Lagardère

2014 FIRST HALF RESULTS

1st half in line with forecasts, which allows to confirm the guidance on Recurring Media EBIT[1] for 2014

- **2nd quarter 2014 net sales at €1,838 million, up +3.3%[2].**
- **H1 2014 net sales at €3,364 million (-1.2%[2]).**
- **Total recurring EBIT[3] at €113 million, up 8%.**
- **Adjusted net profit[4] – Group share: stable, at €33 million.**

A solid financial position

- **Net debt**: €1,091 million, with very good liquidity (€2.2 billion in available liquidity[5]).

Paris, July 31, 2014

The second quarter is showing a return to activity growth, with net sales up 3.3% reported and 0.1% like-for-like[6] (+1.4% excluding the effect of the end of tobacco sales in Hungary), which compares to the activity drop in the first quarter (-5.6% like-for-like).

Overall, in the first half of 2014, net sales evolution (-2.6% like-for-like) is due essentially to an unfavourable comparison effect with an especially strong first half of 2013 at Lagardère Publishing (publication of several best-sellers) and in Audiovisual Production (atypical delivery schedule in 2013), as well as a negative calendar effect at Lagardère Unlimited.

The good momentum in Travel Retail activities (+8.1% on a reported basis, +4.3% like-for-like), driven by the favourable trend in passenger traffic, development of Duty Free and Food Services, as well as the deployment of new concepts, allowed to partially offset the decline in printed press and the difficult advertising environment.

Excluding the impact of the end of tobacco sales in Hungary, already known, the Group's activity declined just -1.3% like-for-like in the 1st half.

> **Total recurring EBIT (Media and other activities) was €113 million, up 8% from end-June 2013.**
Total recurring EBIT from Media activities was €128 million. It shows a progression at Lagardère Services, Lagardère Active and Lagardère Unlimited, and includes the expected drop at Lagardère Publishing.

- **Lagardère Publishing**: Recurring EBIT down €20 million from an especially strong H1 2013.
- **Lagardère Services**: Recurring EBIT up €7 million, thanks to Travel Retail.
- **Lagardère Active**: Recurring EBIT up €2 million, with continued cost-savings plans.
- **Lagardère Unlimited**: Recurring EBIT positive, up slightly (€1 million). The closure of loss-making activities, as well as cost-savings programmes, more than offset the negative calendar effect.

> **Net profit – Group share was -€33 million due to high taxes (dividend tax).**

> **Adjusted net profit stood at €33 million, stable compared to the first half of 2013.**

[1] Four operating division's recurring EBIT before associates. See definition at the end of the press release.
[2] Reported.
[3] Recurring EBIT from the four operating divisions and other activities.
[4] Excluding non-recurring and non-operating items.
[5] Treasury, short term investments and authorized undrawn credit lines.
[6] At constant exchange rates and consolidation scope.

> **Net debt was €1,091 million at 30 June 2014, virtually stable compared to 30 June 2013 (€900 million) and up from 31 December 2013 (net cash position: €361 million surplus).** This is due essentially to the distribution of ordinary and exceptional dividends (€959 million), the change (traditionally negative in the 1st half) in Working Capital Requirement (WCR), and acquisitions made in the 1st half 2014.

I- NET SALES AND RECURRING EBIT

NET SALES

Lagardère's net sales for the first half of 2014 came out to €3,364 million, down slightly on a reported basis (-1.2%) and on a like-for-like basis (-2.6%).
The difference between reported and like-for-like data is primarily explained by a positive scope effect of €93 million (essentially due to acquisitions made in Travel Retail, TV Production and by Lagardère Publishing), partially offset by a negative exchange effect of -€45 million due to depreciation of the US, Australian and Canadian dollars.

	Net sales (in €m)		Change on a reported basis	Change on a like-for-like basis
	First Half 2013	First Half 2014		
LAGARDÈRE	**3,406**	**3,364**	**-1.2%**	**-2.6%***
Lagardère Publishing	917	903	-1.5%	-1.0%
Lagardère Services	1,814	1,852	+2.1%	-0.1%**
Lagardère Active	471	435	-7.7%	-10.0%
Lagardère Unlimited	204	174	-14.6%	-14.8%

*-1.3%, excluding the end of tobacco sales in Hungary.
**+2.4%, excluding the end of tobacco sales in Hungary.

