofar as may be required by the Supervisory Board on 14 September 2005 (in accordance with the rules governing related party agreements) and approved by the Annual General Meeting of 2 May 2006 (4th resolution). ▶ By way of example, if the annual annuity payable to Pierre Leroy was calculated today based on the Benchmark Remuneration as defined in the plan, it would represent approximately 33.05% of his fixed and variable salary paid in 2015. ▶ No benefits were payable to Pierre Leroy under this plan for 2015.
Benefits in kind	€11,026	<ul style="list-style-type: none"> ▶ This corresponds to Pierre Leroy's potential personal use of his company car.
Other remuneration	€261,045	<ul style="list-style-type: none"> ▶ In 2015, Pierre Leroy received a gross amount of €261,045 (before social security contributions) corresponding to his portion of the compensation paid by the Group to all of its employees and senior managers who received free shares under the 2010, 2011 and 2012 plans. This compensation was paid to cover the impact of the €9 extra interim dividend paid in 2013 on the value of free shares that had not yet vested (see section 7.3.1 of the Reference Document).

DOMINIQUE D'HINNIN (gross amount before deducting social security contributions)

Components of remuneration payable or granted for 2015	Amount or accounting value	Comments
Fixed salary	€1,206,000	▶ This is the salary before deducting social security contributions, the amount of which has not changed since 2011.
Variable salary	€768,925	<p>▶ This gross variable salary is determined on the basis of rules defined in 2003, which have been consistently applied since that date, except for (i) the scope used to measure the applicable quantitative criteria, which was extended in 2015 to cover all of the Group's consolidated companies whereas it previously only included the companies making up Lagardère Media (corresponding to the Group's four operating divisions), and (ii) the cap applicable to the portion based on qualitative criteria, which was raised from 25% to 33% of the fixed salary in 2015.</p> <p>▶ The variable salary includes:</p> <ul style="list-style-type: none"> – A portion based on qualitative criteria, which may not exceed 33% of his fixed salary. These qualitative criteria correspond to a set of priority targets related to three domains, each of which are given an equal weighting: the rollout of the Group's strategic plan, the quality of governance and management, and the implementation of the Group's CSR policy (see section 7.3.1 of the Reference Document). – A portion based on quantitative criteria, determined by reference to the Group's performance in 2015 (growth rate for Group recurring operating profit compared with the target growth rate for Group recurring operating profit communicated as market guidance, and net cash from operating activities of fully consolidated companies compared with the budget prepared at the start of the year. These results may be reduced, where appropriate, by applying the ratio between Group recurring operating profit in 2015 and that generated in 2014) (see section 7.3.1 of the Reference Document). <p>▶ The achievement rate for the above objectives is applied to a benchmark amount of €600,000 (€300,000 for the qualitative portion and €300,000 for the quantitative portion), it being specified that the variable salary may not exceed 75% of the fixed salary.</p> <p>▶ In light of the achievement rates for these objectives in 2015 (1.47975 for the quantitative objectives versus 0.903 in 2014 and 1.176 in 2013; and 1.083 for the qualitative objectives versus 1 in 2014 and 2013), Dominique D'Hinnin's variable salary amounted to 63.76% of his fixed annual salary in 2015.</p>
Deferred variable salary	N/A	▶ Dominique D'Hinnin does not receive any deferred variable salary.
Multi-annual variable salary	N/A	▶ Dominique D'Hinnin does not receive any multi-annual variable salary.
Extraordinary compensation	N/A	▶ Dominique D'Hinnin did not receive any extraordinary compensation for 2015.
Attendance fees	N/A	▶ Dominique D'Hinnin was not entitled to and did not receive any attendance fees for 2015.
Awarding of share options and/or performance shares	€731,200	<p>▶ Dominique D'Hinnin did not receive any share options in 2015.</p> <p>▶ In 2015 Dominique D'Hinnin was awarded 32,000 performance shares, representing 0.024% of the Company's share capital.</p> <p>▶ These performance shares will vest in 2018 provided that (i) Dominique D'Hinnin is still with the Company at the vesting date, and (ii) the objectives related to the Group's performance in 2015, 2016 and 2017 are met, as based on the following indicators for those three years: Group recurring operating profit compared with the target growth rates communicated as market guidance, net cash from operating activities of fully consolidated companies compared with the amounts in the budgets prepared at the start of each year, and intrinsic growth in Group recurring operating profit (see section 7.3.5 of the Reference Document).</p> <p>▶ The performance shares were granted by the Managing Partners on 1 April 2015 using the authorisation given at the 3 May 2013 Annual General Meeting (17th resolution).</p>
Benefits linked to non-competition agreements	N/A	▶ Dominique D'Hinnin is not entitled to any benefits of this nature.
Benefits linked to taking up or terminating office	N/A	▶ Dominique D'Hinnin is not entitled to any benefits of this nature.

Components of remuneration payable or granted for 2015	Amount or accounting value	Comments
Supplementary pension plan	€0	<ul style="list-style-type: none"> ▶ Dominique D'Hinnin is a beneficiary of the defined benefit supplementary pension plan open and in force within Lagardère Capital & Management and is subject to the same terms and conditions as the other beneficiaries (see section 7.3.1 of the Reference Document). ▶ His entitlements under the plan are acquired at a rate of 1.75% of the Benchmark Remuneration per year up to a limit of 20 years. Accordingly, his supplementary pension benefits cannot exceed 35% of the Benchmark Remuneration. ▶ The Benchmark Remuneration corresponds to the average gross annual remuneration over the last five years (fixed + variable) and cannot exceed 50 times the annual ceiling used to calculate social security contributions. ▶ The plan is a conditional benefit plan, and the pension will only be payable if the beneficiary is still with the Company at retirement age, except in the event of termination after the age of 55, early retirement or long-term disability. ▶ The corresponding commitment was authorised insofar as may be required by the Supervisory Board on 14 September 2005 (in accordance with the rules governing related party agreements) and approved by the Annual General Meeting of 2 May 2006 (4th resolution). ▶ By way of example, if the annual annuity payable to Dominique D'Hinnin was calculated today based on the Benchmark Remuneration as defined in the plan, it would represent approximately 30.54% of his fixed and variable salary paid in 2015. ▶ No benefits were payable to Dominique D'Hinnin under this plan for 2015.
Benefits in kind	€10,120	<ul style="list-style-type: none"> ▶ This corresponds to Dominique D'Hinnin's potential personal use of his company car.
Other remuneration	€261,045	<ul style="list-style-type: none"> ▶ In 2015, Dominique D'Hinnin received a gross amount of €261,045 (before social security contributions) corresponding to his portion of the compensation paid by the Group to all of its employees and senior managers who received free shares under the 2010, 2011 and 2012 plans. This compensation was paid to cover the impact of the €9 extra interim dividend paid in 2013 on the value of free shares that had not yet vested (see section 7.3.1 of the Reference Document).

THIERRY FUNCK-BRENTANO (gross amount before deducting social security contributions)

Components of remuneration payable or granted for 2015	Amount or accounting value	Comments
Fixed salary	€1,206,000	► This is the salary before deducting social security contributions, the amount of which has not changed since 2011.
Variable salary	€768,925	<p>► This gross variable salary is determined on the basis of rules defined in 2003, which have been consistently applied since that date, except for (i) the scope used to measure the applicable quantitative criteria, which was extended in 2015 to cover all of the Group's consolidated companies whereas it previously only included the companies making up Lagardère Media (corresponding to the Group's four operating divisions), and (ii) the cap applicable to the portion based on qualitative criteria, which was raised from 25% to 33% of the fixed salary in 2015.</p> <p>► The variable salary includes:</p> <ul style="list-style-type: none"> - A portion based on qualitative criteria, which may not exceed 33% of his fixed salary. These qualitative criteria correspond to a set of priority targets related to three domains, each of which are given an equal weighting: the rollout of the Group's strategic plan, the quality of governance and management, and the implementation of the Group's CSR policy (see section 7.3.1 of the Reference Document). - A portion based on quantitative criteria, determined by reference to the Group's performance in 2015 (growth rate for Group recurring operating profit compared with the target growth rate for Group recurring operating profit communicated as market guidance, and net cash from operating activities of fully consolidated companies compared with the budget prepared at the start of the year. These results may be reduced, where appropriate, by applying the ratio between Group recurring operating profit in 2015 and that generated in 2014) (see section 7.3.1 of the Reference Document). <p>► The achievement rate for the above objectives is applied to a benchmark amount of €600,000 (€300,000 for the qualitative portion and €300,000 for the quantitative portion), it being specified that the variable salary may not exceed 75% of the fixed salary.</p> <p>► In light of the achievement rates for these objectives in 2015 (1.47975 for the quantitative objectives versus 0.903 in 2014 and 1.176 in 2013; and 1.083 for the qualitative objectives versus 1 in 2014 and 2013), Thierry Funck-Brentano's variable salary amounted to 63.76% of his fixed annual salary in 2015.</p>
Deferred variable salary	N/A	► Thierry Funck-Brentano does not receive any deferred variable salary.
Multi-annual variable salary	N/A	► Thierry Funck-Brentano does not receive any multi-annual variable salary.
Extraordinary compensation	N/A	► Thierry Funck-Brentano did not receive any extraordinary compensation for 2015.
Attendance fees	N/A	► Thierry Funck-Brentano was not entitled to and did not receive any attendance fees for 2015.
Awarding of share options and/or performance shares	€731,200	<p>► Thierry Funck-Brentano did not receive any share options in 2015.</p> <p>► In 2015 Thierry Funck-Brentano was awarded 32,000 performance shares, representing 0.024% of the Company's share capital.</p> <p>► These performance shares will vest in 2018 provided that (i) Thierry Funck-Brentano is still with the Company at the vesting date, and (ii) the objectives related to the Group's performance in 2015, 2016 and 2017 are met, as based on the following indicators for those three years: Group recurring operating profit compared with the target growth rates communicated as market guidance, net cash from operating activities of fully consolidated companies compared with the amounts in the budgets prepared at the start of each year, and intrinsic growth in Group recurring operating profit (see section 7.3.5 of the Reference Document).</p> <p>► The performance shares were granted by the Managing Partners on 1 April 2015 using the authorisation given at the 3 May 2013 Annual General Meeting (17th resolution).</p>
Benefits linked to non-competition agreements	N/A	► Thierry Funck-Brentano is not entitled to any benefits of this nature.
Benefits linked to taking up or terminating office	N/A	► Thierry Funck-Brentano is not entitled to any benefits of this nature.

Components of remuneration payable or granted for 2015	Amount or accounting value	Comments
Supplementary pension plan	€0	<ul style="list-style-type: none"> ▶ Thierry Funck-Brentano is a beneficiary of the defined benefit supplementary pension plan open and in force within Lagardère Capital & Management and is subject to the same terms and conditions as the other beneficiaries (see section 7.3.1. of the Reference Document). ▶ His entitlements under the plan are acquired at a rate of 1.75% of the Benchmark Remuneration per year up to a limit of 20 years. Accordingly, his supplementary pension benefits cannot exceed 35% of the Benchmark Remuneration. ▶ The Benchmark Remuneration corresponds to the average gross annual remuneration over the last five years (fixed + variable) and cannot exceed 50 times the annual ceiling used to calculate social security contributions. ▶ The plan is a conditional benefit plan, and the pension will only be payable if the beneficiary is still with the Company at retirement age, except in the event of termination after the age of 55, early retirement or long-term disability. ▶ The corresponding commitment was authorised insofar as may be required by the Supervisory Board on 14 September 2005 (in accordance with the rules governing related party agreements) and approved by the Annual General Meeting of 2 May 2006 (4th resolution). ▶ By way of example, if the annual annuity payable to Thierry Funck-Brentano was calculated today based on the Benchmark Remuneration as defined in the plan, it would represent approximately 36.34% of his fixed and variable salary paid in 2015. ▶ No benefits were payable to Thierry Funck-Brentano under this plan for 2015.
Benefits in kind	€13,151	<ul style="list-style-type: none"> ▶ This corresponds to Thierry Funck-Brentano's potential personal use of his company car.
Other remuneration	€261,045	<ul style="list-style-type: none"> ▶ In 2015, Thierry Funck-Brentano received a gross amount of €261,045 (before social security contributions) corresponding to his portion of the compensation paid by the Group to all of its employees and senior managers who received free shares under the 2010, 2011 and 2012 plans. This compensation was paid to cover the impact of the €9 extra interim dividend paid in 2013 on the value of free shares that had not yet vested (see section 7.3.1 of the Reference Document).

7.3.3 SUPERVISORY BOARD

7.3.3.1 REMUNERATION

At the Ordinary and Extraordinary General Meeting of 10 May 2011, the Company's shareholders raised the aggregate amount of annual attendance fees payable to Supervisory Board members to €700,000.

Each member of the Supervisory Board receives a basic portion of attendance fees. The following members also receive an additional portion of attendance fees corresponding to a multiple of the basic portion: members of the Audit Committee and the Appointments,

Remuneration and Governance Committee (twice the basic portion) and the Chairman of the Supervisory Board and the Committee Chairmen (one basic portion).

The basic portion of attendance fees is equal to the total attendance fees divided by the total number of portions to which Board members are entitled.

In addition, the variable portion of these fees, which is determined based on attendance represents 60% of these fees.

Attendance fees due to members of the Supervisory Board were as follows in 2014, 2015 and 2016 (in euros):

	2014 for 2013	2015 for 2014	2016 for 2015
Nathalie Andrieux	64,512.71	63,636.36	57,931.03
Antoine Arnault	11,122.88	-	-
Martine Chêne	22,245.76	22,727.27	19,310.34
Georges Chodron de Courcel	44,491.53	42,727.27	53,103.45
François David	111,228.81	101,818.18	103,310.34
Xavier de Sarrau	111,228.81 ⁽¹⁾	113,636.36 ⁽¹⁾	96,551.72 ⁽¹⁾
Yves Guillemot	-	15,454.55	19,310.34
Pierre Lescure	40,042.37	45,454.55	50,206.90
Jean-Claude Magendie	20,021.19	22,727.27	19,310.34
Soumia Malinbaum	11,122.88	22,727.27	48,275.86
Hélène Molinari	22,245.76	22,727.27	48,275.86
Javier Monzón	17,796.61 ⁽¹⁾	17,272.73 ⁽¹⁾	16,413.79 ⁽¹⁾
Amélie Oudéa-Castera	21,504.24	-	-
Didier Pineau-Valencienne	23,728.82	-	-
François Roussely	20,021.19	22,727.27	19,310.34
Aline Sylla-Walbaum	39,300.85	59,090.91 ⁽¹⁾	52,137.93 ⁽¹⁾
Susan M. Tolson	22,245.76 ⁽¹⁾	22,727.27 ⁽¹⁾	19,310.34 ⁽¹⁾
Patrick Valroff	64,512.71	68,181.82	57,931.03
Total attendance fees paid	667,372.88⁽¹⁾	663,636.35⁽¹⁾	680,689.66

(1) Less withholding tax.

Raymond Levy received €74,818.04 in retirement benefits for 2015, as provided for in his original employment contract.

Following the recommendation by the Appointments and Remuneration Committee, the Supervisory Board proposed that the Managing Partners should arrange for Xavier de Sarrau to receive an amount in addition to his attendance fees, in recognition of the many specific services he provides in connection with his office as Chairman of the Board. This remuneration is not a salary and was set at €240,000 per year with effect from 27 April 2010 when Xavier de Sarrau became Chairman of the Board.

7.3.3.2 SHARE OPTIONS

None.

7.3.3.3 FREE SHARE AWARDS

None.

7.3.4 TRANSACTIONS IN LAGARDÈRE SCA SHARES BY THE MANAGING PARTNERS AND MEMBERS OF THE SUPERVISORY BOARD AND THEIR RELATIVES DURING 2015

7.3.4.1 MANAGING PARTNERS

Pursuant to article L. 621-18-2 of the French Monetary and Financial Code (*Code monétaire et financier*) the transactions in the Company's shares carried out in 2015, as set out below, were disclosed by the Managing Partners or the parties related to them:

LAGARDÈRE CAPITAL & MANAGEMENT

Lagardère Capital & Management, a legal entity related to Arnaud Lagardère, sold 58,260 Lagardère SCA shares for a total gross amount of €1,632,733.04 between 1 December 2015 and 3 December 2015.

7.3.4.2 MEMBERS OF THE SUPERVISORY BOARD

Pursuant to article L. 621-18-2 of the French Monetary and Financial Code, the transactions in the Company's shares carried out in 2015, as set out below, were disclosed by the members of the Supervisory Board or the parties related to them:

MARTINE CHÊNE

Martine Chêne purchased 250 Lagardère SCA shares on 25 March 2015 for a total gross amount of €6,788.75.

YVES GUILLEMOT

Yves Guillemot purchased 450 Lagardère SCA shares on 16 September 2015 for a total gross amount of €11,526.75.

To the best of the Company's knowledge, no other transactions in the Company's shares were carried out in 2015 by any executive corporate officer or Supervisory Board member or any parties related to them.

7.3.5 FREE SHARES OF LAGARDÈRE SCA OR ITS RELATED ENTITIES

SPECIAL REPORT OF THE MANAGING PARTNERS ON FREE SHARE AWARDS

Dear Shareholders,

Pursuant to the provisions of article L. 225-197-4 of the French Commercial Code (*Code de commerce*), please find below the required information related to transactions in free share awards carried out in 2015.

The policy on the award of free shares is intended to give the Lagardère group's executives worldwide a stake in the Group's growth and consequent rise in value.

It also offers a means of singling out executives who have made a notable contribution to the Group's results through their positive action.

In addition, it instils loyalty among those whom the Company wishes to retain for many years, specifically young executives with strong potential for professional growth, through whose efforts the Group will secure its growth as part of an established long-term strategy.

For Lagardère SCA's executive corporate officers, the members of Lagardère Media's Operating Committee and the Group's executives, free share awards – which are all subject to performance conditions – are also an important way of incentivising and providing long-term compensation.

GENERAL INFORMATION

Free share awards granted by the Company

1. Vesting of free shares in 2015

In the course of 2015, 651,658 free shares vested. All of these shares were issued following a share capital increase carried out by capitalising reserves, which was followed by a share capital reduction by cancelling the same number of treasury shares, as part of the Company's share buyback programme.

Under the 25 June 2012 plan, 104,253 shares vested on 1 April 2015 for the three executive corporate officers of Lagardère SCA.

Under the 26 December 2013 plan, 412,853 shares vested on 27 December 2015 for employees residing in France for tax purposes.

Under the 29 December 2011 plan, 134,552 shares vested on 30 December 2015 for employees residing overseas for tax purposes.

2. Free shares awarded in 2015

Based on the authorisations given by the General Meeting of 3 May 2013 (17th and 18th resolutions), on 1 April 2015, the Managing Partners of the Company awarded 444,440 Lagardère SCA performance shares (representing 0.34% of the total number of shares comprising the share capital) to 47 beneficiaries, executives and senior managers of the Company and companies related to it within the meaning of legal provisions.

The characteristics of this performance share plan are as follows:

- *Number of beneficiaries*: 47 persons.
- *Number of shares awarded*: 444,440 (representing 0.34% of the total number of shares comprising the share capital).
- *Vesting periods*:

For beneficiaries residing in France for tax purposes at 1 April 2015, the vesting period has been set at three years; the shares awarded will fully vest on 1 April 2018, subject to the fulfilment of the conditions described below.

For beneficiaries residing overseas for tax purposes at 1 April 2015, the vesting period has been set at four years; the shares awarded will fully vest on 1 April 2019, subject to the fulfilment of the conditions described below.

– *Presence conditions:*

The shares will only vest on the condition that at midnight on 31 March 2018, the beneficiaries have neither resigned nor been terminated or dismissed for serious or gross misconduct.