Note a sharp improvement in trends over the 2nd quarter of 2014 for all divisions:

	Net sales (in €m)		Change on a reported basis	Change on a like-for-like basis
	Second quarter 2013	Second quarter 2014		
LAGARDÈRE	**1,779**	**1,838**	**+3.3%**	**+0.1%***
Lagardère Publishing	498	510	+2.7%	+2.5%
Lagardère Services	938	994	+6.0%	+0.6%**
Lagardère Active	249	233	-6.7%	-9.4%
Lagardère Unlimited	94	101	+6.8%	+6.4%

*+1.4%, excluding the end of tobacco sales in Hungary.
**+3.3%, excluding the end of tobacco sales in Hungary.

RECURRING EBIT BEFORE ASSOCIATES FROM INTEGRATED ACTIVITIES

Recurring EBIT from Media activities stood at €128 million. It is up at Lagardère Services, Lagardère Active and Lagardère Unlimited, and includes the expected drop at Lagardère Publishing, which had been exceptionally rich in best-sellers in the 1st half 2013.

	Recurring EBIT (€ millions)		Change (€ millions)
	First Half 2013	First Half 2014	
Lagardère Publishing	71	51	-20
Lagardère Services	29	36	+7
Lagardère Active	33	35	+2
Lagardère Unlimited	5	6	+1
MEDIA recurring EBIT	**138**	**128**	**-10**
Other activities	(33)	(15)	+18
TOTAL recurring EBIT	**105**	**113**	**+8**

> Lagardère Publishing

Net sales

Net sales of €903 million, down 1.5% on a reported basis and 1% like-for-like, with the difference explained by a negative exchange effect (-€12 million), partially offset by a positive scope effect.
In the first half of 2014, as expected, activity was marked by an unfavourable comparison effect, related to the very good performance posted in the first half of 2013, in France in particular.
Nevertheless, the second quarter showed better figures, at +2.5% on a like-for-like basis.

In France in the 1st half 2014, activity was down 9% compared to the first half of 2013, which benefited from the publication of Volumes 2 and 3 of the *Fifty Shades* saga, the biography *I am Zlatan Ibrahimovic*, the publication of the novel *La première chose qu'on regarde* by Grégoire Delacourt, and Dan Brown's *Inferno*.
In the United States, activity was up (+5.6%) thanks to the integration of Hyperion (acquisition of a catalogue) and the takeover of Disney's distribution activity. Note, too, the good performances in General Literature, with the publication of *The Silkworm* by R. Galbraith (J.K. Rowling), several reorders of *The Goldfinch* (D. Tartt) and *Lone Survivor* (M. Luttrell), and the release in theatres of the movie adaptation of *The Monuments Men*, which supported the sales of R. Edsel's book published by the Group.
In the United Kingdom, activity was up slightly (+1.1%), with good performances in General Literature, driven by successful releases and momentum in e-books, as well as Education.
In Spain/Latin America, activity was down (-6.7%), due specifically to delays in the implementation of curricular reforms.
Partworks activities (+7%) continued to do very well notably in Russia, Japan, Germany and France, thanks to launches of successful collections at end 2013.

The transition to digital seems to be stabilising: the weight of e-books in Lagardère Publishing's total net sales remained stable, at 11.3%, as at end-June 2013. This transition is still limited to the General Literature segment, and solely in English-speaking countries. However, we are seeing divergent market trends:

- in the United States, in a zero growth digital market (slowdown seen since 2013), net sales of e-books were down (29% of net sales for Trade vs. 34% at end-June 2013), with a limited impact from Amazon's punitive measures;
- in the United Kingdom, e-books still showed sustained growth, with 36% of net sales in Adult Trade vs. 31% at end-June 2013.

The negative comparison effect with 2013 should continue into the second half 2014, in General Literature and in Education (absence of curricula reforms).

Recurring EBIT before associates

Lagardère Publishing posted a €51 million recurring EBIT before associates, down €20 million compared to the 1st half 2013. This evolution is mainly due to the decrease in French activities profitability.

> Lagardère Services

Net sales

Net sales of €1,852 million in the first half of 2014, up on a reported basis (+2.1%) and stable on a like-for-like basis (-0.1%). The difference between these two changes is due to a positive scope effect (€71 million) resulting from the acquisitions made in Travel Retail (Gerzon in Amsterdam and Airest in Italy, primarily), partly offset by a negative exchange effect (-€30 million).
Excluding the impact of the end of tobacco sales in Hungary (impact that will disappear on the 2nd half), the division grew 2.4% like-for-like over the half-year, with an acceleration over the 2nd quarter (+3.3%, after a first quarter at +1.5%).

The activity mix of the division continues the transition begun with Travel Retail now making up 63% of the total (four points higher than H1 2013), vs. 37% for LS distribution (Press Wholesale Distribution and Integrated Retail).

In the first half of 2014, **LS travel retail**'s business was up 8.1% on a reported basis, and +4.3% like-for-like. Performance was driven by growth in passenger traffic, consolidation of acquisitions, development of Duty Free and Food Services, extension of networks and deployment of new concepts. **Note an upturn in growth in Travel Retail in the second quarter, which posted +13.4% growth on a reported basis (+5.2% like-for-like).**

In France, activity rose slightly over the half-year (+0.2%) with good performance by the Duty Free and Food Services segments, which offset the decline in print media markets at Relay, the impact of shops closings for modernisation works as well as strikes on the SNCF network in June.
In Europe (excluding France), Italy posted excellent performances (+26%), with the ramping-up of activities in the Rome airports. Germany posted a +5.7% growth, with in particular the development of the network in Food Services. The UK was up 4.2% with the recovery in passenger traffic.
In Central Europe, sales were still showing a significant increase (+5% in the Czech Republic, driven by growth in Food Services and Duty Free, +4.2% in Romania, +18.5% in Bulgaria).
Activity was up sharply in North America (+9.7%): the disposal of the high-street press retail stores has been largely offset by growth at airports.
Growth was significant in Asia-Pacific (+10.7%), in China and Singapore thanks to the sustained development of fashion activities, as well as in Australia, driven by Duty Free development.

LS distribution activities declined by -6.6% on a like-for-like basis in the first half 2014, but only by -0.5% when excluding the impact of the end of tobacco sales in Hungary; diversification efforts and market consolidation virtually offset the decline in the print press market.

Recurring EBIT before associates

Recurring EBIT before associates was €36 million, up €7 million, and the operating margin rose 0.3 points to 1.9%.
Recurring EBIT for Travel Retail advanced €8 million, with continued improvement in the product and segment mix (development of Duty Free and Food Services), the successful launch of new concepts, and the integration of acquisitions.
Recurring EBIT for Distribution was down €1 million. This is wholly due to the end of tobacco sales in Hungary, which had a -€2 million impact. Excluding that factor, LS distribution's EBIT rose +€1million, benefiting from diversification efforts, restructuring, non-recurring items and ongoing cost control.

> Lagardère Active

Net sales

Net sales totalled €435 million, down 7.7% on a reported basis and down 10% on a like-for-like basis. The difference between reported and like-for-like sales is mainly due to a positive scope effect (+€11 million), associated with the acquisition of Groupe Réservoir (TV Production in France).
Activity was affected by an unfavourable comparison with H1 2013, which featured an atypical delivery schedule in Audiovisual Production. Excluding that activity, net sales were down a mere 5.6%. Net sales for advertising fell 5.9% for the division as a whole.
Second-quarter trends were in line with first quarter trends.

Magazine Publishing - France was down 6.6% due to the shrinking advertising revenues (-10.7%) and in spite of circulation that showed some resiliency (-2.3%), thanks notably to cover prices increases.
Radio posted mixed performances (-0.8%) with an upturn at Europe 1 and international, while music radio in France was down.
As expected, Audiovisual Production fell significantly (-42.4%), which was explained by an atypical delivery volume in H1 2013 and should be made up during the second half.
In digital activities: the LeGuide group continued to face the competition of Google, but managed to post better numbers in the second quarter (diversification of revenue sources and traffic). BilletReduc confirmed its activity's good health.

Recurring EBIT before associates

Recurring EBIT before associates showed modest gains, at €35 million, with notably continued cost-savings plans, which enabled a +1 point gain in operating margin, at 8%.

> Lagardère Unlimited

Net sales

Net sales totalled €174 million, down 14.6% on a reported basis and down 14.8% on a like-for-like basis. The difference between these two changes is due to a positive scope effect (+€3 million), partially offset by a negative exchange effect.
The activity's trend is explained by an unfavourable calendar effect, due essentially to the non-occurrence of the ACN[7] in 2014 and a lighter schedule on the AFC[8] contract (no qualifying matches for the soccer World Cup).