Similarly, the executive corporate officers of the three divisional holding companies of Lagardère Publishing, Lagardère Active and Lagardère Travel Retail and members of Lagardère Media's Operating Committee must still be in their positions at midnight on 31 March 2018, except in cases of forced termination for reasons other than misconduct.

For information regarding Lagardère SCA's executive corporate officers, please see the relevant section below.

– *Performance conditions:*

These conditions were based on objectives that are internal to the Company as Lagardère SCA does not have any suitable market comparables in view of the diversity of its business.

Objectives relating to Group recurring operating profit: One-half of the shares will vest subject to the Group achieving a recurring operating profit in 2015, 2016 and 2017 in line with the objective communicated as market guidance for each of these years.

Objectives relating to net cash from operating activities of fully consolidated companies: The other half of the shares will vest subject to the Group achieving a level of net cash from operating activities of fully consolidated companies in 2015, 2016 and 2017 in line with the amount contained in the budget for each of these years.

Each of these objectives counts for one-sixth of the total number of performance shares awarded. If the achievement rate is lower than 50% then none of the shares allocated to that objective will be awarded. If the achievement rate is between 50% and 100%, an equivalent proportion of the number of shares allocated to that objective will be awarded. And if the achievement rate exceeds 100% (i.e., in the event of outperformance) a proportionate number of shares will also be granted, capped however at 150% of the total number of shares allocated to the objective concerned. In all cases, the overall number of a beneficiary's vested performance shares may not be more than the total number of rights to shares that were originally awarded.

Objective relating to intrinsic growth in Group recurring operating profit: The final vesting condition applicable to the performance shares is that Group recurring operating profit for 2017 must be equal to or exceed the average of Group recurring operating profit for 2015 and 2016. If this objective is not achieved the total number of vested free shares will be reduced proportionately.

– *Holding periods:*

For beneficiaries residing in France for tax purposes at 1 April 2015, the vesting period has been set at two years (once vested, the shares must be kept in a registered account until 1 April 2020 inclusive). Beneficiaries residing overseas for tax

purposes at 1 April 2015 are not subject to a holding period once their shares are vested. At the close of the mandatory holding periods, the shares will become transferable and can be traded under the terms and conditions established by law and regulations and in accordance with the trading periods established by Lagardère SCA in its Charter for Prevention of Insider Offences and Misconducts by Lagardère Group Associates.

For information regarding the additional lock-up conditions applicable to Lagardère SCA's executive corporate officers pursuant to the applicable laws and the recommendations in the Afep-Medef Corporate Governance Code, please see the relevant section below.

– *Death or disability of a beneficiary:*

In the event that a beneficiary dies or is deemed to have a disability that falls within the second or third categories provided for by article L. 341-4 of the French Social Security Code (*Code de la sécurité sociale*) during the vesting period, the beneficiary, or the representatives or heirs of such beneficiary depending on the circumstances, may request that the shares be vested in accordance with the terms and conditions provided for in the applicable laws and regulations. In such an event, the beneficiaries, representatives or heirs may (i) request that the free shares vest on or after 1 April 2018, in which case the number of such shares will be calculated based on the application of all the performance conditions set out above, or (ii) request that the free shares vest before 1 April 2018, in which case the number of such shares will be calculated based on the application of only the performance conditions whose achievement level is known at the date of the request. In the latter case, the beneficiaries, representatives or heirs definitively waive their rights to any free shares subject to performance objectives whose achievement level is not yet known. However, in such a scenario, the criteria relating to intrinsic growth in the Group recurring operating profit will not be applied. The free shares so vested will not be subject to a holding period and will become immediately transferable.

The free shares of a beneficiary who dies or is deemed to have a disability, as defined above, during the holding period, will become immediately transferable.

– *Value of the performance shares awarded:*

The value of the performance shares awarded was €27.795 per share at the opening of trading on the Paris stock exchange on 1 April 2015. In accordance with IFRS, this same value was €22.85 per share for the shares vesting on 1 April 2018, and €21.76 per share for the shares vesting on 1 April 2019.

3. Free share award plans in force in 2015

The main characteristics of all of the free share award plans which expired in 2015 or were in force as of 31 December 2015 are summarised in the table below.

Date of the plan	Total number of rights awarded ^(*)	Total number of rights eliminated ^(**)	Total number of shares vested ^(**)	Number of outstanding rights ^(**)
29 December 2011	630,000	47,143	607,556	-
25 June 2012	645,800	37,210	592,772	139,467
26 December 2013	712,950	9,232	414,052	431,155
22 December 2014	306,120	10,800	-	295,320
1 April 2015	444,440	-	-	444,440
Total	2,739,310	104,385	1,614,380	1,310,382

(*) Before the adjustment of 20 June 2014.

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

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

1. On 24 December 2015, 123Billets, an entity in the Lagardère Active division, granted 20 free shares with a total carrying amount of €1.2 million to a beneficiary, subject to said beneficiary remaining with the company, and subject to a one-year vesting period and a two-year holding period. In the course of 2015, no other free shares were granted by entities or by groups related to Lagardère SCA within the meaning of article L. 225-180 of the French Commercial Code.
2. LeGuide.com awarded free shares to certain beneficiaries in April and November 2012, which resulted in 28,560 shares fully vesting in the course of 2014. 7,508 of the free shares remain subject to a holding period until 2016.

Specific information on the executive corporate officers and employees of Lagardère SCA

1. In 2015, Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano, employees of Lagardère Capital & Management and Lagardère SCA's executive corporate officers, were each awarded 32,000 performance shares under the 1 April 2015 plan described above (representing 0.024% of the total number of shares comprising the share capital and a carrying amount of €731,200 under IFRS). In accordance with the recommendations in the AfeP-Medef Corporate Governance Code, the performance shares were granted in compliance with the framework laid down by Lagardère SCA's Supervisory Board which, in its meeting in March 2015, confirmed the terms and conditions governing the ceilings, performance conditions and lock-up conditions applicable to free shares awarded to the executive corporate officers.

In addition to the performance conditions described above, in order for the shares to fully vest, each executive corporate officer must still be in his position at midnight on 31 March 2018, except in cases of forced termination for reasons other than misconduct.

On top of the standard holding period applicable from 1 April 2018 to 1 April 2020 inclusive, each executive corporate officer would be required to keep in a registered share account (*nominalif pur*) (i) 25% of the fully vested shares until such time as he ceases to be an executive corporate officer of Lagardère SCA, and (ii) an additional 25% of the fully vested shares until such time as the value of the Lagardère SCA shares held by the executive corporate officer concerned equals at least one year's worth of his gross fixed and variable salary (calculated each year based on a) the average share price for the month of December of the previous year and b) the executive corporate officer's fixed and variable salary for the past year, with the maximum potential amount used for the variable portion). At the close of the mandatory holding periods, the corresponding shares will become transferable and can be traded under the terms and conditions established by law and regulations and in accordance with the trading periods established by Lagardère SCA in its Charter for Prevention of Insider Offences and Misconducts by Lagardère Group Associates.

2. In 2015, Lagardère SCA's executive corporate officers were not awarded any other free shares by the entities and groups related to Lagardère SCA within the meaning of article L. 225-197-2 of the French Commercial Code, or the companies that it controls within the meaning of article L. 233-16 of said Code.
3. In 2015, Lagardère SCA's nine employees were awarded a total number of 37,440 performance shares under the 1 April 2015 plan described above (representing 0.029% of the total number of shares comprising the share capital and a carrying amount of €855,504 under IFRS), i.e., an average number of 4,160 shares awarded per person (representing 0.003% of the total number of shares comprising the share capital and an amount of €95,056 under IFRS).
4. In 2015, Lagardère SCA's employees were not awarded any free shares by the companies and groups related to Lagardère SCA within the meaning of article L. 225-197-2 of the French Commercial Code, or the companies that it controls within the meaning of article L. 233-16 of said Code.

The Managing Partners

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

SPECIAL REPORT OF THE MANAGING PARTNERS ON SHARE OPTIONS

Dear Shareholders,

Pursuant to the provisions of article L. 225-184 of the French Commercial Code (*Code de commerce*), please find below the required information related to transactions in share options carried out in 2015.

Plan	Number of beneficiaries	Number of options originally granted ^(*)	Exercise price ^(**)	Options exercised at end-2015	Options forfeited at end-2015 ^(**)	Options outstanding at end-2015 ^(**)	Period of exercise
Subscription options							
None							
Purchase options							
Expired plan:							
21 Nov. 2005	495	1,683,844	€45.69	0	2,027,859	0	21 Nov. 2007 to 21 Nov. 2015
Plans in force:							
14 Dec. 2006	451	1,844,700	€44.78	0	329,493	1,895,336	14 Dec. 2008 to 14 Dec. 2016
Total					2,357,352	1,895,336	

(*) Before the adjustment of 20 June 2014.

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

- No options were exercised in 2015 due to Lagardère SCA share price levels, which ranged between €21.20 and €29.39, whereas the purchase prices of the two plans still in force were €45.69 and €44.78, respectively.

Share options granted by the entities or groups related to the Company

- In the course of 2015, no new share options were granted by entities or by groups related to Lagardère SCA within the meaning of article L. 225-180 of the French Commercial Code.
- There were no longer any share option plans in force, or which expired in 2015, within the aforementioned entities or groups.

GENERAL INFORMATION

Share options granted by the Company

- During 2015, no new options to subscribe for or purchase Lagardère SCA shares were awarded.
- The main characteristics of all of the share option plans which expired in 2015 or were in force as of 31 December 2015 are summarised in the table below.

Specific information on the executive corporate officers and employees of Lagardère SCA

- In 2015, the Company's executive corporate officers were not awarded any share options by Lagardère SCA, the entities or groups related to it within the meaning of article L. 225-180 of the French Commercial Code, or the companies that it controls within the meaning of article L. 233-16 of said Code.
- In 2015, the Company's employees were not awarded any share options by Lagardère SCA, the entities or groups related to it within the meaning of article L. 225-180 of the French Commercial Code, or the companies that it controls within the meaning of article L. 233-16 of said Code.
- In 2015, neither the executive corporate officers nor the employees of the Company exercised the Lagardère SCA share purchase options which had been granted to them under the 2005 and 2006 plans.

The Managing Partners

7.4 ORGANISATION, OPERATION AND CONTROL OF THE COMPANY AND THE GROUP

AFR

7.4.1 DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

7.4.1.1 CONTROL ENVIRONMENT

7.4.1.1.A GENERAL ORGANISATION OF THE GROUP

The consolidated financial statements of the Lagardère group included 554 companies in 2015 (the full list of consolidated companies can be found in the notes to the consolidated financial statements).

The Group's operating activities include:

- ▶ Media activities: Book Publishing, Travel Retail, Press, Radio/Television, Audiovisual Production, Digital, Advertising Sales Brokerage, and business lines related to Sports and Entertainment. These operating activities are controlled respectively through Lagardère Media via Hachette Livre, Lagardère Travel Retail (formerly Lagardère Services), Lagardère Active and Lagardère Sports and Entertainment (formerly Lagardère Unlimited);
- ▶ other smaller business activities or those with no operating relationship with the media businesses, which constitute the "Other Activities" segment and are under the control of Lagardère SCA.

Lagardère SCA is the holding company that controls all the subsidiaries and other participating interests, draws up the strategy for the Group, guides and finances its development, makes the main management decisions to this end, and ensures those decisions are implemented both at the level of the Group's parent company and of its divisions.

7.4.1.1.B THE GROUP'S MANAGEMENT BODIES

B.1 The Managing Partners

The General Management of the Company is the responsibility of the Managing Partners, who are appointed by the General Partners with the approval of the Supervisory Board. Each executive corporate officer represents the Company in its relations with third parties and engages its responsibility. The Managing Partners are responsible for:

- ▶ determining the Group's strategy;
- ▶ guiding development and control;
- ▶ taking the major management decisions required for this and ensuring those decisions are implemented both at the level of the parent company and in the various divisions.

Lagardère Capital & Management employs the executive corporate officers under the conditions set out in sections 7.3.1 and 7.5 of this document.

B.2 Governance, management and supervisory bodies of the divisions

Operating activities are conducted by legally independent companies grouped together in the following business divisions: Lagardère Publishing, Lagardère Travel Retail, Lagardère Active and Lagardère Sports and Entertainment.

Each division has its own organisation, which has been set up by its senior executive under the Managing Partners' control; the various companies and resources in the division are functionally grouped together under a specific holding company for each division.

Each division senior executive is responsible for the general management of the holding company.

All the members of these holding companies' governance, management and supervisory bodies are appointed by Lagardère SCA through its subsidiary Lagardère Media as the sole shareholder of said companies.

The division senior executives and their subsidiaries exercise their responsibilities under the control of their governance or supervisory bodies. The Group appoints the majority of members of the governance and supervisory bodies.

7.4.1.1.C INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORK, RESPONSIBILITIES, OBJECTIVES AND SCOPE

C.1 Internal control and risk management framework and activities

The Group applies the Internal Control and Risk Management Framework recommended by the French financial markets authority (*Autorité des marchés financiers* – AMF) to oversee its internal control and risk management systems.

The following description has been prepared by the Risk and Internal Control Department, with the assistance of the Group's Audit Department and Legal Department, and covers the key points of the Reference Framework and its application guidelines.

C.2 Objectives and limitations of the internal control system

Lagardère SCA has introduced a certain number of internal control procedures within the Group designed to ensure:

- ▶ compliance with applicable laws and regulations;
- ▶ application of the instructions and orientations defined by the Managing Partners;
- ▶ proper operation of the Group's internal processes, particularly regarding safeguarding its assets;
- ▶ reliability of financial information;

and in general to contribute to the control of its businesses, efficiency of operations and efficient use of resources.

Naturally, the effectiveness of the internal control procedures is subject to the limitations inherent to any organised system.

C.3 Scope of the internal control system

The procedures described below apply to subsidiaries that are fully consolidated in the Lagardère group's financial statements.

Equity-accounted companies over which Lagardère SCA only exercises significant influence are not covered by the Group's internal control system, although the Group may have specific rights related to its status as a reference shareholder.

Companies that have recently entered the scope of the Lagardère SCA internal control system must progressively adapt their own internal control procedures for harmonisation with the Group's system.

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

7.4.1.2 DEFINITION OF RESPONSIBILITIES AND POWERS

The role of the Group's main strategic management bodies is described in section 7.4.1.1. In order to fulfil their responsibilities, the Managing Partners rely on various committees and the Group's Corporate Departments.

7.4.1.2.A MAIN MANAGEMENT COMMITTEES AND MONITORING ACTIVITY

A.1 The Executive Committee and Lagardère Media's Operating Committee

The Executive Committee assists the Managing Partners in the following duties:

- ▶ determining the Group's strategy;
- ▶ guiding its development and control;
- ▶ taking the major management decisions required for this and ensuring that they are implemented group-wide.

It comprises the four executive corporate officers and the spokesman for the Managing Partners, the Chief External Relations Officer. It enlists the help of any of the Group's senior managers it considers to be of use to accomplish its mission.

The Managing Partners are also supported by Lagardère Media's Operating Committee, which is made up of the members of the Executive Committee and division senior executives, as well as the Deputy Chief Financial Officer and General Counsel of Lagardère SCA. It meets every month.

A.2 The Financial Committee

After the Executive Committee, the Financial Committee is the most important entity in terms of monitoring and controlling the Group's operating activities.

The Financial Committee is chaired by the Group's Chief Financial Officer, who is an executive corporate officer, and includes representatives from the Group's Corporate Departments concerned by the topics discussed in order to bring to bear all the requisite skills to accomplish its mission.

Its principal task is to examine and monitor the following, in cooperation with the chief managers of each division concerned:

- ▶ the budget for the coming year and the three-year plan;
- ▶ the annual financial statements;
- ▶ any significant investments (or disposals) and commitments made, e.g., through the acquisition of shareholdings in non-Group companies.

A.3 Other Committees

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

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

Each month the Cash Flow Reporting Committee, chaired by the Group's Chief Financial Officer, examines a detailed analysis of cash flows and balances for each division, and a breakdown of the bank covenants described in note 29 to the consolidated financial statements, presented in Chapter 6 of this Reference Document.

Lastly, the Counterparty Risks Committee regularly analyses these risks, which are described in the above-mentioned note presented in Chapter 6 of this Reference Document.

7.4.1.2.B THE GROUP'S CORPORATE DEPARTMENTS

The Managing Partners are supported by the Group's Corporate Departments in implementing, monitoring and following up their decisions. The Group's Corporate Departments have the following missions:

- ▶ providing expert technical support to the Managing Partners and to the Executive Committee within the scope of their strategic management of the Group;
- ▶ establishing standards and recommending best practices for the entire Group to strengthen control of its operations;
- ▶ organising reporting for the purposes of the Group's financial management and the monitoring of the divisions' operations;
- ▶ ensuring that the Group complies with its regulatory requirements;
- ▶ making divisions aware of certain regulatory issues and offering them relevant technical and methodological support;
- ▶ offering the divisions support regarding technical issues or special operations;
- ▶ since March 2011, managing the Human Resources department where expressly delegated by the General and Managing Partner acting in his capacity as Chairman of Lagardère Sports and Entertainment's Management Committee.

Depending on their functional responsibilities, the Corporate Departments report to the Secretary General, Chief Financial Officer or Chief Human Relations, Communications and Sustainable Development Officer, all three of whom are executive corporate officers and members of the Executive Committee. The Group Audit Department reports directly to Arnaud Lagardère in his capacity as General and Managing Partner.

Most of the Group's Corporate Departments, their teams and material resources are grouped together within Lagardère Ressources, a wholly-owned subsidiary of Lagardère SCA. This company employs almost 150 people and is chaired by the Group Secretary General.

As its duties are performed for the benefit of Lagardère SCA as well as for all of the subsidiaries, Lagardère SCA has various service agreements with Lagardère Ressources and the divisional holding companies, under which it receives a fee in consideration corresponding to a percentage of consolidated sales (or consolidated gross margin for Lagardère Travel Retail).

Some of the Corporate Departments are more specifically involved in the implementation of internal control and risk management within the Group, particularly the Group Audit Department, the Group Legal Department (including the Compliance Department), the Management Control Department, the Accounting Department, the Group IT Department and the Risk and Internal Control Department.

7.4.1.3 HUMAN RESOURCES POLICY AND SKILLS MANAGEMENT

The Lagardère group's performance depends directly on the skills of its employees and the suitability of its resources. The Group's divisions manage their human resources independently, under shared principles and commitments (in particular the Group Talent Management Policy) defined and formally established at Group level jointly with the divisions' Human Resources Directors.

This point is discussed in more detail in section 5.3 – Corporate Social Responsibility and corporate citizenship – Ethics.

7.4.1.4 APPLICABLE LAWS AND STANDARDS

The Group's business is governed by specific laws and regulations, as set out in section 3.3.1.

As explained in section 5.3.1.2 – CSR players and governance, the Lagardère group endeavours to respect a certain number of rules established by national and international bodies regarding business enterprises.

Internally, the Lagardère group has drawn up a number of charters, codes and policies to supplement national and international regulations, in order to provide a framework for its activities and the conduct of its employees and partners.

The Responsible Procurement Policy and Responsible Supplier Charter seek to involve all external partners in respecting the Group's values and commitments.

The "Lagardère group Code of Conduct", sets out a collection of guidelines at Group level, directly transcribing Lagardère's values and providing a set of shared ethical standards for all Lagardère employees.

The Insider Misconduct and Trading Charter applicable to all Group employees, in addition to the provisions of the Lagardère group Code of Conduct on confidentiality and securities transactions, defines the rules under which Group employees may trade in Lagardère shares, and implements preventative measures to limit situations that could give rise to insider misconduct.

The Information System Security Policy sets out the practices to be complied with and the resources to be implemented to protect information systems throughout the Group.

The Commitment Procedure, defines certain best practices and sets out the process and criteria for validating projects involving significant investments, disposals and commitments within the Lagardère group.

The General Financing Policy for the Lagardère group and Subsidiaries, organises the financing of transactions and Group entities.

Lastly, the Group is rolling out a policy to improve the prevention, detection and processing of cases of fraud.

Where necessary, these various charters and principles can be adapted to the specificities of the Group's divisions. Internal and external principles specific to the Group's businesses are also applied.

The self-assessment internal control questionnaire described in section 7.4.1.10.B provides the entire Group with a set of key points on the various components of internal control.

The production of financial and accounting information is also governed by standards and guidelines.

These standards and guidelines define the common principles for preparing the consolidated financial statements and monitoring budgets to forecasts, and must be applied by all persons involved in the Group's financial reporting process. Among them, the Lagardère group Reporting Manual includes guidelines for consolidation procedures, and a set of definitions of the main indicators used in the consolidated reporting package. User and operator guides for the management system used throughout the Group are available and provide details of the corresponding tasks.

Other key documents are provided to all concerned for the preparation of the consolidated financial statements. They include:

- ▶ a framework document defining the off-balance sheet items to be included in the notes to the financial statements and the applicable treatment;
- ▶ specific instructions issued when changes occur in accounting standards or their application such as when annual impairment tests are being prepared for intangible assets and goodwill arising upon acquisitions.

The divisions prepare their own equivalent documentation for their specific systems, consistent with the Group's principles and under the supervision of the Group's Finance Department.

7.4.1.5 INFORMATION SYSTEMS

The Group's information systems comprise:

- ▶ communication systems such as messaging and collaborative software (intranet);
- ▶ business monitoring systems, particularly financial and accounting systems;
- ▶ audiovisual production systems such as broadcasting and antenna systems in radio and TV activities; systems for editorial chains in magazine publishing; supplier management tools in distribution operations; and tools for creation and storage of digital content as well as dedicated tools for websites.

The divisions are responsible for managing their own information systems. However, there are also Group applications, such as the single management system presented below in section 7.4.1.6.G – Financial reporting.

The IT Department supervises these systems and ensures they are in line with the Group's objectives in the long term. It works in liaison with the Risk and Internal Control Department on the management of IT risks in light of objectives regarding reliability and continuity of operation, legal and regulatory compliance, and data confidentiality.

7.4.1.5.A SINGLE MANAGEMENT SYSTEM FOR CONSOLIDATED FINANCIAL AND ACCOUNTING INFORMATION

As explained below in section 7.4.1.6.G – Financial reporting, the overall consolidated financial reporting cycle is based on common principles and uses a single database and management system shared by all teams in the finance departments in charge of reporting the information required, whether specific to management indicators or intended for publication.

7.4.1.5.B RELIABILITY OF DATA ENTRY

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

7.4.1.6 PROCEDURES, METHODS, TOOLS AND PRACTICES

7.4.1.6.A COMMITMENTS, INVESTMENTS AND DIVESTMENTS

The Group's commitment procedure applies to:

- ▶ financial investments and divestments;
- ▶ acquisitions and disposals of significant property, plant and equipment or intangible assets;
- ▶ significant financial commitments (particularly off-balance sheet commitments and contractual obligations);
- ▶ guarantees issued;
- ▶ all financing operations (loans or advances to third parties).

Limits may be set based on the type of operation. Planned acquisitions and disposals are reviewed by the Financial Committee, which is chaired by the Group's Chief Financial Officer. The Financial Committee issues an opinion by any appropriate means to the Managing Partners, after assessing a summary of the benefits of the proposed transaction for the Group and division concerned, verifying that the risks generated by the transaction are known and can be managed, and validating the underlying assumptions used to analyse profitability, based on the methodology and criteria defined by the Group's Finance Department.

This procedure does not apply to cash management or to capital increases by companies consolidated and/or controlled through incorporation of current account advances.

7.4.1.6.B FINANCE AND CASH MANAGEMENT

The Treasury and Financing Department has a policy to define the circumstances in which it uses banks for external financing or cash management services.

B.1 External financing

As a general rule, only Lagardère SCA uses medium- or long-term bank or market financing, and finances the divisions itself. Apart from the financing of normal business operations, the divisions retain responsibility for some previously-negotiated transactions, or specific operations such as securitisation; however, these operations require advance authorisation and are reported to the Group's Finance Department on a regular basis.

B.2 Cash management

Cash investments must be in fixed-income instruments issued by high-quality entities, with maturities appropriate to the planned duration of the investment. Speculative or high-risk investments are not permitted.

B.3 Hedging policy and market risk monitoring

The hedging policy and market risk monitoring is described in notes 29 and 29.1 to the consolidated financial statements presented in Chapter 6 of this Reference Document.

The Group's General Management and the divisions' finance managers regularly adjust the hedging policy and the corresponding control system in light of the resulting priorities.

7.4.1.6.C PURCHASING, SALES AND SALES ADMINISTRATION

The practices and procedures for purchasing and sales are defined by the Group's divisions under their responsibility, in compliance with the Group's shared principles, particularly regarding the segregation of duties.

The Purchasing and Real Estate Department is part of the Group's Finance Department and manages the Group's purchasing policy.

7.4.1.6.D COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

D.1 Compliance with the main laws and regulations applicable to Lagardère SCA

The Group Legal Department, which reports to the Group Secretary General, is responsible for ensuring compliance with the laws and regulations applicable to Lagardère SCA.

In particular, this department examines mergers and acquisitions (partnerships, acquisitions, disposals, internal restructurings, etc.) that are significant for Lagardère SCA, and supervises Lagardère SCA's financing operations and off-balance sheet commitments.

The Group Legal Department also ensures that any regulations that may concern Lagardère SCA and its various divisions (competition law, etc.) are properly applied.

It is involved in all legal aspects of the business of Lagardère SCA and the companies at the head of each business division. In this capacity, it monitors the application of stock exchange regulations, as Lagardère SCA is listed on Euronext Paris Compartment A, and in 2006 introduced the full procedure necessary to prepare lists of insiders in application of EU regulations.

A central database has also been set up at the instigation of the Group Legal Department, to centralise corporate information on virtually all of the Group's French and foreign entities.

Since the creation of the Group Compliance Department within the Group Legal Department in 2013, the compliance organisation defined with the Managing Partners in 2012 has been rolled out and its various actions are now in progress. These include: (i) defining compliance strategy (appropriate to the risks and designed to accompany the Group's development while adhering to its values); (ii) designing, implementing and coordinating the rollout of compliance programmes appropriate to the Group's challenges; (iii) monitoring transactions (analysing risks, advising, drafting special clauses, etc.) and (iv) taking part in risk management and improving the way in which potential incidents are handled.

The Compliance Department is pressing ahead with the roll-out of the anti-corruption programme within the four divisions by establishing compliance correspondent networks, setting out the appropriate policies and procedures, preparing the contents of an awareness campaign and monitoring the follow-up to awareness raising campaigns carried out with divisional personnel.

In addition, a special international economic sanctions programme has been launched and is in the process of being rolled out.

Compliance issues are taken into account in the Group's commitment procedure, internal audit processes and risk mapping.

D.2 Compliance with the main laws and regulations applicable to the divisions

The Group Legal Department is informed of all procedures introduced in each division to ensure compliance with the laws and regulations specific to their activity, and these procedures are regularly monitored by these divisions' management bodies via their Legal Department or their external advisors.

A number of division Compliance Officers were appointed in 2013, who in turn appointed Compliance Correspondents within their divisions, drawn from the various support departments (legal, finance and HR) and responsible for ensuring that the procedures put in place for each programme are properly applied and for reporting any cases of non-compliance.

The anti-corruption and international economic sanctions programmes are in the process of being rolled out within all of the divisions.

7.4.1.6.E PROTECTION OF THE GROUP'S PROPERTY AND RIGHTS

E.1 Protection of brands and intellectual property rights

The Group's brands and intellectual property rights are an essential part of its entire portfolio of property and rights.

The Group's divisions own a large number of very well-known brands, which they directly manage and protect.

As the Lagardère brand is used through the Group's activities, and due to the resulting exposure, Lagardère SCA is careful about protecting the brand and regularly extends international protection to cover areas where the Group is currently developing or expanding. Accordingly, protection for the Lagardère brand is established in all the continents.

Furthermore, Lagardère SCA implemented brand licensing agreements for use by the four divisions in the ordinary course of their operations.

E.2 Litigation management

The Group Legal Department manages all litigation involving Lagardère SCA, and any litigation involving the divisions when the potential consequences in financial or image terms are considered significant for the Group. All other division-level litigation is handled by the Legal Department of the division concerned.

7.4.1.6.F SECURITY OF INFORMATION SYSTEMS

The Group's IT Department updates and distributes an information system security policy within the Group proposing guidelines, practices and resources to be implemented within each entity to protect the information systems and data they contain. The operating entities are responsible for rolling out this policy locally.

7.4.1.6.G FINANCIAL REPORTING

G.1 The reporting system: frequency and timing

The Lagardère group's financial reporting system is broken down by division, each of which is responsible for the data it reports.

The financial and non-financial information collected and consolidated using the Lagardère group's reporting system must comply with legal requirements and satisfy the Group's own control and management needs. This information includes an income statement by activity and by function as well as management indicators specific to each business type.

The overall reporting cycle is based on common principles and uses a single database and management system shared by all teams in the finance departments in charge of financial data reporting, whether it is for management reporting or intended for publication.

This unified organisation of the cycle relies on the finance departments of each division, and the Group Finance Department. Under the supervision of the latter, the reporting system is designed to meet management control needs and also to guarantee the relevance and quality of the financial information published, thus fostering greater coherence between the various reporting systems, the business activities covered and the consolidation methods used.

G.2 Preparation of budgets

During the final quarter of the calendar year, the Group's divisions establish their three-year budgets, and submit to the Financial Committee a summary comprising the following key information with notes:

- ▶ sales;
- ▶ operating income and expenses;
- ▶ profit (loss) before finance costs and tax;
- ▶ net finance costs;
- ▶ profit (loss) for the year;
- ▶ cash flows from operations;
- ▶ free cash flow;
- ▶ total cash from (used in) operating and investing activities;
- ▶ capital increases;
- ▶ dividends;
- ▶ capital employed;
- ▶ net debt.

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

G.3 Monthly Group reports, internal reporting

Each Group company's finance department enters data from its own monthly accounts into the Group's financial database.

For each entity, these data include a balance sheet, an income statement and a statement of cash flows with notes, and the principal key indicators from the income statement.

Careful attention is paid to regular updates to forecast figures such as year-end estimates.

These data are included in the Monthly Group Report established by the Group's Management Control Department and submitted to the Managing Partners and Group's principal managers. This document lists the changes in the following key indicators with comments by division:

- ▶ sales;
- ▶ operating profit/(loss) of fully consolidated companies;
- ▶ income (loss) from equity-accounted companies and other information;
- ▶ net finance costs;
- ▶ income tax expense;
- ▶ net income (loss) before discontinued operations and minority interests;
- ▶ cash flows from operations before changes in working capital;
- ▶ changes in working capital;
- ▶ income taxes paid, interest paid and received;
- ▶ net purchases of property, plant and equipment and intangible assets;
- ▶ free cash flow;
- ▶ net cash from financing activities;
- ▶ total cash from (used in) operating and investing activities;
- ▶ change in cash and cash equivalents or net debt;
- ▶ capital employed;
- ▶ cash and cash equivalents or net debt.

The Monthly Group Report is presented to the Group's Chief Financial Officer before final distribution.

In addition, each month as part of the Cash Flow Reporting Committee, the Finance Department prepares a detailed analysis of cash flows and balances for each division, and a breakdown of the bank covenants described in note 29 to the consolidated financial statements (see Chapter 6). Through its Counterparty Risks Committee, the Finance Department also produces regular analyses of the counterparty risks described in the same note (see Chapter 6).

G.4 Interim and annual consolidated financial statements

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

Chapter 6 contains a description of the principles and methods used in preparing the consolidated financial statements. For certain types of information, such as breakdowns of intragroup transactions, off-balance sheet commitments and derivatives, procedures are set out in memos applicable to all Group companies.

G.5 Relations with the Statutory Auditors

Each year, the Managing Partners receive assurance from the Statutory Auditors that they have had access to all of the information necessary for their engagement and that their work has progressed sufficiently at the year-end to allow them to make any significant remarks.

7.4.1.7 INFORMATION AND COMMUNICATION

The persons concerned by decisions of the Managing Partners are informed by all available means, particularly internal memos and announcements.

All of the Group's announcements and the principal rules applicable are available on the Group's intranet portal.

Applications and collaborative software packages are also available through the Group's intranet portal, so that information can be appropriately communicated to everyone according to their needs, both in the Corporate Departments and the divisions.

7.4.1.8 RISK MANAGEMENT PROCEDURES

Like any company, Lagardère is exposed to a variety of risks in the course of its business activities. The principal exposures identified are described in Chapter 3 – Risk factors. The Group pays particular attention to risk management, by the business division as well as at central level, where summary reports are prepared.

7.4.1.8.A ORGANISATION OF RISK MANAGEMENT

A.1 Basic principles

The Group accepts exposure to a controlled level of business risk in the course of its business activities.

Risk management procedures are therefore designed to provide reasonable assurance that the level of risk taken by the Group is not likely to compromise the results expected by the Managing Partners.

These procedures help both to manage the risks inherent to the Group's business and to reduce undesirable additional risks.

However, given the limitations inherent to addressing contingencies, these procedures cannot guarantee that all risks the Group may encounter in the future have been correctly analysed or even identified.

A.2 Organisation and definition of responsibilities

In compliance with the Group's general organisation structure, the operational and functional managers remain in charge of the risks related to their respective fields of activity.

General Management at headquarters focuses particularly on monitoring risks that can only be assessed at Group level or that are considered significant at Group level due to their individual or cumulative scale.

As a rule, risk management is a fully integral part of the Group's management procedures.

However, certain specific procedures are dedicated, for example, to risk mapping or setting up insurance coverage.

The Corporate Departments play a support, monitoring and coordination role in this respect.

Within the Finance Department, the Risk and Internal Control Department is in charge of proposing and managing the risk management policy. Working closely with the other Corporate Departments and the divisions, the Risk and Internal Control Department provides methodological support and advice, particularly for the identification, analysis and quantification of risks. It is responsible for preparing a report summarising the Group's risks. The Risk and Internal Control Department also sits on the Financial Committee and thereby contributes to its decision-making process.

In addition, the Group takes internal measures to strengthen the risk control culture through information-sharing and awareness-raising, and to reinforce the specific visibility of certain emerging risks and the capacity to cope with potential crises.

7.4.1.8.B RISK IDENTIFICATION AND ANALYSIS PROCESS

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

- ▶ audit reviews;
- ▶ reporting activities described in section 7.4.1.6.G – Financial reporting, particularly impairment tests and monitoring of off-balance sheet commitments;
- ▶ surveys to assess the security of the IT systems and networks;
- ▶ risk intelligence activities by the various Corporate Departments and divisions;
- ▶ the commitment procedure, which includes a section specifically dedicated to risks, and more generally pre-acquisition or pre-sale audits;
- ▶ legal reporting, as described in section 7.4.1.9.B2 – Monitoring legal affairs;
- ▶ review and regular renegotiation of insurance programmes;
- ▶ thematic reviews conducted as and when necessary.

Lagardère SCA and its divisions regularly undertake general risk mapping exercises in order to rank the main risks to which the Group could consider itself exposed.

The factors taken into account for risk analysis include: potential severity, likelihood of occurrence, possible scenarios, internal and external limiting or aggravating factors, current and proposed control measures.

7.4.1.8.C MANAGEMENT PROCEDURES FOR THE PRINCIPAL RISKS

C.1 Risks associated with the economic environment and business activity

The management of risks related to economic and business activity forms an integral part of the Group's decision-making process.

Among other duties, General Management of each division is responsible for monitoring risks related to the economic climate, air traffic and the worldwide advertising markets, changes in consumer behaviour and technological developments such as the expansion of digital products, tools and market players.

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

In addition, as part of the management of risks related to contracts with a high unit value, described in section 3.2 of Chapter 3 – Risk factors, the Group carries out a regular review of major contracts for sports events in order to monitor developments and profitability prospects for those contracts.

C.2 Legal risks

The management procedures for legal risks are an integral part of the relevant internal control procedures as described in section 7.4.1.6.

C.3 Market risks (liquidity, interest rate, exchange rate and equity risk)

The following description is taken from note 29 to the consolidated financial statements:

"The Group has implemented a policy aimed at reducing market risks by applying authorisation and internal control procedures and by using risk management tools to identify and quantify these risks. Derivatives are used exclusively for non speculative hedging transactions."

Regarding interest rate risks: *"The Group does not use active interest rate management techniques in relation to any of its financial assets or liabilities. Cash investments must be in fixed-income instruments"*

issued by high-quality entities and with maturities appropriate to the planned duration of the investments. Speculative or high-risk investments are not permitted. There are no derivatives related to these investments."

C.4 Risk related to paper price

Lagardère pays particular attention to changes in paper price: Lagardère Publishing's paper purchases are supervised by its Technical Department, and Lagardère Active's paper purchases are supervised by the Procurement Department.

The risk of unfavourable developments in paper price can be alleviated by the inclusion of price smoothing clauses in purchasing contracts whenever it is possible to negotiate such clauses on acceptable economic terms.

C.5 Credit and counterparty risks

The following description is taken from note 29.2 to the consolidated financial statements:

"Each division is responsible for managing its own credit risks in a decentralised way as appropriate to the specificities of its market and customer base.

For new customers with the potential for large volumes of business with the Group, analyses are carried out and information (such as external credit ratings or bank references) is sought before entering into transactions, and specific guarantees or credit insurance may be arranged as a result. Counterparty-specific credit limits may also be set.

In newly-consolidated activities, measures are taken to progressively introduce monitoring procedures that are appropriate for the types of credit risk faced by the entity concerned.

The Group has set up periodic reporting on counterparty risks to monitor its overall risk exposure to its principal counterparties, the variations in accumulated receivables, and the level of related provisions, and to oversee the measures put in place for managing this type of risk. The Financial Risk Committee periodically reviews these reports.

The Treasury and Financing Department is responsible for ensuring that the financial institutions with which the Group does business are of good quality."

C.6 Operational risks

C.6.1 Personal injury

Each division puts in place specific measures to protect Group employees on business in sensitive countries and locations.

In addition, since the 2015 Paris attacks, extra security measures have been put in place for premises in Paris under the Group's responsibility, in liaison with the appropriate authorities.

C.6.2 Security of information systems

As mentioned in section 7.4.1.6.F, the Group's IT Department updates and distributes an information system security policy that the operating entities are responsible for rolling out locally.

In addition, the Group's IT Department, together with the Risk and Internal Control Department, carry out recurring internal-assessment surveys for IT system and network security, which are included in the Group's internal control self-assessment system. The last survey was conducted in 2015, and focused on the following areas:

- ▶ assessment of risk exposure;
- ▶ assessment and remediation of risks;
- ▶ organisation of data security;
- ▶ information security policy;
- ▶ management of assets, property and equipment;
- ▶ security as regards human resources;

- ▶ physical and environmental security;
- ▶ operation and security of information systems;
- ▶ access control;
- ▶ acquisition, development and maintenance;
- ▶ management of incidents;
- ▶ legal and regulatory compliance.

All measures to preserve data confidentiality, protect systems against intrusion, and minimise the risk of system breakdown are adjusted based on the results of this survey and the monitoring thereof. Group entities also receive recommendations based on the results of the surveys.

In order to guard against the increasing IT threats described in Chapter 3 of the Reference Document, in 2015 the Group began to bolster its technical and human expertise, under the supervision of the Group IT Department.

C.6.3 Industrial and environmental risks

The Group pays careful attention to industrial risk prevention and environmental protection, in line with its social and environmental policy, which is presented in Chapter 5.