[7] Africa Cup of Nations.

Note, too, the phased closure of activities related to major media rights contracts in Europe managed by Sportfive International.
These elements were partially offset by good performances on Marketing activities and Hospitality, driven by the soccer World Cup, as well as the development of golf-related activities (organisation of the Nordea Masters competition).
Trends improved during the second quarter (+6.4% like-for-like), with a reduced calendar effect.

Recurring EBIT before associates

Recurring EBIT was up €1 million, to €6 million. The cessation of loss-making activities (notably Media rights at Sportfive International) as well as cost-savings programmes more than offset the negative calendar effect.
Results were in line with the recovery plan for the division.

> Other activities

Recurring EBIT before associates from other activities was -€15 million, an improvement of €18 million compared to the first half of 2013, which included the €15m provisioning of the bonus paid to the Group's employees after the exceptional distribution of dividends due to the disposal of EADS stake.

II- MAIN INCOME STATEMENT DATA

€m	First Half 2013	First Half 2014
Net sales	3,406	3,364
Total recurring EBIT before associates	**105**	**113**
Income (loss) from associates*	(2)	1
Non-recurring/non-operating items	1,489	(47)
EBIT	**1,592**	**67**
Net interest expense	(55)	(38)
Profit before tax	**1,537**	**29**
Income tax expense	(46)	(58)
Total net profit (loss)	**1,491**	**(29)**
Minority interests	(8)	(4)
Net Profit (loss) – Group share	**1,483**	**(33)**

*Before impairment losses.

CONTRIBUTION FROM ASSOCIATES

Income from associates (excluding impairment losses) was +€1 million, up from -€2 million at end-June 2013.

NON-RECURRING/NON-OPERATING ITEMS

Non-recurring/non-operating items totalled -€47 million, and mainly comprised:

- -€22 million in restructuring charges;
- -€21 million in amortisation of intangible assets and costs related to acquisitions of consolidated companies, -€13 million of which was related to concessions at Lagardère Services.

EARNINGS BEFORE INTEREST AND TAX

At 30 June 2014, EBIT totalled €67 million, down from €1,592 million at 30 June 2013, which included the capital gains on the sale of the stake in EADS.

NET INTEREST EXPENSE

Net interest expense was -€38 million, down €17 million from 30 June 2013 (which included the costs associated to the partial buyback of the bond loan maturing in October 2014).

(8) Asian Football Confederation.

INCOME TAX EXPENSE

Income tax expenses came to €58 million, including €28 million in taxes on the distribution of dividends. This income tax expense is up €12 million from 30 June 2013, which included €31 million in profit from a deferred tax liability associated with the depreciation of Magazine Publishing's titles.

Factoring in all these items, total net profit came out to -€29million, -€33 million of which is attributable to the Group and +€4 million to minority interests.

ADJUSTED NET PROFIT – GROUP SHARE

Adjusted net profit – Group share (which excludes non-recurring/non-operating items) **came to €33 million,** stable compared to the first half of 2013.

(€m)	**First Half 2013**	**First Half 2014**
Net profit (loss) attributable to the Group	**1,483**	**(33)**
Amortisation of acquisition-related intangible assets and other acquisition related expenses*	+10	+17
Impairment losses on goodwill, tangible and intangible fixed assets*	+263	+2
Restructuring costs*	+12	+17
Gains/losses on disposals*	-1,788	+2
Tax contribution on dividends paid to shareholders	+40	+28
Exceptional bonus for employees*	+13	/
Adjusted net profit	**33**	**33**

*Net of tax.

III- OTHER FINANCIAL DATA

TOTAL CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES

(€m)	**First Half 2013**	**First Half 2014**
Cash flow from operations before interest and tax	**178**	**136**
Changes in working capital	(91)	(201)
Cash flow from operations	**87**	**(65)**
Interest paid & received, and income taxes paid	(98)	(61)
Cash generated by/(used in)operating activities	**(11)**	**(126)**
Acquisition of property, plant & equipment and intangible assets	(163)	(98)
Disposal of property, plant & equipment and intangible assets	1	7
Free cash flow	**(173)**	**(217)**
Acquisition of financial assets	(47)	(201)
Disposal of financial asset	2,381	27
(Increase)/decrease in short-term investments	14	/
Net cash from operating & investing activities	**2,175**	**(391)**

Cash flow from operating activities came to -€126 million in the first half of 2014.