Prevention policy:

Management of industrial and environmental risks is the duty of the operational managers of the sites concerned, with particular emphasis on compliance with the relevant regulations and standards.

The operational managers of sites for which certain environmental risks have been identified apply the regulations concerned and implement operational procedures, quality systems and a range of security measures specific to each business line.

In view of the industrial past of certain Lagardère sites, the Group remains vigilant in relation to any environmental damage that may come to light.

Assessment of impacts:

Due to the limited nature of the Group's exposure to industrial and environmental risks, costs related to the assessment, prevention and remediation of those risks are included in the relevant investment and expense items as the relatively small amounts do not justify separate identification.

C.6.4 Other operational risks

The Group's divisions put in place specific anti-fraud processes for their businesses, organisation and IT systems. In order to bolster existing procedures and processes, Lagardère SCA coordinates awareness raising among the Group's employees, and implements a policy to improve the prevention, detection and processing of fraud.

C.7 Insurance policies – risk coverage

The financial consequences of certain risks can be covered by insurance policies when this is justified by their scale and providing that insurance coverage is available at acceptable conditions.

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

The Group generally seeks to insure all assets for their estimated value, and business interruptions for their estimated cost, in keeping with the relevant best practices.

However, given the diversity of situations and the specificities of the insurance market, it cannot be considered that the Group will be covered by insurance in all circumstances, nor that existing insurance coverage will always be effective.

Within the Treasury and Financing Department, the Insurance Department is in charge of overseeing use of insurance in the Group, and plays a coordination and advisory role in this respect.

7.4.1.9 CONTROL ACTIVITIES

Control activities are designed to ensure that the necessary measures are in place to control the risks that may have an impact on achieving objectives.

Most of these control activities are described in the self-assessment questionnaire common to the entire Group referred to in section 7.4.1.10.B, and cover the following areas:

Cycle	Process
Purchasing	Purchases
	Accounts receivable
Finance	Tax
	Accounts payable
	General ledger
	Investments
	Treasury
	Asset Management
Risk management	Risk management
	Insurance administration
Legal	Legal
	Legal recordkeeping
	Compliance
HR	Travel and expenses
	Payroll
	Human resources management
	Personnel administration
Information systems	Information systems
Sales	Distribution
	Sales management
Real estate	Real estate
Sustainable development	Sustainable development

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

7.4.1.9.B CONTROL BY THE CORPORATE DEPARTMENTS OF PROCESSING CARRIED OUT WITHIN THE GROUP

B.1 The Group's financial management

The consolidated financial statements are drawn up at the end of each month (except for January and July), which allows the Corporate Department responsible for consolidation to regularly review the financial information reported by the divisions.

The Group's Chief Financial Officer monitors the divisions' and the Group's cash flow position each month, with the assistance of certain Corporate Departments. At the same time, the Lagardère group's compliance with its bank covenants is also monitored.

The Group's Chief Financial Officer reviews the divisions' and the Group's counterparty risks on a regular basis, with the assistance

7.4.1.9.A CONTROL BY DIVISIONS OF THEIR OPERATIONAL PROCESSES

The divisions implement their own internal control systems to cover their day-to-day activities. These systems are made up of a combination of resources and take various forms depending on the organisation of the division as well as its business lines, size, geographic location and the regulatory constraints of its operating entities.

of certain Corporate Departments. This review provides details, by division and at Group level, of the counterparty risks relating particularly to customers, the investment portfolio and hedging instruments.

At year-end the Financial Committee also validates the annual budget and the three-year plan proposed by each of the divisions.

Each month the Reporting Committee is responsible for verifying that the budget is adhered to by each of the divisions.

Lastly, as stipulated in the Group's investment procedure, the Financial Committee reviews any significant investments, divestments and commitments.

B.2 Monitoring legal affairs

The Group Legal Department is informed by the divisions of any exceptional transactions planned, reported under the procedure described in section 7.4.1.4, and is therefore represented at all Financial Committee meetings. Exceptional transactions include:

- ▶ planned financial investments and divestments;
- ▶ contractual commitments which individually involve financial commitments or off-balance sheet commitments that are significant at Group level;
- ▶ legal restructuring plans involving major operational entities.

Within the scope of the Group's Legal Reporting, the Group Legal Department also requires the divisions to provide, whenever necessary and in real time, information and documents relating to the following topics:

- ▶ relations with national or supranational administrative bodies;
- ▶ exceptional transactions, above and beyond those submitted to the Financial Committee;
- ▶ disputes representing an individual or annual financial impact of more than €5 million or involving a risk for the Group's image;
- ▶ non-competition commitments;
- ▶ change of control and key man clauses;
- ▶ insolvency, bankruptcy and administration procedures.

B.3 Other areas

The Corporate Departments have also put in place exchanges with the divisions allowing them to receive information about the processes carried out within the Group, particularly as regards information systems, sustainable development, human resources management, risk management and internal control. These exchanges generally take place with the General Management of each division and in certain cases the relevant operating entities. The exchanges involve implementing policies and reporting process, and are based on a network of correspondents who liaise with the operating entities.

7.4.1.10 PERMANENT MONITORING OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The Lagardère group continuously works to strengthen the monitoring of its internal control and risk management frameworks. To this end, a Risk Management and Internal Control Committee, whose members include an executive corporate officer, the senior executive of the division concerned and the persons responsible for risk management and internal control, meets once a year and is tasked with monitoring the effectiveness of risk management and internal control with each division.

7.4.1.10.A PERMANENT MONITORING OF THE RISK AND INSURANCE MANAGEMENT SYSTEM

As mentioned in section 7.4.1.8.A2, the Risk and Internal Control Department proposes and manages the Lagardère group's risk management policy.

As part of its work, the Risk and Internal Control Department is responsible for preparing a report summarising the Group's risks, monitoring and alerting the Managing Partners and the divisions, and analysing the Group's cross-business risks. More specifically:

- ▶ The Risk and Internal Control Department provides methodological support and advice, particularly for the identification, analysis and quantification of risks.
- ▶ The Department provides support to the Managing Partners by analysing the Group's cross-business or specific risks.

- ▶ It is involved, as necessary, in helping implement control measures for specific risks identified within the Group.
- ▶ The Department is responsible for establishing risk mapping for each division, particularly by defining a shared methodology. This exercise will be repeated in 2016. The Risk and Internal Control Department monitors the main risks identified and puts in place related control measures.

In order to fulfil its duties, the Risk and Internal Control Department collaborates with the Corporate Departments and a network of correspondents within the divisions, particularly their Chief Financial Officers.

Within the Treasury and Financing Department, the Insurance Department coordinates insurance programmes for Group entities, employees and corporate officers. Each year, it prepares a consolidated overview of the insurance programmes rolled out within the Group and plays a support role for the Group's entities as regards the management of their own insurance programmes (i.e., taken out in their own name). Certain entities also call on the Insurance Department to manage all or part of their insurance programme.

7.4.1.10.B PERMANENT MONITORING OF THE INTERNAL CONTROL SYSTEM

The Risk and Internal Control Department is responsible for managing the Group's internal control system. The department has a correspondent in each division – the Internal Control Manager – who is responsible for coordinating the internal control system. He or she reports to a member of the division's General Management, usually the Chief Financial Officer. This organisation ensures stronger and more efficient monitoring of the internal control system throughout the Group.

As explained in section 7.4.1.9 – Control activities, an internal self-assessment procedure is implemented each year for internal control within Lagardère SCA's main entities/subsidiaries. This procedure is managed by the Internal Control Managers and is consolidated by the Risk and Internal Control Department. It helps the continuous improvement process for the control and efficiency of processing within the Lagardère group's entities.

The methodology is based on defining a Group reference framework (shared with all the divisions) consisting of seven financial processes, thirteen operational processes and two risk management processes covered by 215 points of control.

The self-assessment aims to identify the applicability, efficient implementation and traceability of each of these points of control, and to establish a stronger formal definition of internal control procedures and ensure their adoption by all operational managers. The Internal Control Managers analyse the results of the self assessment for their respective divisions, and a report is presented to the Managing Partners and the Audit Committee for the entire Group. This information is used by operational management in their quality assessment of the internal control procedures that they oversee, and for the implementation of improvement plans. It is included in the scope of audits carried out by the Group's Audit Department. This internal control self-assessment also includes the internal-assessment surveys for IT system and network security described in section 7.4.1.8.C6.2.

Each division senior executive also sends a detailed report to the Chairman of the Supervisory Board on risk management and internal control within their division.

7.4.1.10.C PERMANENT MONITORING OF INFORMATION SYSTEMS

C.1 Security

As described in section 7.4.1.8.C6.2, the Group's IT Department, together with the Risk and Internal Control Department, carries out regular surveys to self-assess the security of the IT systems and networks, helping improve their security. The last survey was conducted in 2015.

Based on these surveys, the IT Department makes recommendations to the entities concerned to ensure that the level of security is satisfactory based on the Lagardère group's IT security policy.

C.2 Changes in the single management system

The single management system described in section 7.4.1.6.G – Financial reporting, and its settings are upgraded to the latest versions as often as necessary. Specific resources (as described in section 7.4.1.5) are dedicated to data integrity, availability and confidentiality.

7.4.1.10.D AUDIT OF THE SYSTEMS

The Group's Audit Department, supervised by the Managing Partners, audits the internal control and risk management systems, as well as the related reporting processes, as set out within the Lagardère group. Audits are conducted as part of the annual audit plan or following specific requests from the Managing Partners, the Group's Finance Department or from the division senior executives. The Audit Department's scope of intervention includes all fully-consolidated companies. Equity-accounted companies which are jointly-controlled by the Group may also be audited. The audit plan is established on a multi-annual basis and includes:

- ▶ coverage of Group entities on a rotating basis;
- ▶ taking into account the needs of Group and division senior executives;
- ▶ audits of the risk management and internal control systems that need to be reviewed based on the risk mapping or analyses performed by the Group's Risk and Internal Control Department;
- ▶ audits of cross-functional themes relevant to the divisions and/or their subsidiaries;
- ▶ audits related to the internal control self-assessment system.

The Group's Audit Department may also conduct consulting or operational assistance assignments on specific projects at the request of the Managing Partners or the divisions, specific assignments involving reviews of operational and financial risks, audits relating to merger/acquisition projects, or ad hoc audits with entities facing incidents involving fraud. Audit assignments are conducted following a standard process, involving in particular monitoring by the Department of the action plans resulting from its audits.

The mission of the Group Audit Department, its powers and responsibilities are set out in an internal audit charter. The Group Audit Department presents to the Audit Committee the annual audit plan, a summary of the work carried out, the resulting conclusions and details of their application, as well as business indicators that make it possible to assess the effectiveness of its work.

The Group Audit Department uses a recruitment policy in order to maintain its technical skills (e.g., related to computerised audit) and language skills (to be able to work in the languages that are used the most within the Group). The Department helps spread the risk management and internal control culture within the Group through its audits, as well as through professional mobility for its employees.

7.4.1.10.E ACTION IN RESPONSE TO THE STATUTORY AUDITORS' WORK

The Managing Partners ensure that the Statutory Auditors have reviewed the accounting principles and options that have a material impact on the presentation of the financial statements.

They ask the Statutory Auditors for details of the audit scope and methods, and are also informed of the conclusions of the audit.

The Managing Partners are informed of any significant risks and material weaknesses in internal control, as communicated by the Statutory Auditors, that could have a significant influence on the published financial and accounting information, and ensure that these factors are taken into consideration in the corrective action taken by the Group.

7.4.2 REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

The purpose of this report is to provide the information required under article L. 226 10-1 of the French Commercial Code (*Code de commerce*) concerning the membership of the Supervisory Board, the application of the principle of balanced representation of women and men on the Board, the conditions under which the Board's work is prepared and organised and the internal control and risk management procedures applied by the Company.

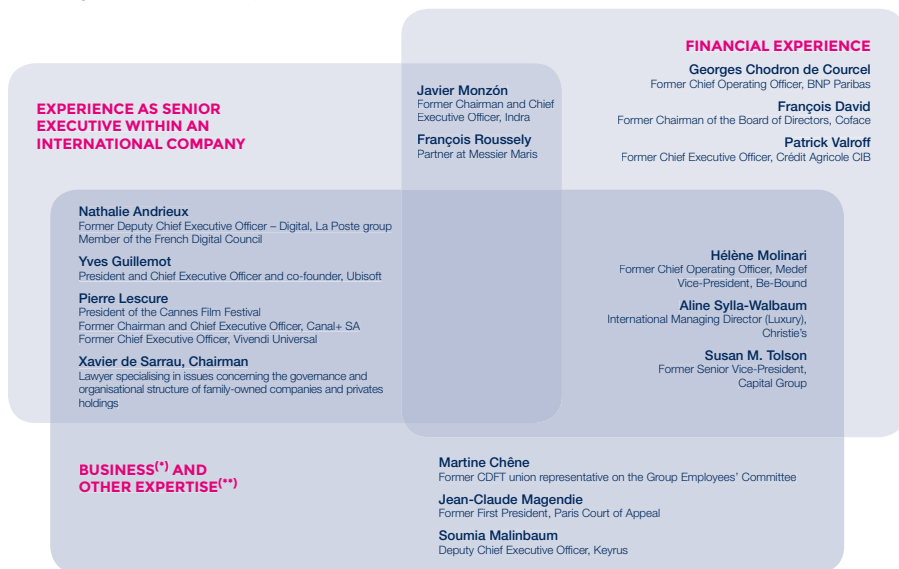
This report was prepared under the responsibility of the Chairman of the Supervisory Board and with the assistance of the Board Secretary. It was reviewed by the Appointments, Remuneration and Governance Committee at its meeting of 2 March 2016 and by the Audit Committee at its meeting of 3 March 2016 for matters within their remit.

All preparatory work for this report (including interviews with Management) was presented to the Supervisory Board which approved the terms of the report at its meeting of 9 March 2016.

1. MEMBERSHIP OF THE SUPERVISORY BOARD

In accordance with the Company's Articles of Association, the Supervisory Board is composed of a maximum of 15 members.

The following chart illustrates these objectives:



(*) Medias/Distribution/Innovation/New technologies.

(**) Legal/Governance/Social relations/Diversity.

In view of its supervisory duties, the Board must have a majority of independent members.

A review of each member of the Supervisory Board's position by the Appointments, Remuneration and Governance Committee has concluded that all Supervisory Board members qualify as independent members in the light of the criteria for independence, applied by the Supervisory Board and contained in the Afep-Medef

One-third of Board members are replaced or renewed each year. Members are appointed for a maximum term of four years.

At 31 December 2015, the Board comprised 15 members: Xavier de Sarrau (Chairman), Nathalie Andrieux, Martine Chêne, Georges Chodron de Courcel, François David, Yves Guillemot, Pierre Lescure, Jean-Claude Magendie, Soumia Malinbaum, Hélène Molinari, Javier Monzón, François Roussely, Aline Sylla-Walbaum, Susan M. Tolson and Patrick Valroff.

These members (listed in section 7.2.3 of this Reference Document) form a competent, independent and attentive Supervisory Board, fully able to represent shareholders' interests.

Further to the recommendation of the Appointments, Remuneration and Governance Committee, the Board defined a set of criteria for the selection of members. Members are therefore chosen first and foremost based on their expertise and experience (managerial, financial, strategic and/or legal) as well as their knowledge of the Group's activities so that it can exercise its supervisory duties in full. Moreover, the Board complied with the provisions of the Copé-Zimmerman law concerning gender parity in advance as the 40% quota was met at the 2013 Annual General Meeting.

Corporate Governance Code for Listed Companies, which it has taken as a benchmark framework for analysis (see table below).

The Supervisory Board has concluded that in the absence of any financial transactions between Messier Maris and the Group, François Roussely continues to qualify as an independent member irrespective of his appointment as partner at that bank.

Summary table of Supervisory Board members' compliance with the independence criteria set out in the Afep-Medef Corporate Governance Code at 31 December 2015

	X. de Sarrau	N. Andrieux	M. Chêne	G. Chodron de Courcel	F. David	Y. Guillemot	P. Lescure	J.C. Magendie	S. Malinbaum	H. Molinari	J. Monzón	F. Reussely	A. Sjilla-Walbaum	S. Tolson	P. Valroff
Independence criteria set out in the Afep-Medef Corporate Governance Code and applied by the Supervisory Board															
Not to be an unprotected employee or executive corporate officer of the Company or its parent company or a company that it consolidates, and not to have been in such a position for the previous five years	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Not to be an executive corporate officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive corporate officer of the Company (currently in office or having held such office for less than five years) is a director or member of the Supervisory Board	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Not to be, directly or indirectly, related to a customer, supplier, investment or commercial banker: ▶ that is material to the Company or the Group, ▶ or for which the Company or the Group represents a significant proportion of its business	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Not to be related by close family ties to a Managing Partner	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Not to have been an auditor of the Company within the previous five years	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Not to hold, directly or indirectly, 10% or more of the share capital or voting rights of the Company or of the Group or be related in any way whatsoever to a shareholder with an investment greater than 10% of the Company or a Group company	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Conclusion	Independent	Independent	Independent	Independent	Independent	Independent	Independent	Independent	Independent	Independent	Independent	Independent	Independent	Independent	Independent
Independence criteria set out in the Afep-Medef Corporate Governance Code and not applied by the Supervisory Board															
Not to have been a member of the Supervisory Board for more than twelve years	✓	✓	✓	X	✓	✓	X	✓	✓	✓	✓	X	✓	✓	✓

2. BOARD'S INTERNAL RULES AND OPERATION (PREPARATION AND ORGANISATION OF THE SUPERVISORY BOARD'S WORK)

The terms and conditions of the Supervisory Board's organisation and operations are set out in its internal rules (updated on 11 March 2015), which also define the duties incumbent on each member, and the code of professional ethics each individual member is bound to respect.

These rules concern the following:

1. **The independence of Board members:** the minimum quota for independent members is fixed at half of the total serving members. Independent members must have no direct or indirect relations of any kind with the Company, Group or management that could compromise their freedom of judgement or participation in the work of the Board. It lists a number of criteria, which form a framework for determining whether or not a member may be considered independent;
2. **The annual number of meetings:** a schedule for the coming year is fixed annually, based on a proposal by the Chairman;
3. **The duties of each member:** apart from the fundamental duties of loyalty, confidentiality and diligence, members' obligations also concern knowledge of the law, regulations and statutory provisions, ownership of a significant number of shares, declaration to the Board of any conflict of interest and regular attendance at meetings;
4. **Trading in shares of the Company and its subsidiaries:** as Board members have access to inside information and in-depth knowledge on certain aspects of the life of the Company and Group, they are expected to refrain from trading in Company shares, except within the following constraints contained in the Board's internal rules:
 - no trading in shares may take place during certain defined periods;
 - it is recommended that acquisitions should take place once a year, at the end of the Annual General Meeting, in the form of a block purchase carried out through the Company by each Board member;
 - the Chairman, Managing Partners and the French financial markets authority (*Autorité des marchés financiers* – AMF) must be informed of any transactions in shares within 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, Remuneration and Governance Committee:** in addition to the tasks described below, this Committee is also responsible for preparing the Board meetings for subjects within its remit.

The Supervisory Board meets regularly to review the financial position and operations of the Company and its subsidiaries, the annual and interim financial statements, the outlook for each of the business activities and the Group's strategy. It also defines an annual schedule for its meetings, four of which are planned for 2016. During 2015, the Supervisory Board met four times with an average attendance rate of 93% (see attendance table below):

- ▶ on 11 March, with an attendance rate of 87%, mainly to review the parent company and consolidated financial statements and the general business position and outlook, undertake preparatory work for the Annual General Meeting, approve the report of the Chairman of the Supervisory Board and finalise his report to the shareholders – during this meeting, the Supervisory Board unanimously approved the re-appointment of Arnaud Lagardère as Managing Partner for a six-year term. The Supervisory Board also decided to extend the scope of duties of the Appointments and Remuneration Committee to include governance and sustainable development matters, appoint two new members with expertise in these fields and change its name to the Appointments, Remuneration and Governance Committee. Its internal rules were also amended accordingly. The Supervisory Board also decided to change the way in which attendance fees are allocated to bring the remuneration of the Appointments, Remuneration and Governance Committee into line with that of the Audit Committee;
- ▶ on 3 June, with an attendance rate of 93%, to review recent developments within the Group and the activity, organisation and strategic vision for Lagardère Sports and Entertainment – formerly Lagardère Unlimited (presentation given by Andrew Georgiou). The findings of the self-assessment of the membership and operation of the Supervisory Board and its Committees were also presented;
- ▶ on 2 September, with an attendance rate of 100%, mainly to review the interim parent company and consolidated financial statements and the business position and outlook, and assess the strategic vision for Lagardère Travel Retail (presentation given by Dag Rasmussen and his team);
- ▶ on 2 December, with an attendance rate of 93%, to review the Group's general situation and strategy. Patrick Valroff, Nathalie Andrieux and Soumia Malinbaum presented the findings of the study conducted into the risks and opportunities associated with digital technology. The findings of the external assessment of the Supervisory Board's operation and work were also presented and discussed. Lastly, the procedure for appointing and re-appointing the Managing Partners was explained.

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

Members' attendance at Supervisory Board and Committee meetings in 2015

Member of the Board	Attendance rate at Supervisory Board meetings	Attendance rate at Audit Committee meetings	Attendance rate at Appointments, Remuneration and Governance Committee meetings
Nathalie Andrieux	100%	100%	
Martine Chêne	100%		
Georges Chodron de Courcel	100%		100%
François David	100%	66%	100%
Yves Guillemot	100%		
Pierre Lescure	75%		100%
Jean-Claude Magendie	100%		
Soumia Malinbaum	100%		100%
Hélène Molinari	100%		100%
Javier Monzón	75%		
François Roussely	100%		
Xavier de Sarrau	100%	100%	
Aline Sylla-Walbaum	50%	100%	
Susan M. Tolson	100%		
Patrick Valroff	100%	100%	

Lastly, a digital platform was put in place for the members of the Supervisory Board in 2015 in order to improve communication and streamline its operation. It provides Board members with permanent access to up-to-date information relevant to the Supervisory Board and its Committees.

3. SUPERVISORY BOARD COMMITTEES

3.1 AUDIT COMMITTEE

In application of its internal rules, the Audit Committee meets at least four times a year, mainly to:

- ▶ review the accounts and the consistency of the accounting methods used for the Lagardère SCA parent company and consolidated financial statements, and monitor the process for preparing financial information;
- ▶ monitor the audit of the parent company and consolidated financial statements by the Statutory Auditors;
- ▶ monitor the Statutory Auditors' independence;
- ▶ issue a recommendation on the Statutory Auditors nominated for re-appointment at the General Meeting;
- ▶ ensure that the Company has internal control and risk management procedures, particularly procedures for (i) the preparation and processing of accounting and financial information used to prepare the accounts, (ii) risk assessment and management, (iii) compliance of Lagardère SCA and its subsidiaries with the main regulations applicable to them; the Audit Committee is informed of any observations and/or suggestions from the Statutory Auditors regarding these internal control procedures and examines the report of the Chairman of the Supervisory Board on internal control and risk management procedures;
- ▶ monitor the efficiency of internal control and risk management systems;

- ▶ more specifically, examine all matters pertaining to internal auditing of the Company and its activities, the audit plan, organisation, operation and implementation;
- ▶ review the agreements directly or indirectly linking the Group and the senior managers of Lagardère SCA: the Managing Partners' salaries are paid by Lagardère Capital & Management, which is bound to the Group by a service agreement. Application of this agreement, which has been approved by the Board and the shareholders as a related-party agreement, is monitored regularly. The Board has delegated this task to the Audit Committee, which includes the amount of expenses invoiced under the contract, essentially comprising the Managing Partners' remuneration;
- ▶ prepare an annual summary of business over the past year for release to the shareholders (through the report of the Supervisory Board and the report of the Chairman of the Supervisory Board).

Audit Committee members are appointed for their financial and/or accounting skills, assessed with particular regard to their past career (positions held in general or financial management or in an audit firm), academic background or specific knowledge of the Company's business. The expertise of the members of the Audit Committee is described at length in section 7.2.3 of the Reference Document.

At 31 December 2015, the Audit Committee comprised Xavier de Sarrau (Chairman), Nathalie Andrieux, François David, Aline Sylla-Walbaum and Patrick Valroff, all of whom are independent members (see section 1 of this report).

The members of the Audit Committee interview the Group's main senior executives when necessary, and the Statutory Auditors also present a report on their work. In addition, Audit Committee members reserve the right to interview the Statutory Auditors without Management in attendance and to consult external experts.

The Chairman of the Audit Committee reports to the members of the Board on the work conducted by the Audit Committee.

During 2015, the Audit Committee met six times with an average attendance rate of 90%, including two meetings to review the annual and interim financial statements more than five days before the Supervisory Board's meetings. The attendance rate was 100% for the 3 March, May and July meetings, and 80% for the 5 March, October and November meetings.

The meeting of 3 March involved a review of the impairment tests on intangible assets for the purposes of the 2014 financial statements as well as a presentation of the latest updates and IT security processes implemented.

The meeting of 5 March was held to examine the 2014 consolidated financial statements, and to present and review the Chairman's draft report on internal control and risk management.

On 19 May, the Committee focused on the internal audit activity during the first half of 2015 and reviewed the fees of the Statutory Auditors. The Group's tax management processes and tax policy were also presented to the Committee. Lastly, it reviewed relations with Lagardère Capital & Management (LC&M).

On 29 July, the Committee reviewed the Group's consolidated financial statements for the first half of 2015 and was given a presentation on the Group's financing policy.

On 6 October, accounting firm Deloitte presented the findings of its external review of the internal audit, risk management and internal control, compliance and IT security procedures. The risk map and the results of the internal control self assessment were also presented to the Audit Committee.

Lastly, at the meeting of 17 November, the Committee reviewed internal audit activities during the second half of 2015 and the audit plan for 2016. It was also given a report on legal disputes by the Group Legal Department and a progress report on Group Compliance activities.

When the Audit Committee reviewed the financial statements, the Chief Financial Officer gave a presentation of the Group's risk exposure and significant off-balance sheet commitments.

These meetings took place in the presence of the Chief Financial Officer, Deputy Chief Financial Officer, the Internal Audit Manager and the Statutory Auditors. Depending on the issues discussed, other executives and, in particular, the Secretary General, Group Tax Director, Accounting Director, Director of Risk and Internal Control, Group Treasury and Finance Director, the Group IT Director and General Counsel, as well as certain members of their teams were asked to provide input on an as-needed basis.

3.2 APPOINTMENTS, REMUNERATION AND GOVERNANCE COMMITTEE

The Appointments, Remuneration and Governance Committee was created on 27 April 2010 by the Supervisory Board which decided on 11 March 2015 to extend its scope of duties to include governance and sustainable development matters and to change its internal rules. The Appointments, Remuneration and Governance Committee's main tasks include the following:

- ▶ *Regarding Board and Committee membership:*
 - defining the selection criteria of future members,
 - selecting and nominating Supervisory Board and Committee members for proposal to the Supervisory Board;
- ▶ *Regarding remuneration:*
 - monitoring, where relevant, any components of remuneration that are not paid under the agreement with Lagardère Capital & Management (which, being a related-party agreement is monitored by the Audit Committee – see above) and may be allocated to Lagardère SCA's corporate officers directly by Group companies. Under current laws, this concerns share options

and performance shares and the proportion they represent of the Managing Partners' total remuneration,

- proposing the overall amount of attendance fees to be paid to members of the Supervisory Board and Committees as submitted to the General Meeting, and the rules for determining and distributing the attendance fees, in particular based on members' attendance at meetings;
- ▶ *Regarding governance:*
 - regularly reviewing the independence of Supervisory Board members in light of the independence criteria defined by the Supervisory Board,
 - managing the annual assessment of the operations of the Board and its Committees,
 - carrying out advance assessments of potential risks of conflicts of interest between Supervisory Board members and the Lagardère group;
- ▶ *Regarding sustainable development (CSR):*
 - examining the main social, societal and environmental risks and opportunities for the Group as well as the CSR policy in place,
 - reviewing the reporting, assessment and monitoring systems allowing the Group to prepare reliable non-financial information,
 - examining the Group's main lines of communication to shareholders and other stakeholders regarding CSR issues,
 - examining and monitoring the Group's rankings attributed by ESG rating agencies.

The members of the Committee interview the Chairman of the Supervisory Board, the Managing Partners or any other person they may choose when necessary.

The Chairman of the Committee reports to the members of the Board on the work conducted by the Committee.

At 31 December 2015, the Appointments, Remuneration and Governance Committee comprised François David (Chairman), Georges Chodron de Courcel, and Pierre Lescure, as well as Soumia Malinbaum and Hélène Molinari who were appointed to the Committee in March 2015 by the Supervisory Board after the Committee's scope was expanded. They are all independent members (see section 1 of this report).

In 2015, the Committee met four times and all members were present at each of the meetings.

During its meeting in February, the Committee analysed the composition of the Board and its Committees and the independence of its members, and prepared the re-appointment of Susan Tolson whose term of office was set to expire.

The Committee also reviewed the report of the Chairman relating to membership of the Supervisory Board, the application of the principle of balanced representation of women and men on the Board and the conditions under which the Board's work is prepared and organised.

The Committee conducted the annual review of executives' eligibility for free shares, examined the findings of the self-assessment of the membership and operation of the Supervisory Board and its Committees and decided to propose for 2015 an external assessment to the Board in accordance with the recommendations of the Afp-Medef Corporate Governance Code.

Lastly, the Committee considered its own future development and decided to propose to the Supervisory Board to extend the scope of its activities to include governance and sustainable development matters, increase its membership and change its name accordingly. During its meeting in April, the Committee launched the external assessment of the Supervisory Board and its Committees, and in preparation for the General Meeting, examined the comments of the principal proxy advisors and investors with respect to the Supervisory Board.

In September, the Sustainable Development Officer presented the methods for determining Lagardère SCA's ESG rating and the Group Secretary General presented the remuneration policy for the Managing Partners and its various components and criteria.

During its meeting in November, the Committee reviewed the findings of the external assessment of the operation of the Supervisory Board and its Committees and gave a progress report on the 2015-2020 CSR roadmap.

These meetings took place in the presence of the Group Secretary General and, when discussions fell within their areas of expertise, the Corporate Social Responsibility Director and the external consultant responsible for performing the assessment of the Supervisory Board.

4. EVALUATION OF THE MEMBERSHIP AND OPERATION OF THE SUPERVISORY BOARD

Since 2009, the Supervisory Board has assessed the membership, organisation and operation of the Board and its Committees each year in order to form an opinion on the preparation and quality of their work. Every three years, this assessment is performed by an external consultant.

Consequently, the Supervisory Board initiated an external assessment in 2015 under the supervision of the Appointments, Remuneration and Governance Committee, performed using questionnaires completed by the external consultant during interviews with members of the Board.

The findings were presented to the Supervisory Board on 2 December 2015.

The members were mostly very satisfied with the membership, organisation and operation of the Board and its Committees and found especially that the operation of the Supervisory Board had improved significantly over recent years, mainly under the impetus of the Chairman, and that the Board correctly fulfils its duties.

The areas of improvement included organising an additional, less formal, meeting of the Supervisory Board to cement relations between members of the Board and with the Managing Partners. This meeting would also provide an opportunity to review the structure of the Group's business portfolio in greater detail and monitor the implementation of its strategic priorities.

Lastly, in light of the assessment's findings, the Board decided to continue organising Supervisory Board working groups on specific issues and meetings with the Managing Partners, and also decided to continue monitoring succession planning through a working group.

5. COMPLIANCE WITH FRENCH CORPORATE GOVERNANCE GUIDELINES – AFEP-MEDEF

The Company has applied the corporate governance principles brought together in the Afep-Medef Corporate Governance Code for Listed Companies revised in November 2015. This code is available in the Corporate Governance section of Lagardère's website.

As stated in the introduction to the Code, most of the recommendations it contains have been established with reference to joint stock companies with a board of directors. Companies with an executive board and supervisory board, and partnerships limited by shares, need to make adjustments as appropriate to implement the recommendations. By its very principle, a partnership limited by shares has a strict separation of powers between the Managing Partners who run the company (and thereby the General Partners who have unlimited liability), and the Supervisory Board, which reviews management actions ex-post but does not actively participate in management.

Given Lagardère SCA's specificities in terms of French law and its own Articles of Association as a partnership limited by shares, the Board has adopted an organisation structure appropriate to the nature of its work under the law and the recommendations of the Afep-Medef Corporate Governance Code.

Provision of the Afep-Medef Corporate Governance Code set aside or partially applied	Explanation
Independence criteria	
"Not to have been a director of the corporation for more than 12 years"	It is deemed that the fact of having been a Board member for more than 12 years does not disqualify such member as an independent member; on the contrary, it is considered an asset in a control role. However, an individual assessment of the situation of each member is conducted annually by the Supervisory Board which considered that the independence of Georges Chodron de Courcel, Pierre Lescure and François Roussely should not be contested, despite their seniority on the Board.

6. SPECIFIC RULES FOR ATTENDANCE AT GENERAL MEETINGS BY SHAREHOLDERS

These rules are set out in the Articles of Association (articles 19 to 22) and are included for the most part in Chapter 8, section 8.2.6 – General Meetings of shareholders, of the Reference Document. The Company's Articles of Association can be consulted on its website (Investor relations – Corporate governance – Articles of Association).

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.

7. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

Information on the internal control and risk management procedures used at Lagardère SCA is presented in the Reference Document.

The 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 2015 Reference Document.

The Group's Risk and Internal Control Department, supported by the Audit and Legal Departments, has been given responsibility for defining a method for presenting internal control and risk

The Chairman of the Supervisory Board

7.4.3 STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 226-10-1 OF THE FRENCH COMMERCIAL CODE (CODE DE COMMERCE), ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF LAGARDÈRE SCA

To the Partners,

In our capacity as statutory auditors of Lagardère S.C.A. and in accordance with article L. 226-10-1 of the French Commercial Code (*Code de commerce*), we hereby report on the report prepared by the Chairman of the Supervisory Board of your company pursuant to this article for the year ended 31 December 2015.

It is the Chairman's responsibility to prepare and submit for the Supervisory Board's approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by article L. 226-10-1 of the French Commercial Code (*Code de commerce*) relating to matters such as Corporate governance.

Our role is to:

- ▶ report on any matters as to the information contained in the Chairman of the Supervisory Board 's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information,
- ▶ confirm that the report also includes the other information required by article L. 226-10-1 of the French Commercial Code (*Code de commerce*). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman of the Supervisory Board's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- ▶ obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman of the Supervisory Board 's report is based and of the existing documentation;

- ▶ obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- ▶ determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman of the Supervisory Board 's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with article L. 226-10-1 of the French Commercial Code (*Code de commerce*).

Other information

We confirm that the report prepared by the Chairman of the Supervisory Board also contains the other information required by article L. 226-10-1 of the French Commercial Code (*Code de commerce*).

French language original signed at Courbevoie and Paris - La Défense, on 30 March 2016

The Statutory Auditors

MAZARS

Thierry BLANCHETIER

ERNST & YOUNG et Autres

Bruno BIZET

7.5 TRANSACTIONS WITH RELATED PARTIES (MANAGING PARTNERS AND MEMBERS OF THE SUPERVISORY BOARD)

AFR

7.5.1 TRANSACTIONS WITH LAGARDÈRE CAPITAL & MANAGEMENT (LC&M)

Lagardère Capital & Management (LC&M), controlled and chaired by Arnaud Lagardère and with Pierre Leroy as Chief Operating Officer, provides an array of management resources and skills to both the Group and each of its component parts, with the following aims:

- ▶ over the long term, to guarantee that the Group's operating businesses have the best environment required for expansion;
- ▶ to supply the Group with strategic planning and operational services, coupled with high quality management services, including principally:
 - designing and developing economic and financial strategic scenarios, providing project monitoring skills;
 - providing research and follow up concerning major markets and their evolution; assessing factors in different market environments that may create new opportunities for action;
 - keeping a watchful eye on potential investments and divestments;
 - managing business negotiations such as divestments, mergers and acquisitions;
 - orchestrating corporate operations, including state-of-the-art finance and capital management techniques;
 - establishing and maintaining relations in banking and finance, with particular attention to the characteristics of the various countries in which the Group does, or plans to do, business;
 - enhancing human resources by attracting high-potential management personnel;
 - providing overall management of the Group's image.

To accomplish its mission, LC&M employs the principal senior managers forming the Group's Executive Committee. The role of the Executive Committee is to assist the Managing Partners in their duties, i.e., to determine the Group's strategy and lead its development, and to take the resulting necessary management decisions and implement them globally at parent company level and in the Group's different business activities. LC&M bears the entire cost of its senior managers' salaries and the related overheads as

well as the fees billed by any French and/or international consultants that they may work with.

LC&M's mission is carried out within the framework of its agreement with Lagardère Ressources (formerly Matra Hachette Général), which is responsible for managing all of the Group's corporate resources. This agreement is described each year in the Statutory Auditors' Special Report issued under article L. 226-10 of the French Commercial Code and published in the annual reports.

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

As a result, in 2015, LC&M invoiced €27.1 million to the Group, versus €30.2 million in 2014. In addition to gross salaries this amount included the related taxes, social contributions and pension provisions. After deducting other expenses (support costs reimbursed to the Group and miscellaneous expenses) total costs amounted to €26 million. Operating profit after tax from the above agreement amounted to €0.7 million.

The related party Service Agreement which binds the Group and Lagardère Capital & Management and the provisions related to it concerning the additional pension plan for eligible employees, authorised in the previous years and which continues to apply, are subject to an annual review by the Audit Committee, at the request of the Supervisory Board.

The work of the Audit Committee on the conditions and costs related to these agreements, including the remuneration of the members of the Executive Committee, is subject to a report to be submitted to the Supervisory Board for information and discussion purposes.

This agreement was also reviewed by the Supervisory Board at its meeting on 9 March 2016, in accordance with article L. 225-88-1 of the French Commercial Code.

7.5.2 AGREEMENTS ENTERED INTO WITH MEMBERS OF THE SUPERVISORY BOARD

None – See section 7.2.4.2.

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

8

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

8.1 SHARE CAPITAL**AFR****8.1.1 AMOUNT AND CHANGES IN THE SHARE CAPITAL****8.1.1.1 AMOUNT**

At 31 December 2015, the share capital amounted to €799,913,044.60, represented by 131,133,286 shares with a par value of €6.10 each, all ranking *pari passu* and fully paid up.