- **Net cash flow was down to €136 million,** reflecting the decrease in amortization of sports rights at Lagardère Unlimited, as well as the disbursement of restructuring expenses, notably at Lagardère Active.
- **The change in working capital requirement (WCR)**, traditionally negative in the first half, was -€201 million, down from an atypical 1st half 2013. This evolution is largely due to the negative seasonal change at Lagardère Publishing, with an increase in advances to authors in the US (renewal of multi-title contracts) and the payment of debts to authors in France (royalties on 2013 best sellers). A negative evolution is also to be noticed at Lagardère Unlimited, due to the high level of cash collected in the 1st half 2013 on the IOC contract at Sportfive International.
- **Interests paid** (net of interests received) are down, at -€4 million, vs. -€28 million at end-June 2013, which included the partial redemption of the bond issued in 2009.
- **Taxes paid** were also down, at -€57 million vs. -€70 million in H1 2013, which included a higher additional contribution on dividends paid (€40 million in 2013 vs. €28m in 2014).

Investment flows were higher, at €299 million.

- **Investments in tangible and intangible assets totalled €98 million**, down by €65m from H1 2013, due in large part to the strong decrease in sports rights acquisitions by Lagardère Unlimited.
- **Financial investments amounted to €201 million**, up €154 million from H1 2013, from acquisitions by Lagardère Publishing (Quercus and Constable & Robinson in the UK), Lagardère Services (Gerzon in Amsterdam, Airest Group in Italy), and Lagardère Unlimited (Casino de Paris).

Financial asset disposals totalled €27 million. These came from disposals of stakes held in Because by Lagardère Active, and Viel & Compagnie shares (in other activities).

In all, **the sum of operating and investment flows represents a net disbursement of €391 million** compared to a net collection of €2,175 million at 30 June 2013, which included €2,381 million in asset disposals (EADS and Amaury mainly).

FINANCIAL POSITION

Net debt was €1,091 million at 30 June 2014, stable compared to 30 June 2013 (€900 million) and up from 31 December 2013 (net cash position: €361 million surplus). This is due essentially to the distribution of ordinary and exceptional dividends (€959 million), the negative change in WCR in H1 2014, and acquisitions made.

The Group's liquidity position is still solid, with €2,184 million in available liquidity (available cash and short-term investments reported on the balance sheet totalling €539 million and authorised but undrawn credit lines of €1,645 million). The debt repayment schedule remains balanced, with the first major due date in October 2014 (repayment of the remaining amount of the bond issued at end-2009, for €640 million).

IV- OUTLOOK - GUIDANCE

GUIDANCE ON RECURRING EBIT BEFORE ASSOCIATES FROM MEDIA ACTIVITIES CONFIRMED

The performance in the first half, in line with forecasts, as well as the outlook for the second half enable to confirm the Recurring Media EBIT for 2014 as announced last March.
Thus in 2014, recurring EBIT from Media activities is expected to grow another 0% to 5% compared to 2013 (at constant exchange rates and excluding the effect of the potential disposal of Distribution activities).

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INVESTOR CALENDAR

- **Announcement of Q3 2014 sales** on 13 November 2014 at 5:35 p.m.

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DEFINITION OF RECURRING MEDIA EBIT

Recurring Media EBIT of consolidated companies is defined as the difference between income before interest and tax and the following items of the income statement:

- contribution of associates;
- gains or losses on disposals of assets;
- impairment losses on goodwill, property, plant and equipment and intangible assets;
- restructuring costs;
- items related to business combinations:
    - expenses on acquisitions;
    - gains and losses resulting from acquisition price adjustments;
    - amortisation of acquisition-related intangible assets.

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The teleconference to present the results is being rebroadcast live today on the web:
www.lagardere.com

Lagardère is a world-class diversified media group (Book and e-Publishing; Travel Retail and Distribution; Press, Audiovisual, Digital and Advertising Sales Brokerage; Sports and Entertainment).
Lagardère shares are listed on Euronext Paris.

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Please refer to the most recent Reference Document (Document de référence) filed by Lagardère SCA with the French Autorité des marchés financiers for additional information in relation to such factors, risks and uncertainties.
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