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
2010	-	-	-		799,913,044.60	131,133,286
2011	Award of free shares to employees	403,250	2,459,825	-	802,372,869.60	131,536,536
	Capital reduction by cancelling shares	403,250	2,459,825		799,913,044.60	131,133,286
2012	Award of free shares to employees	21,155	129,045.50	-	800,042,090.10	131,154,441
	Capital reduction by cancelling shares	21,155	129,045.50		799,913,044.60	131,133,286
	Award of free shares to employees	1,500	9,150	-	799,922,194.60	131,134,786
	Capital reduction by cancelling shares	1,500	9,150		799,913,044.60	131,133,286
	Award of free shares to employees	384,550	2,345,755	-	802,258,799.60	131,517,836
	Capital reduction by cancelling shares	384,550	2,345,755		799,913,044.60	131,133,286
	2013	Award of free shares to employees	59,547	363,236.70	-	800,276,281.30
Capital reduction by cancelling shares	59,547	363,236.70		799,913,044.60	131,133,286	
Award of free shares to employees	20,000	122,000	-	800,035,044.60	131,153,286	
Capital reduction by cancelling shares	20,000	122,000		799,913,044.60	131,133,286	
Award of free shares to employees	109,925	670,542.50	-	800,583,587.10	131,243,211	
Capital reduction by cancelling shares	109,925	670,542.50		799,913,044.60	131,133,286	
Award of free shares to employees	398,950	2,433,595	-	802,346,639.60	131,532,236	
Capital reduction by cancelling shares	398,950	2,433,595		799,913,044.60	131,133,286	
2014	Award of free shares to employees	93,209	568,574.90	-	800,481,619.50	131,226,495
	Capital reduction by cancelling shares	93,209	568,574.90		799,913,044.60	131,133,286
	Award of free shares to employees	488,519	2,979,965.90	-	802,893,010.50	131,621,805
	Capital reduction by cancelling shares	488,519	2,979,965.90		799,913,044.60	131,133,286
	Award of free shares to employees	154,024	939,546.40	-	800,852,591.00	131,287,310
	Capital reduction by cancelling shares	154,024	939,546.40		799,913,044.60	131,133,286
2015	Award of free shares to employees	104,253	635,943.30	-	800,548,987.90	131,237,539
	Capital reduction by cancelling shares	104,253	635,943.30		799,913,044.60	131,133,286
	Award of free shares to employees	412,853	2,518,403.30	-	802,431,447.90	131,546,139
	Capital reduction by cancelling shares	412,853	2,518,403.30		799,913,044.60	131,133,286
	Award of free shares to employees	134,552	820,767.20	-	800,733,811.80	131,267,838
	Capital reduction by cancelling shares	134,552	820,767.20		799,913,044.60	131,133,286

As shown in the above table, all changes in the share capital over the last six years arise from the award of free shares to employees and senior managers, and from the resulting share capital reduction by cancellation of treasury shares.

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

8.1.2 TREASURY SHARES

8.1.2.1 AMOUNTS

At 31 December 2015, the Company directly held 2,324,157 of its own shares (par value: €6.10), representing 1.77% of the total share capital at that date. The total cost of these shares was €69,221,367.90.

Based on the average weighted market price of Lagardère SCA's shares in December 2015 (€27.05 per share), a provision of €6,347,638.87 was recorded, reducing the total carrying amount of treasury shares directly held by the Company to €62,873,729.03.

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

A) TRANSACTIONS CARRIED OUT IN 2015

Buyback transactions carried out by the Company in 2015 under the authorisations granted by the Annual General Meetings of 6 May 2014 and 5 May 2015 only fulfilled two of the following five major objectives: awarding of shares to beneficiaries of share purchase option plans, awarding of free shares, reducing the share capital, acquiring shares for the purpose of being kept and subsequently tendered in exchange or payment for acquisitions, and promoting liquidity of the market for Lagardère SCA's shares through a liquidity contract.

1. Market liquidity transactions

The Company reduced the amount assigned to the liquidity agreement signed on 7 October 2008 and renewed yearly with Kepler Cheuvreux to €10 million. Under this agreement, in 2015 the Company:

- ▶ acquired 684,214 shares for a total price of €17,677,869.02 or an average per-share price of €25.83;
- ▶ sold 694,519 shares for a total price of €17,635,859.87 or an average per-share price of €25.39.

2. Capital reduction

The Company cancelled 651,658 shares in 2015.

3. Partial reallocation for other uses

The Company reallocated 651,658 shares from the "award to employees" objective to the "capital reduction" objective.

B) POSITION AT 31 DECEMBER 2015

At the end of 2015, the 2,324,157 shares directly held by the Company representing 1.77% of the share capital were allocated as follows:

- ▶ 2,274,462 shares allocated to the objective "award to employees", representing 1.73% of the share capital, for a total cost of €67,879,620.35;
- ▶ 49,695 shares allocated to the objective "promotion of market liquidity", representing 0.04% of the share capital, for a total cost of €1,341,747.55.

C) TRANSACTIONS CARRIED OUT UNDER THE AUTHORISATION GRANTED BY THE ANNUAL GENERAL MEETING OF 5 MAY 2015

The Annual General Meeting of shareholders of 5 May 2015 renewed the authorisation granted to the Managing Partners by the Annual General Meeting of 6 May 2014 to purchase Lagardère SCA shares representing up to 10% of the share capital (i.e., up to 13,113,286 shares), for a maximum amount of €500 million, and at a maximum per-share purchase price of €40, mainly for the following purposes:

- ▶ to reduce the share capital by cancelling all or some of the shares purchased;
- ▶ to award free shares to employees and corporate officers of the Company and of entities or groups related to it;
- ▶ to tender shares upon the exercise of share options;
- ▶ to set up any company or group savings scheme (or similar plan) under the conditions provided for by law, including by way of awarding the shares free of consideration as part of the Company's employer contribution and/or in replacement of the discount;
- ▶ to award or transfer shares to employees as part of a profit-sharing scheme;
- ▶ to award shares to employees and corporate officers of the Company and of entities or groups related to it for any other purpose permitted by the applicable law and regulations;
- ▶ to promote liquidity in the Company's shares under liquidity contracts that comply with a code of conduct recognised by the AMF entered into with independent investment services providers;
- ▶ to hold the shares for subsequent exchange or payment as consideration for external growth transactions, a merger, demerger or asset contribution;
- ▶ to tender shares upon the exercise of rights attached to securities that give access, by any means whatsoever, to the Company's share capital.

This authorisation was granted for an 18-month period starting on 5 May 2015.

The corresponding share buyback programme was described in a press release issued on 12 May 2015.

Under this authorisation, the Company carried out the following transactions from 12 May 2015 to 29 February 2016:

1. Market liquidity transactions

The Company purchased 581,527 shares for a total price of €15,020,609.30 and sold 549,527 shares for a total price of €14,294,874.30 on the market, under the liquidity contract referred to above.

2. Capital reduction

The Company cancelled 547,405 shares.

3. Partial reallocation for other uses

The Company reallocated 547,405 shares from the "award to employees" objective to the "capital reduction" objective.

The Annual General Meeting of 3 May 2016 will be asked to renew this authorisation.

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

8.1.3.1 SECURITIES

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

8.1.3.2 SHARE SUBSCRIPTION OPTIONS

At 31 December 2015, there were no subscription options outstanding which, if exercised, would result in the issue of an equivalent number of new shares, the last share subscription plan having expired in December 2007.

8.1.3.3 FREE SHARE AWARDS

The shares due to be remitted to employees and senior managers of the Company and of other companies related to it between 2016 and 2019 as a result of free share awards made in 2012, 2013, 2014 and 2015 will in principle be new shares created through a capital increase by capitalising reserves; the maximum number of shares to be created for that purpose would amount to 1,310,382 shares of a par value of €6.10 each, representing a maximum share capital dilution of 0.999% which could be neutralised by cancelling an equivalent number of treasury shares as was the case between 2011 and 2015.

8.1.4 AUTHORISED, UNISSUED SHARE CAPITAL

The Ordinary and Extraordinary General Meeting of 5 May 2015 authorised the Managing Partners, for a period of 26 months:

- ▶ to issue, with or without pre-emptive subscription rights, securities giving immediate or future access to the Company's share capital, within the following limits:
 - maximum nominal amount of capital increases which may result from authorised issues without pre-emptive subscription rights and without priority right: €80 million,
 - maximum nominal amount of capital increases which may result from authorised issues with pre-emptive subscription rights or with priority right: €300 million,
 - maximum authorised amount for debt issuances: €1,500 million;
- ▶ to increase the share capital by capitalising reserves, profits or issue premiums and award newly-issued free shares to shareholders (or increase the par value of existing shares) within the limit of: €300 million;
- ▶ to issue ordinary shares of the Company and/or securities giving access to the Company's share capital, without pre-emptive subscription rights to be awarded to Group employees within the scope of corporate savings schemes and within the annual limit of 0.5% of the number of shares making up the current share capital.

The Ordinary and Extraordinary General Meeting of 3 May 2013 also authorised the Managing Partners, for a period of 38 months:

- ▶ to award free shares or share options to Group employees and senior managers within the annual limit of (i) 1% of the total number of shares making up the current share capital for Group employees and senior managers other than executive corporate officers of Lagardère SCA, and (ii) 0.1% of the total number of shares making up the current share capital for executive corporate officers of Lagardère SCA;

It being understood that:

- the number of free shares awarded each year to Group employees and senior managers (other than executive corporate officers of Lagardère SCA) cannot be greater than 0.6% of the total number of shares making up the current share capital, and the number awarded each year to an individual executive corporate officer of Lagardère SCA cannot be greater than 0.025% of the total number of shares making up the current share capital;
- the number of share options awarded each year to Group senior managers cannot give the right to purchase and/or subscribe for more than 0.5% of the total number of shares making up the current share capital, and the number awarded each year to an individual executive corporate officer of Lagardère SCA cannot be greater than 0.075% of the total number of shares making up the current share capital.

In 2015, as in 2014, only the authorisation relating to awards of free shares was used.

The Annual General Meeting of 3 May 2016 will be asked to renew these authorisations and to award free shares to Group employees and senior managers.

It should be noted that the Annual General Meeting of 5 May 2015 renewed the authorisation granted to the Managing Partners to issue, on one or more occasions, securities other than securities giving access to the Company's capital, up to a maximum amount of €1.5 billion.

8.1.5 PLEDGES OF COMPANY SHARES**8.1.5.1 PLEDGES OF REGISTERED SHARES OF THE COMPANY AT 31 DECEMBER 2015**

- ▶ Number of shareholders: 108
- ▶ Number of shares: 10,471,898 (7.99% of 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 2015

Pledges concern 10,432,403 shares held by Lagardère Capital & Management (LC&M), representing 7.95% 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 2015: 131,133,286
- ▶ Number of shares listed on 31 December 2015: 131,133,286
- ▶ Listed on: Euronext Paris, Compartment A

8.1.6.2 DIVIDENDS, SHARE PRICES AND TRADING VOLUMES**Dividends per share**

Year of payment	Number of shares entitled to dividend	Dividend (euros per share)	Tax credit (euros per share)	Gross dividend (euros per share)	Total dividends (in millions of euros)
2011	126,997,338	1.30	None	1.30	165.10
2012	127,461,743	1.30	None	1.30	165.70
2013	127,882,640 128,515,724	1.30 9.00	None None	1.30 9.00 ⁽¹⁾	166.25 1,156.64
2014	127,563,424 127,563,424	1.30 6.00	None None	1.30 ⁽²⁾ 6.00 ⁽³⁾	165.83 765.38
2015	128,294,419	1.30	None	1.30	166.78

(1) Extra portion of the 2013 dividend, paid as an interim dividend following the decision taken by the Managing Partners on 21 May 2013.

(2) Ordinary portion of 2013 dividend.

(3) Payment of an extra dividend, deducted from "Share premiums".

Any dividend not claimed within five years from the due date lapses and is paid to the French Treasury.

Trading volumes and changes in Lagardère SCA share price (Source: Euronext Paris)

Year/Month	High for month (in euros)	Date of high	Low for month (in euros)	Date of low	Closing price (in euros)	Average opening price (in euros)	Average closing price (in euros)	Number of shares traded	Total amount traded (in millions of euros)	Number of trading days
2012										
January	22.69	19 Jan.	20.30	2 Jan.	21.73	21.74	21.75	8,825,043	192.31	22
February	23.37	7 Feb.	21.05	14 Feb.	22.48	22.00	22.00	8,845,801	186.47	21
March	24.25	27 March	21.65	9 March	23.13	23.14	23.22	11,356,010	261.65	22
April	23.35	30 April	20.45	23 April	22.90	21.98	21.97	10,358,397	227.19	19
May	23.76	7 May	19.00	31 May	19.15	21.31	21.17	12,083,124	261.23	22
June	22.20	29 June	18.48	13 June	21.99	19.72	19.79	10,117,827	199.78	21
July	22.88	16 July	20.74	26 July	21.98	22.15	22.11	8,118,541	179.63	22
August	23.48	17 Aug.	21.58	30 Aug.	22.34	22.60	22.62	5,874,375	132.71	23
September	24.70	13 Sept.	21.25	28 Sept.	21.25	22.44	22.37	8,518,599	193.20	20
October	21.87	5 Oct.	20.34	15 Oct.	21.08	20.98	20.98	6,529,748	136.98	23
November	23.30	30 Nov.	20.21	13 Nov.	23.14	21.60	21.69	5,610,467	122.23	22
December	25.95	6 Dec.	23.15	3 Dec.	25.28	24.71	24.84	9,317,046	229.81	19
2013										
January	27.00	29 Jan.	25.00	15 Jan.	26.63	25.79	25.90	8,550,051	221.37	22
February	27.43	28 Feb.	25.70	21 Feb.	27.34	26.21	26.26	6,515,740	172.19	20
March	29.59	27 March	26.96	1 March	28.72	28.59	28.54	9,858,605	281.25	20
April	29.41	3 April	27.17	18 April	28.22	28.23	28.10	10,343,616	291.01	21
May	20.58	27 May	18.42	8 May	19.82	19.32	19.29	21,019,626	531.94	22
June	21.50	28 June	19.54	3 June	21.40	20.62	20.65	12,111,143	249.22	20
July	23.97	31 July	21.39	1 July	23.78	22.60	22.66	8,439,462	191.71	23
August	24.39	6 Aug.	22.96	30 Aug.	23.03	23.97	23.94	4,694,937	112,302	22
September	24.10	27 Sept.	22.79	3 Sept.	24.00	23.47	23.50	6,767,501	159.30	21
October	27.72	28 Oct.	23.80	7 Oct.	26.79	25.31	25.39	8,556,477	219.95	23
November	26.98	7 Nov.	24.40	29 Nov.	24.94	25.82	25.77	7,481,670	192.88	21
December	27.02	31 Dec.	24.22	10 Dec.	27.02	25.26	25.38	5,757,418	145.96	20
2014										
January	27.41	7 Jan.	25.01	27 Jan.	26.20	26.72	26.67	5,849,044	155.92	22
February	29.37	24 Feb.	25.37	4 Feb.	29.09	28.01	28.19	6,182,990	174.78	20
March	29.80	13 March	28.50	3 March	28.82	29.18	29.13	6,786,646	197.62	21
April	30.30	30 April	27.95	15 April	30.17	29.10	29.11	8,367,678	243.86	20
May	31.74	6 May	23.62	8 May	25.56	26.05	26.15	15,030,657	389.67	21
June	25.82	11 June	23.58	30 June	23.78	24.64	24.60	11,679,432	287.14	21
July	24.81	4 July	22.22	31 July	22.25	23.61	23.54	7,641,280	180.01	23
August	22.31	1 Aug.	20.23	8 Aug.	20.95	21.07	21.00	7,429,176	156.00	21
September	21.80	9 Sept.	20.29	24 Sept.	21.19	21.03	20.98	8,247,660	173.41	22
October	21.60	6 Oct.	17.83	16 Oct.	19.41	19.69	19.60	10,313,897	201.29	23
November	22.81	28 Nov.	18.85	5 Nov.	22.80	20.81	20.96	8,520,867	177.19	20
December	22.85	1 Dec.	20.84	16 Dec.	21.60	21.97	21.95	5,979,863	131.04	21
2015										
January	25.06	26 Jan.	21.01	6 Jan.	24.28	23.08	23.23	7,823,385	181.68	21
February	25.69	27 Feb.	23.35	9 Feb.	25.69	24.43	24.56	5,830,763	142.69	20
March	28.33	31 March	24.67	12 March	27.94	26.41	26.50	12,181,711	321.12	22
April	30.22	13 April	27.25	2 April	28.65	28.67	28.72	9,163,860	263.23	20
May	29.38	4 May	26.13	12 May	27.59	27.68	27.64	8,571,253	235.86	20
June	28.00	3 June	25.34	18 June	26.16	26.56	26.55	7,873,107	208.83	22
July	28.89	20 July	25.65	7 July	27.21	27.37	27.37	9,920,428	270.24	23
August	27.89	5 Aug.	22.45	24 Aug.	24.25	25.70	25.59	7,655,025	195.43	21
September	26.31	9 Sept.	23.61	1 Sept.	24.74	25.05	25.02	8,758,723	219.02	22
October	26.89	26 Oct.	24.24	2 Oct.	26.51	25.68	25.67	6,829,931	174.79	22
November	28.32	19 Nov.	26.21	5 Nov.	27.93	27.25	27.35	5,658,971	154.93	21
December	28.15	2 Dec.	25.70	14 Dec.	27.51	27.08	27.01	4,393,443	118.30	22
2016										
January	27.27	4 Jan.	23.40	20 Jan.	26.19	25.23	25.21	6,096,799	153.39	20
February	27.13	22 Feb.	23.86	11 Feb.	26.60	26.00	25.95	6,701,440	173.28	21

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 detailed in the notes to the consolidated financial statements set out in

Chapter 6 of this Reference Document. At the date of filing, there were no other put options concerning all or part of any significant investment⁽¹⁾ held directly or indirectly by Lagardère SCA.

8.1.8 SHARE OWNERSHIP STRUCTURE - PRINCIPAL SHAREHOLDERS

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

Shareholders	At 31 December 2015				At 31 December 2014			At 31 December 2013		
	Number of shares	% of share capital	% of voting rights exercisable at General Meetings	% of theoretical voting rights	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
Non-French investors	90,470,143	68.99	63.54	62.68	88,842,689	67.75	63.20	86,196,390	65.73	60.52
French institutional investors	16,724,722	12.76	13.90	13.72	16,186,077	12.34	13.03	19,249,323	14.68	15.52
Lagardère Capital & Management ^(*)	10,438,225	7.96	12.30	12.13	10,721,578	8.18	12.73	12,190,179	9.30	14.17
Private investors	7,322,140	5.58	7.12	7.02	8,908,088	6.79	8.18	7,518,029	5.73	7.38
Employees and Group Savings Plan investment funds	3,854,491	2.94	3.14	3.10	3,502,054	2.67	2.86	2,791,942	2.13	2.41
Treasury shares	2,323,565	1.77	-	1.35	2,972,800	2.27	-	3,187,423	2.43	-
Total	131,133,286	100	100	100	131,133,286	100	100	131,133,286	100	100

(*) Arnaud Lagardère, Lagardère SAS and its subsidiary Lagardère Capital & Management.

Of the 2.94% of capital held by Group employees, 0.71% is held via the Group Savings Plan investment funds or directly under employee profit-sharing and savings schemes required by law.

At 31 December 2015, the share capital was held by 56,158 shareholders and intermediaries directly registered in the Company's register; intermediaries registered in the Company's register representing shareholders who are not tax residents in France, constitute the majority of the non-French investors listed in the table above, holding 68.99% of the shares making up the share capital.

There has been no significant variation in the breakdown of the Company's share capital or voting rights since 31 December 2015.

8.1.8.2 REGULATORY SHAREHOLDING THRESHOLDS CROSSED IN 2015

The Company was not notified of any crossings of regulatory shareholding thresholds in 2015.

8.1.8.3 ACTIONS IN CONCERT WITH OTHER GROUPS

None.

8.1.8.4 VOTING RIGHTS

Including the double voting rights attributed to shares registered in the name of the same shareholder for at least four years (see section 8.2.6.4), the total number of rights to vote at General Meetings at 31 December 2015 was 169,764,943.

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 2015 amounted to 172,088,508.

The total number of voting rights (gross and net) is published every month at the same time as the amount of the share capital.

(1) "Significant investments" are shareholdings above €150 million.

Under the Articles of Association, the number of voting rights to be taken into consideration for assessing whether disclosure thresholds have been crossed is the total number of exercisable rights to vote at General Meetings, i.e., 169,764,943 at 31 December 2015.

The percentage of voting rights held by Supervisory Board members was 0.0052% at 31 December 2015 (0.0057% 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 7.96% of the capital and 12.30% of the rights to vote at General 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 Arnaud Lagardère or the companies LC&M or Lagardère SAS for at least four years carry double voting rights. LC&M's share capital is held by its Chairman,

Arnaud Lagardère, who is also a Managing Partner of Lagardère SCA together with Arjil Commanditée-Arco, a subsidiary of LC&M.

Based on declarations of thresholds crossed, at 31 December 2015, Qatar Investment Authority (via its subsidiary Qatar Holding LLC) held 12.827% of the share capital and 9.91% of the rights to vote at General Meetings.

Based on declarations of thresholds crossed, at 31 December 2015, the company BlackRock Inc. held 5.03% of the share capital and 3.88% of the rights to vote at General Meetings, on behalf of its customers and the funds it manages.

8.1.8.6 GROUP TO WHICH THE COMPANY BELONGS

Lagardère SCA is the ultimate holding company of the Lagardère group. See the simplified Group organisation chart at 1 March 2016 in Chapter 4, section 4.3.

8.2 PRINCIPAL PROVISIONS OF THE COMPANY'S ARTICLES OF ASSOCIATION

AFR

8.2.1 CORPORATE PURPOSE

The Company's corporate purpose is, in France and abroad:

- ▶ to acquire any form of interests or investments in all types of company or business, whether French or foreign, by any appropriate means;
- ▶ to manage any type of transferable security portfolio and to carry out any related spot or forward transactions, whether contingent or not;

- ▶ to acquire and license any patents, trademarks, and commercial and industrial businesses;
- ▶ and more generally, to carry out any commercial, financial, industrial, security and property transactions related to the above purposes or to any other purpose related thereto which would be likely to promote and develop the Company's business.

8.2.2 MANAGING PARTNERS

1. The Company is managed by one or more Managing Partners (*Gérants*).

Following the death of Jean-Luc Lagardère on 14 March 2003, the Supervisory Board, at its meeting of 26 March 2003, approved Arjil Commanditée-Arco's proposal to appoint Arnaud Lagardère as Managing Partner for a six-year term.

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

The Supervisory Board approved the General Partners' proposals to renew Arnaud Lagardère's appointment as Managing Partner on 11 March 2009 and 2015 for successive six-year terms expiring on 25 March 2021.

The Supervisory Board approved the General Partners' proposals to reappoint Arjil Commanditée-Arco as Managing Partner on 10 March 2010 and 9 March 2016 for successive six-year terms expiring on 17 March 2022.

At the time of the most recent re-appointment of Arjil Commanditée-Arco on 9 March 2016, the Supervisory Board, in application of the provisions of Article 14-2 of the Articles of Association and acting on the recommendation of the General Partners, re-appointed:

- ▶ Arnaud Lagardère, as Chairman and Chief Executive Officer;
- ▶ Pierre Leroy, as Deputy Chairman and Chief Operating Officer;
- ▶ Thierry Funck-Brentano, as Chief Operating Officer.

2. Throughout the life of the Company, any new Managing Partner is appointed unanimously by the General Partners, with the approval of the Supervisory Board or of the General Meeting according to the provisions of Article 14 of the Articles of Association below.

3. Each Managing Partner has the broadest possible authority to act in any circumstances in the name of the Company, within the scope of the corporate purpose and subject to the powers expressly attributed by the law or the Articles of Association to the General Meeting of shareholders and the Supervisory Board.

In accordance with the law, each Managing Partner may authorise and grant, in the name of the Company, any sureties, warranties and undertakings which he deems reasonable.

Each Managing Partner may delegate part of his powers to one or more persons, whether or not they are employees of the Company and whether or not such persons have a contractual relationship with the Company. Such delegation in no way affects the duties and liability of the Managing Partner in relation to the exercise of such powers.

4. The Managing Partner(s) must take all necessary care in handling the business of the Company.

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

5. The age limit for a Managing Partner who is a natural person is 80 years.
6. The term of office of a Managing Partner cannot exceed six years but is renewable.

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

In the event that a corporate General Partner that is also a Managing Partner of the Company changes its own Managing Partner(s), the Chairman of its Board of Directors and/or its Chief Operating Officer(s), it is deemed to have resigned as Managing Partner of the Company, with immediate effect. This is also the case in the event of the sale or subscription of shares which the Supervisory Board has not approved, as described in section 8.2.3.

When a Managing Partner's office terminates, the management of the Company is carried out by the Managing Partner or Partners

who remain in office, without prejudice to the right of the General Partners to appoint a new Managing Partner as a replacement, or to renew the appointment of the outgoing Managing Partner, under the conditions described in paragraph 2 above.

When a sole Managing Partner's office terminates, one or more new Managing Partners are appointed, or the outgoing sole Managing Partner is reappointed, under the conditions provided for in paragraph 2 above. However, pending such appointment, the Company shall be managed by the General Partner or Partners who may delegate all necessary powers for the management of the Company until the new Managing Partner or Partners have been appointed.

A Managing Partner may be dismissed at any time on the grounds of incapacity (whether as a result of insolvency proceedings or otherwise) or for any other cause, by the unanimous decision of the General Partners, after the Supervisory Board has expressed its opinion under the conditions provided for in section 8.2.3. A Managing Partner may also be dismissed for just cause, by decision of the courts.

8.2.3 MEMBERS OF THE SUPERVISORY BOARD

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

1. The Company has a Supervisory Board composed of a maximum of 15 members, selected exclusively among shareholders who are neither General nor Managing Partners.
2. The members of the Supervisory Board are appointed or dismissed by the shareholders in an Ordinary General Meeting. Shareholders who are also General Partners are not entitled to vote on such resolutions.
3. The term of office of members of the Supervisory Board cannot exceed four years. It terminates at the close of the Annual General Meeting called to approve the financial statements for the preceding year that is held during the year in which the term of the member expires.

Members of the Supervisory Board may be re-elected. No more than a third of the members of the Supervisory Board in office may be more than 75 years old. If this proportion is exceeded, the oldest member is deemed to have resigned.

MEETINGS OF THE SUPERVISORY BOARD (ARTICLE 13 OF THE ARTICLES OF ASSOCIATION)

The Supervisory Board appoints one of its members as Chairman and may, if it wishes, appoint one or more Deputy Chairmen to preside over Board meetings.

The Board meets as often as the Company's interests require and in any event at least once every six months.

Meetings may be called by the Chairman of the Board or, in his absence, by one of the Deputy Chairmen, or by at least half of the Board members, or by each of the Company's Managing Partners or General Partners.

At least half of the members must be present in order for the Board's decisions to be valid.

The decisions are made by a majority vote of the members present or represented. In the event of a tied vote, the Chairman has the casting vote.

In calculating the quorum and majority, Board members attending the meeting via video conferencing or other telecommunications technology are considered to be present.

The deliberations are recorded in minutes of the meetings which are stored in a special register and signed by the Chairman of the meeting as well as by the Board Secretary or the majority of the members present.

POWERS OF THE SUPERVISORY BOARD (ARTICLE 14 OF THE ARTICLES OF ASSOCIATION)

1. The management of the Company is placed under the permanent supervision of the Supervisory Board as provided by law.

In accordance with the law, the Board prepares a report for each Annual General Meeting called to approve the financial statements of the Company. This report is made available to the shareholders at the same time as the Managing Partners' report and the parent company financial statements.

In the event of one or more Managing Partners being dismissed by the General Partners, the Board must give its opinion. For this purpose, the Board is notified by the General Partners at least 15 days in advance, and it must give its opinion within ten days of such notice. Notice is given by registered letter addressed to the Chairman of the Supervisory Board.

The Supervisory Board draws up a report on any proposal to increase or reduce the Company's share capital.

The Supervisory Board may, if it deems it necessary, after having informed the Managing Partners in writing, call an Ordinary or Extraordinary General Meeting of shareholders, in compliance with the legal provisions relating to calling meetings.

The Supervisory Board has, by law, the right to receive from the Managing Partners the same documents as are made available to the Statutory Auditors.

2. The appointment or re-appointment of any Managing Partner must be approved by the Supervisory Board. Should Arjil Commanditée-Arco be appointed as Managing Partner, the Supervisory Board's approval has to be obtained, not in respect of Arjil Commanditée-Arco itself, but in respect of its Chairman, Chief Executive Officers and Chief Operating Officers.

The Supervisory Board has a maximum of 20 days from receiving notice from the General Partners in which to grant or refuse its approval of the proposed appointment.

If the Supervisory Board twice refuses to approve an appointment within a period of two months, in respect of

two different candidates, while the Company is left without a Managing Partner and is being managed on an interim basis by the General Partners under Article 10-6 of the Articles of Association, approval may be given by a majority vote of the shareholders in an Ordinary General Meeting called by the General Partner(s) at which only one of the two candidates is put forward.

In the absence of approval from either the Supervisory Board or the General Meeting in accordance with the above paragraphs, the General Partner(s) shall designate a third person. If the Supervisory Board fails to approve the appointment of the said third candidate, the appointment shall be submitted to the shareholders in an Ordinary General Meeting, which may only refuse the candidate by a vote of a two-third majority of the shareholders present or represented.

3. If Arjil Commanditée-Arco becomes a Managing Partner of the Company, from the date of its appointment to such office, no person may become a shareholder in Arjil Commanditée-Arco either by acquiring shares in Arjil Commanditée-Arco or by subscribing to an increase in its share capital, exercising share warrants or through the conversion or redemption of bonds, without the prior agreement of the Supervisory Board, which must approve or refuse this proposal within 20 days of receiving notice,

either from Arjil Commanditée-Arco or from those shareholders who intend to transfer their shares.

If such a transaction takes place without the approval of the Supervisory Board, Arjil Commanditée-Arco, by virtue of the third paragraph of Article 10-6 of the Articles of Association, shall be deemed to have resigned from its office as Managing Partner, effective immediately.

4. Any transaction for the transfer of Arco shares or the issue of transferable securities by Arjil Commanditée-Arco, which might alter its control immediately or in the future, is subject to the prior approval of the Company's Supervisory Board, which must make a decision within 20 days of receiving notice, either from Arjil Commanditée-Arco or from those shareholders who intend to transfer their shares.

Should the transaction take place without the approval of the Supervisory Board, Arjil Commanditée-Arco, by virtue of Article 18-5 of the Articles of Association, shall automatically lose its status as General Partner, effective immediately.

5. The approval of the Supervisory Board required in paragraphs 3 and 4 above shall be automatically deemed to have been given, if the acquiring or subscribing candidate makes a valid public tender offer for all of the Company's shares. Such approval shall not be required in the event of a transfer of Arjil Commanditée-Arco shares by way of inheritance.

8.2.4 GENERAL PARTNERS (ARTICLE 18 OF THE ARTICLES OF ASSOCIATION)

1. The General Partners (*Associés Commandités*) are:

- ▶ Arnaud Lagardère,
domiciled at 4, rue de Presbourg, 75116 Paris, France
- ▶ Arjil Commanditée-Arco,
a French joint-stock corporation with share capital of €40,000, whose registered office is located at 4, rue de Presbourg, 75116 Paris, France.
Registered with the Paris Trade and Companies Registry under number 387 928 393.

2. The appointment of one or more new General Partners is decided by the shareholders in an Extraordinary General Meeting, upon the unanimous recommendation of the existing General Partners or Partner.
3. The Company shall not be wound up in the case of the death or incapacity of a natural person who is a General Partner, nor in

the event of liquidation of a corporate person who is a General Partner.

4. Any natural person who is a General Partner and who is also a Managing Partner ceases to be a General Partner, automatically and effective immediately, if he is dismissed as Managing Partner for just cause under the terms of Article 10-6 of the Articles of Association.
5. Any corporate entity which is a General Partner automatically ceases to be a General Partner, effective immediately, in the event that a sale or subscription of shares which is likely to change its control has been carried out without the consent of the Supervisory Board, as provided in Article 14-4 of the Articles of Association.

In either case the Articles of Association are automatically amended accordingly. The amendment is recorded and published by a Managing Partner, or in the absence of a Managing Partner, by a General Partner or by the Supervisory Board.

Arjil Commanditée-Arco's parent company financial statements for 2015 are as follows (in thousands of euros):

Balance sheet

Assets	
Accounts receivable	24,952
Cash and cash equivalents	2
Total	24,954
Liabilities and shareholders' equity	
Total equity	24,945
Accounts payable	9
Total	24,954

Income Statement

Operating revenues	0
Operating expenses	28
Operating loss	(28)
Financial income	244
Financial expenses	0
Net financial income	244
Net exceptional income	0
Income tax expense	72
Profit for the year	144

RIGHTS OF THE GENERAL PARTNERS (ARTICLE 18 B OF THE ARTICLES OF ASSOCIATION)

A General Partner who is not also a Managing Partner (*commandité non-gérant*) does not participate directly in the management of the Company, except as described in Article 10-6 of the Articles of Association.

General Partners exercise all the prerogatives attributed to their status by law and the Articles of Association.

By reason of the unlimited joint and several liabilities they assume, a General Partner who is not also a Managing Partner has the right to see all books and documents of the Company and to ask in writing the Managing Partners any questions concerning the management of the Company. The Managing Partners must answer such questions in writing as promptly as possible. In addition, in consideration for their unlimited joint and several liabilities, General Partners are entitled to specific remuneration calculated in accordance with the provisions of Article 25 of the Articles of Association.

DECISIONS OF THE GENERAL PARTNERS (ARTICLE 18 C OF THE ARTICLES OF ASSOCIATION)

1. The decisions of the General Partner(s) may be made either at meetings, or by written consultation (ordinary letter, telex, telegram, fax, etc.).
2. In the event of a written consultation, each General Partner has a period of 15 days to inform the Managing Partners of his decision on each of the draft resolutions. A General Partner who does not reply within this period is considered to have voted against the resolution.
3. Decisions taken by the General Partner(s) are recorded in minutes stating, *inter alia*, the date and method of consultation, the report or reports made available to the General Partner(s), the text of the resolutions and the result of the vote.

The minutes are drawn up by the Managing Partners or by one of the General Partners and signed by the General Partner(s) and/or the Managing Partner(s), as the case may be.

Copies or extracts of the minutes are validly certified as true copies either by the sole Managing Partner or by one of the Managing Partners if there are more than one, and by the General Partners.

8.2.5 REQUIREMENTS FOR CHANGING SHAREHOLDERS' RIGHTS

Any change in the rights of shareholders as defined in the Company's Articles of Association requires:

- ▶ a unanimous decision by the General Partners;

- ▶ a decision by the Extraordinary General Meeting, passed by a two-third majority of the votes of shareholders present or represented, including votes cast remotely.

8.2.6 GENERAL MEETINGS OF SHAREHOLDERS

8.2.6.1 GENERAL (ARTICLE 19 OF THE ARTICLES OF ASSOCIATION)

General Meetings are called either by the Managing Partners or by the Supervisory Board, or by any other person having the right to do so by virtue of the law or under the Articles of Association.

General Meetings are held at the registered office or at any other place as indicated in the notice of meeting. Notices of meeting are issued in the manner and within the time period provided by law and regulations.

General Meetings are chaired by the Managing Partner or one of the Managing Partners if there are several of them. If the meeting is called by the Supervisory Board, it is chaired by the Chairman of

the Supervisory Board or by a member of the Supervisory Board appointed to this effect. Where the meeting has been called by any other person legally empowered to do so, the meeting is chaired by the person who called the meeting. If the person entitled or appointed to chair the meeting fails to do so, the meeting itself elects its Chairman.

The duties of vote tellers (*scrutateurs*) are performed by the two shareholders having the greatest number of shares, either directly or by way of proxy, and who are present and accept to be tellers.

The vote tellers thus designated constitute the officers of the meeting (*bureau*), and appoint a secretary who need not be a shareholder.

The officers of the meeting verify, certify and sign the attendance register, on the basis of specifications provided by the establishment in charge of organising the meeting, ensure that discussions are properly held, settle any differences that may arise in the course of the meeting, count the votes cast and ensure their validity and ensure that minutes of the meeting are drawn up.

Minutes recording the deliberations of each meeting are entered in a special register signed by the officers of the meeting. The minutes, drawn up and recorded in this form, are extracted to be a true transcript of the meeting. All copies of or extracts from the minutes must be certified by one of the Managing Partners, by the Chairman of the Supervisory Board, or by the secretary of the meeting.

8.2.6.2 ORDINARY GENERAL MEETINGS (ARTICLE 20 OF THE ARTICLES OF ASSOCIATION)

The Annual General Meeting examines the management report prepared by the Managing Partners, the report of the Supervisory Board and the Statutory Auditors' reports. It discusses and approves the company's financial statements for the previous year and the proposed allocation of profit, in accordance with the law and the Articles of Association. In addition, the Annual General Meeting and any other Ordinary General Meeting may appoint or dismiss the members of the Supervisory Board, appoint the Statutory Auditors and vote on all questions within its authority and placed on the agenda, with the exception of those matters defined in Article 21 as being exclusively within the authority of an Extraordinary General Meeting.

With the exception of resolutions concerning the election, resignation or dismissal of Supervisory Board members and the approval of the appointment of a Managing Partner (after the Supervisory Board has exercised its power of veto twice within two months in accordance with section 8.2.3 – Powers of the Supervisory Board), resolutions may only be passed at an Ordinary General Meeting with the unanimous and prior consent of the General Partners. This consent must be obtained by the Managing Partners prior to the said Ordinary General Meeting.

Apart from the case expressly provided for in the last paragraph of Article 14-2 of the Articles of Association (see section 8.2.3 – Powers of the Supervisory Board), such resolutions are passed by a majority vote of the shareholders present, represented or having voted by mail at this meeting.

8.2.6.3 EXTRAORDINARY GENERAL MEETINGS (ARTICLE 21 OF THE ARTICLES OF ASSOCIATION)

Extraordinary General Meetings may validly deliberate on:

- ▶ any amendments of the Articles of Association for which approval by an Extraordinary General Meeting is required by law, including, but not limited to, and subject to the provisions of the Articles of Association, the following:
 - an increase or reduction of the Company's share capital;
 - a change in the terms and conditions of share transfers;
 - a change in the composition of Ordinary General Meetings or in the shareholders' voting rights at Ordinary or Extraordinary General Meetings;
 - a change in the purposes of the Company, its duration or its registered office, subject to the powers granted to the Managing Partners to transfer the Company's registered office pursuant to the Articles of Association;
 - the transformation of the Company into a company having another legal form, such as a French joint-stock corporation or a limited liability company (*société à responsabilité limitée*);

- the winding-up of the Company;
- the merging of the Company;
- and all other matters on which an Extraordinary General Meeting may validly decide in accordance with the law.

No resolution can be passed by the Extraordinary General Meeting without the unanimous prior consent of the General Partner(s). However, where there are several General Partners, a resolution to transform the Company into a company having another legal form requires the prior agreement of only a majority of the General Partners.

The agreement of the General Partner(s) must be obtained by the Managing Partners, in advance of the Extraordinary General Meeting.

8.2.6.4 ATTENDANCE AND REPRESENTATION AT MEETINGS, PROXIES, DOUBLE VOTING RIGHTS (ARTICLE 19 OF THE ARTICLES OF ASSOCIATION)

Each shareholder has the right to attend General Meetings and to take part in the deliberations, either personally or through a proxy, subject to providing proof of their identity and to submitting evidence of the registration of their shares in the nominative shareholders' accounts kept by the Company – either in their own name or in the name of the authorised intermediary acting on their behalf in accordance with the seventh paragraph of article L. 228-1 of the French Commercial Code – at 00:00 hours, Paris time, on the second working day preceding the meeting.

Subject to inclusion of the relevant decision by the Managing Partners in the public notice of a meeting and the notice of call of meeting sent to shareholders, shareholders may participate in General Meetings by means of video conferencing technology, and vote in these meetings by electronic means of communication. The Managing Partners shall fix the practicalities of this method of attendance and voting after consulting the Supervisory Board. The technologies used must guarantee, as the case may be, a continuous and simultaneous transmission of the deliberations of the meeting, the security of the means used, verification of the identity of those participating and voting and the integrity of the votes cast.

A shareholder who does not personally attend the meeting may choose one of the three following possibilities:

- ▶ to give a proxy to any other person of their choice; or
- ▶ to vote remotely; or
- ▶ to send a blank proxy form to the Company without naming a proxy, in accordance with the applicable laws and regulations.

In this last case, the Chairman of the General Meeting casts a vote in favour of the draft resolutions presented or approved by the Managing Partners and a vote against all other draft resolutions. In order to cast their votes differently, shareholders must either vote remotely or choose a proxy holder who agrees to vote as instructed by them.

If a shareholder decides, after a decision of the Managing Partners taken in accordance with the terms of the second paragraph of Article 19-3 of the Articles of Association, either to vote remotely, or to give a proxy to a third party, or to send a proxy to the Company without indicating the name of a proxy-holder, by sending the corresponding form by an electronic means of communication, his electronic signature must:

- ▶ either take the form of a secure electronic signature as defined by law at that time;
- ▶ or result from the use of a reliable identification procedure guaranteeing the connection between the shareholder and the document to which his identity is attached or from any other procedure for identification and/or verification admitted by law at that time.

At each General Meeting, each shareholder has a number of votes equal to the number of shares he owns or represents, as evidenced by the share register on the second working day prior to the meeting at 00:00 hours, Paris time. However, voting rights double those attributed to other shares as a proportion of the share capital they represent – two votes for each share – are attributed to all those shares which are fully paid-up and which have been registered in the name of the same shareholder for at least four years. In addition, shareholders entitled to double voting rights on the date on which the Company was transformed into a French partnership limited by shares (*société en commandite par action* – SCA), retain their double voting rights.

Furthermore, where the Company's share capital is increased by incorporation of reserves, profits or issue premiums, a double voting right is granted, from the date of issue, in respect of registered shares distributed free of charge to the holder of shares which originally carried double voting rights.

Transfer of title to a share results in the loss of the double voting rights. However, transfer as a result of inheritance, the liquidation of commonly-held property between spouses or an *inter vivos* gift to a spouse or to a relative automatically entitled to inherit under French law does not cause existing double voting rights to lapse, nor does it interrupt the four-year period referred to above. Similarly, the merger or demerger of the Company has no effect on double voting rights, which may be exercised within the resulting company or companies if the Articles of Association of the said companies recognise such rights. For pledged shares, the right to vote is exercised by the owner.

For shares where beneficial ownership and bare ownership are separated, the right to vote is exercised by the beneficial owner (*usufruitier*) at Ordinary General Meetings, and by the bare owner (*nu-propritaire*) at Extraordinary General Meetings.

8.2.7 REQUIREMENTS FOR A CHANGE IN CONTROL OF THE COMPANY

As stated above at the beginning of section 7.1, an SCA has two categories of partner: General Partners and Limited Partners.

Any change in control of the Company implies a change in the composition of both categories of partner. As the Company is listed on the stock exchange, it would be possible for a third party to take control of the capital and associated voting rights through a public tender offer. However, it would not be possible to take control over General Partners' meetings, and consequently, no third party could single-handedly amend the Company's Articles of Association.

As any new Managing Partner must be appointed by unanimous decision of the General Partners subject to approval of the

Supervisory Board⁽¹⁾, the person or entity taking control over the capital and associated voting rights would be unable to appoint new Managing Partners.

Therefore, it is impossible to appoint any new Managing Partners or amend the Articles of Association without the consent of the General Partners.

In view of these measures, no change in control of the Company could take place without the consent of the General Partners who manage the Company until the end of the period during which the Company is left without a Managing Partner.

8.2.8 DISCLOSURE OF SHAREHOLDINGS EXCEEDING SPECIFIC THRESHOLDS (ARTICLE 9 B OF THE ARTICLES OF ASSOCIATION)

Without prejudice to the provisions of article L. 233-7 of the French Commercial Code (*Code de commerce*), any shareholder holding directly or indirectly, as defined in said article L. 233-7, 1% or more of the voting rights, must, within five days following registration to his account of the shares that brought his holding to or above such threshold, disclose to the Company the total number of shares and voting rights he holds by registered letter with acknowledgement of receipt addressed to the head office. For registered shareholders and intermediaries not living in France, this disclosure may be made by means of a procedure similar to that of sending a registered letter with acknowledgement of receipt in use in his country of residence. Such procedure must enable Lagardère SCA to have proof of the date on which the disclosure was sent and received.

This procedure must be repeated as described above every time a threshold of a further 1% is crossed.

In the absence of disclosure in the conditions described above, all shares in excess of the threshold for which disclosure should have been made may lose their voting rights for any General Meeting

that may be held within a two-year period following the date on which the declaration is finally made, at the request of one or more shareholders together holding 5% or more of the share capital, such request being duly recorded in the minutes of the General Meeting.

In these same circumstances, voting rights attached to such shares for which proper declaration has not been made cannot be exercised by the shareholder at fault, nor may he delegate such rights to others.

In accordance with the legal regulations applicable, particularly article L. 228-2 of the French Commercial Code, the Company has the right to obtain at any time from the central securities depository in charge of the Company's share issue account the name, or corporate name in the case of a corporate shareholder, nationality, date of birth or formation and address of holders of securities carrying immediate or deferred voting rights at its own General Meetings, together with the number of securities held by each of them and the restrictions, if any, that may apply to those securities.

(1) Powers of the Supervisory Board, paragraph 2 in section 8.2.3 on the appointment or re-appointment of any Managing Partner.

8.3 MAJOR CONTRACTS



8.3.1 MAJOR CONTRACTS BINDING THE GROUP

In the two years immediately preceding publication of this Reference Document, the Company signed the following major contracts (other than those entered into in the normal course of business):

LAGARDÈRE TRAVEL RETAIL⁽¹⁾ AND SAVE ENTER INTO AND DEVELOP A PARTNERSHIP AS REGARDS AIREST

On 16 April 2014, Lagardère Travel Retail acquired a 50% stake from SAVE in Airst (the remaining 50% is held by SAVE) which operates more than 200 sales outlets in 11 countries, including at Venice and Treviso airports.

The agreement provided for the reorganisation of the Airst group through the demerger of the Italian and international activities from the Foodservice and Travel Retail activities at Venice and Treviso airports.

Lagardère Travel Retail and SAVE jointly control the two groups on a 50-50 basis.

For the Italian and international activities, the agreement provided for a put and call option on SAVE's 50% stake, which was exercised on 1 April 2015. However, the 50-50 partnership between Lagardère Travel Retail and SAVE at Venice and Treviso airports remained in place, guaranteeing a long-term commitment to the joint industrial project of developing the Venice and Treviso Airport Foodservice and Travel Retail activities.

SALE BY LAGARDÈRE ACTIVE OF TEN MAGAZINE PUBLISHING TITLES

As part of the strategic refocusing of its Press business, on 10 July 2014, Lagardère Active sold ten Magazine Publishing titles (*Be, Auto Moto, Union, Campagne Décoration, Maison & Travaux, Mon Jardin & Ma Maison, Le Journal de la Maison, Psychologies, Première* and the print version of *Pariscope*).

As a result:

- ▶ *Psychologies* (print and online versions) joined the 4B Media consortium, equally owned by four Belgian media groups (the Rossel group, Edition Ventures, the Deficom group and Ollidipoli);
- ▶ *Première* (print and online versions) joined the Rossel group;
- ▶ *Be, Auto Moto, Union, Campagne Décoration, Maison & Travaux, Mon Jardin & Ma Maison, Le Journal de la Maison* and the print version of *Pariscope* joined the listed group Reworld Media, which owns seven magazines in France (including *Marie-France* and *Télé Magazine*).

DISPOSAL BY LAGARDÈRE TRAVEL RETAIL⁽¹⁾ OF ITS SWISS PRESS DISTRIBUTION BUSINESSES

On 9 November 2014, Lagardère Travel Retail signed an agreement with a view to selling to Valora AG its 65% stake in Lagardère Services Distribution Suisse (LSDS), its Swiss press distribution and integrated retail subsidiary (180 sales outlets).

Under the terms of the agreement, Tamedia Publications romandes SA, a long-term shareholder in LSDS, also agreed to sell its 35% stake in LSDS.

The transaction was completed on 27 February 2015, and the consideration received (enterprise value) for the entire share capital of LSDS was €75 million plus cash and cash equivalents.

Lagardère Travel Retail retains the Duty Free and Fashion businesses in Switzerland.

LAGARDÈRE SELLS ITS DEUTSCHE TELEKOM SHARES

On 16 March 2015, the Lagardère group concluded the forward sale of the 2,836,835 Deutsche Telekom shares that it had held since the transfer of Club Internet to T-Online International in early 2000. T-Online International was folded into Deutsche Telekom in 2006.

The sale will be effective in June 2016. In the meantime, the Lagardère group will continue to own the shares.

A pre-tax capital gain of about €21 million will be recognised in the first-half 2016 financial statements.

The sale price was €45 million.

LAGARDÈRE ACQUIRES SPANISH AUDIOVISUAL PRODUCTION GROUP "GRUPO BOOMERANG TV"

On 27 May 2015, Lagardère Studios, a subsidiary of Lagardère Active and the leading French audiovisual production group, acquired a majority stake of 82% in Grupo Boomerang TV (Grupo BTV). The remaining stake is held by the three founding partners, who will continue in the day-to-day management of Grupo BTV.

Grupo BTV is one of Spain's leading independent audiovisual production groups (fiction and unscripted) and has begun to expand into several Latin American countries.

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

(1) Formerly Lagardère Services.

SALE BY LAGARDÈRE TRAVEL RETAIL⁽¹⁾ OF ITS US MAGAZINE DISTRIBUTION BUSINESS

In the context of its strategy aimed at focusing on growth businesses (Travel Retail), Lagardère Travel Retail pursued the divestiture of its Press Distribution business and, on 26 June 2015, sold its subsidiary Curtis Circulation Company, a leading US national distributor of magazines, to a venture composed of its management team.

ACQUISITION BY LAGARDÈRE OF THE PARADIES GROUP

On 11 August 2015, Lagardère signed an agreement, through its subsidiary HDS Retail North America, LP, to acquire the entire share capital of the Paradies group (a leader in airport Retail and Foodservice and Beverages in North America) from Freeman Spogli & Co., the Paradies family and other shareholders. The entire share capital of the Paradies holding company represents approximately 80% of the operating activities; in accordance with US regulations, Paradies' activities are operated in most airports by dedicated legal entities including minority partners, representing approximately 20% of the enterprise value of the Paradies group.

The transaction closed on 22 October 2015 for a purchase price of USD 530 million on a cash-free and debt-free basis.

The purchase price was paid in cash through a bridge loan that will be refinanced based on market conditions.

This acquisition combines the activities of the Paradies group and Lagardère Travel Retail in North America, and creates the third biggest operator on this regional segment. The transaction represents an important step in the strategic transformation of Lagardère Travel Retail, which will achieve critical mass in North America with a presence in around 100 airports.

DISPOSAL BY LAGARDÈRE TRAVEL RETAIL⁽¹⁾ OF ITS SPANISH PRESS DISTRIBUTION BUSINESSES

On 27 October 2015, Lagardère Services Distribution, a subsidiary of Lagardère Travel Retail, signed an agreement to sell its Spanish distribution subsidiary Sociedad General Española de Librería, Diarios, Revistas y Publicaciones, SA (SGEL) to Espronceda Investment, SL, a subsidiary of Springwater Capital, a private investment firm.

The transaction closed on 25 February 2016.

The transaction did not include Travel Retail activities (press, books, convenience, souvenirs, duty free and fashion stores, as well as foodservice) in Spain and Portugal, which remain part of Lagardère Travel Retail.

This transaction represents a further step in Lagardère Travel Retail's plan to sell its press distribution and integrated retail activities.

8.3.2 CONTRACTS INVOLVING MAJOR COMMITMENTS FOR THE WHOLE GROUP

Lagardère and/or its subsidiaries have also entered into a certain number of major contracts (other than those entered into in the normal course of business) involving an obligation or major commitment for the whole Group. The contracts concerned are the financing contracts referred to in Chapter 6, note 28 to the consolidated financial statements for 2015, particularly the following:

- ▶ on 31 October 2012, Lagardère SCA carried out a five-year €500 million bond issue on the Luxembourg stock market. The bonds are redeemable in 2017 and pay an annual coupon of 4.125%;
- ▶ on 10 September 2014, Lagardère SCA carried out a five-year €500 million bond issue on the Luxembourg stock market. The bonds are redeemable in 2019 and pay an annual coupon of 2%;
- ▶ On 11 May 2015, Lagardère SCA signed a €1.25 billion multi-currency syndicated credit facility for general corporate purposes. It replaces the previous €1.645 billion facility, signed in 2011. The new facility has a five year maturity, with two one-year extension options.

8.4 REAL ESTATE PROPERTY

The total net value of property, plant and equipment belonging to the Lagardère group is €986 million.

This includes the gross value of land (€251 million) and buildings (€556 million). The net book value of land and buildings is €490 million, i.e., approximately 5.90% of the balance sheet total, and includes two properties with net book value of €90 million at 31 December 2015, rented to third parties (in France and Spain).

In view of the nature of the Group's business activities, the value represented by real estate property is not significant.

(1) Formerly Lagardère Services.

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9

RECENT DEVELOPMENTS AND OUTLOOK

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9.1 RECENT DEVELOPMENTS (SINCE 1 JANUARY 2016)

AFR

9.1.1 SIGNIFICANT EVENTS

9.1.1.1 DISPOSAL BY LAGARDÈRE TRAVEL RETAIL OF ITS BELGIAN DISTRIBUTION BUSINESSES

On 4 February 2016, Lagardère Travel Retail's subsidiary Lagardère Services Distribution signed an agreement to sell its Belgian distribution and integrated retail subsidiaries to Bpost group. The two parties will also enter into a franchising agreement for the operation of the Lagardère group's brands such as Relay, Hubiz and So! Coffee in Belgium. The businesses covered by this planned divestment generated consolidated sales of €431 million in 2015.

The closing of the transaction is subject to clearance from the competition authorities.

9.1.1.2 AGREEMENT SIGNED TO ACQUIRE THE PUBLISHING BUSINESS OF PERSEUS BOOKS GROUP

On 29 February 2016, Lagardère Publishing's US division, Hachette Book Group, signed an agreement to acquire the publishing business of American publisher Perseus Books, from investment firm Centre Lane Partners.

The acquisition remains subject to clearance from the US competition authorities.

Perseus Books' circulation and distribution business is to be acquired by a third party in a separate disposal. Accordingly, on 3 March 2016, the Ingram Content group announced that it had

reached an agreement to acquire Perseus Books' circulation and distribution business, subject to various conditions precedent.

9.1.1.3 PIERRE LEROY AND THIERRY FUNCK-BRENTANO RE-APPOINTED AS CO-MANAGING PARTNERS OF LAGARDÈRE SCA

On the recommendation of the General Partners (Arnaud Lagardère and Arjil Commanditée-Arco) and having been approved by the Supervisory Board at its meeting of 9 March 2016, Arjil Commanditée-Arco, re-appointed as Managing Partner of Lagardère SCA for a further six years, will be represented by the following corporate officers for a term of six years:

- ▶ Arnaud Lagardère, Chairman and Chief Executive Officer;
- ▶ Pierre Leroy, Deputy Chairman and Chief Operating Officer;
- ▶ Thierry Funck-Brentano, Chief Operating Officer.

Accordingly, Pierre Leroy and Thierry Funck-Brentano are Co-Managing Partners of Lagardère SCA.

9.1.1.4 CHANGE IN CHIEF FINANCIAL OFFICER OF THE LAGARDÈRE GROUP

Further to the departure of Dominique D'Hinnin, Bruno Balaire has been appointed to take over as the Group's Chief Financial Officer in the coming weeks.

9.1.2 MAJOR CHANGES IN THE GROUP'S FINANCIAL AND COMMERCIAL POSITION

None.

9.1.3 TREND INFORMATION

A) LAGARDÈRE PUBLISHING

Business levels at the beginning of 2016 are down slightly on 2015, due in part to a lighter publication schedule, particularly in the United States, and the downturn in e-book sales in the United Kingdom. In view of the seasonality of the business, these trends are not material at this point and are partially offset by positive momentum in Spain and in sales of Partworks.

Business during the first half of the year is typically expected to be lower than in the second half.

B) LAGARDÈRE TRAVEL RETAIL

The beginning of the year was boosted by upbeat momentum in Travel Retail on the back of good levels of passenger traffic and network expansion. The decline in press distribution continues to weigh on the residual distribution activities.

Due to seasonal effects in the business, results tend to be lower in the first half than in the second half of the year.

C) LAGARDÈRE ACTIVE

The first quarter (especially January and February) is traditionally a low season and the trend in advertising revenue remains unclear at this stage.

Business levels at the beginning of the year are down slightly on 2015 due to an unfavourable comparison basis with first-quarter 2015, particularly in TV Production which benefited from a favourable delivery schedule one year earlier.

D) LAGARDÈRE SPORTS AND ENTERTAINMENT

As expected, business levels at the beginning of 2016 were down compared to those observed in 2015. This is mainly due to an unfavourable calendar in light of the continental football competitions held in Africa (Africa Cup of Nations) and Asia (AFC Asian Cup) at the beginning of 2015.

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

9.2 OUTLOOK

AFR

In 2016, Group recurring EBIT growth (recurring EBIT from Media and other activities) is expected slightly above 10% compared to 2015, at constant exchange rates and excluding any impact from any disposals of Distribution activities.

9.3 EARNINGS FORECAST

AFR

None.

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

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DOCUMENTS ON DISPLAY

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The persons responsible for this Reference Document confirm that during the validity period of this Reference Document the following documents will be freely accessible on the Company's website (www.lagardere.com) in the "Investor Relations – Regulated Information" section:

- ▶ annual financial reports/reference documents for the last ten years;
- ▶ interim financial reports for the last nine years;
- ▶ monthly information on the share capital and voting rights;
- ▶ information on share buybacks;
- ▶ description of share buyback programmes;
- ▶ General Meeting documents for the last ten years;
- ▶ the latest version of the Company's Articles of Association.



CROSS-REFERENCE TABLE FOR THE REFERENCE DOCUMENT

IN ACCORDANCE WITH ANNEX 1 OF EUROPEAN
REGULATION NO. 809/2004

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(*) Refers to chapter and section numbers of the Reference Document.

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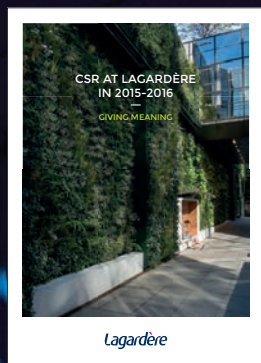
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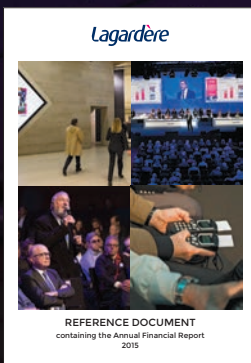
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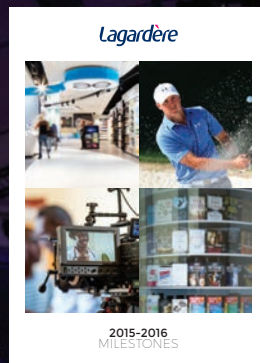
PUBLICATIONS



**CSR at Lagardère
in 2015-2016**



Reference Document
containing the Annual
Financial Report
2015



2015-2016 Milestones
Corporate Brochure



USB key
containing these publications
in English and French

These publications
are also available
in French.

→ www.lagardere.com

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the physical separation model (chain of custody
number 10-31-1222).



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