



## PRESS RELEASE

### Quarterly information – Third quarter 2012

**Third-quarter 2012 net sales almost stable: €1,963 million (down 0.4% like-for-like<sup>(1)</sup>).**

**Recurring EBIT<sup>(2)</sup> from Media activities guidance for 2012 confirmed.**

Paris, November 13, 2012

#### Third-quarter 2012

The Lagardère group's activity held up well, notably thanks to a return to sales growth at Lagardère Publishing and continued development in Travel Retail at Lagardère Services.

Net sales evolution in line with first half trends, in a more challenging environment.

In this context, the Group is maintaining its 2012 Recurring EBIT from Media activities guidance (see page 5).

**Third-quarter net sales came out to €1,963 million, almost stable (-0.4% like-for-like and -1% on a reported basis).** The negative scope effect amounted to €46 million and was offset by a positive foreign exchange effect (€35 million).

- **Lagardère Publishing:** growth resumption, with net sales of €626 million (up 4.2% on a reported basis, up 0.1% like-for-like). As announced previously, activity recovered in the third quarter, with General Literature rising sharply in France (+12.4%), the United Kingdom (+17%) and the United States (+7.3%), particularly thanks to the release of J.K. Rowling's latest novel *The Casual Vacancy*.
- **Lagardère Active:** net sales of €222 million, down 11.5% like-for-like and down 17% on a reported basis. This difference is primarily due to negative scope effect associated with the sale of the final components of International Magazine Publishing (PMI) and Radio businesses in Russia. Excluding this effect, the slowdown in activity was mainly due to temporary delivery shifts to year-end for TV Production activities and to a contraction in the advertising market.
- **Lagardère Services:** net sales totalled €1,008 million, almost stable on a reported basis (-0.3%) but up 2.1% like-for-like. In line with its development strategy, Travel Retail rose 7.7%, continuing its growth trend, while Distribution activities declined (-4.1%).
- **Lagardère Unlimited:** net sales of €107 million, up 4.1% on a reported basis, but down 3.2% like-for-like, primarily due to a less favourable sport event schedule.

<sup>(1)</sup>At constant scope and exchange rates.

<sup>(2)</sup>Recurring EBIT before associates. See definition at the end of the press release.

## At September 30, 2012

Net sales totalled €5,352 million and were stable on a like-for-like basis (-0.3%), but declined on a reported basis (-6.2%). The difference between like-for-like and reported data is primarily due to a negative scope effect of €414 million, notably caused by Lagardère Active's disposals of PMI, and Radio activities in Russia in 2011 and, to a lesser extent, Relay's businesses at Aéroports de Paris now being consolidated using the equity method. This scope effect was partially offset by a positive foreign exchange effect of €76 million.

### I. GROUP CONSOLIDATED NET SALES AND ACTIVITY

	Net sales (in €m)		Change	
	At September 30, 2011	At September 30, 2012	Reported change 2012/2011	Like-for-like change 2012/2011
<b>LAGARDÈRE</b>	<b>5,706</b>	<b>5,352</b>	<b>-6.2%</b>	<b>-0.3%</b>
Lagardère Publishing	1,501	1,531	2%	-1.4%
Lagardère Active	1,074	672	-37.5%	-6.3%
Lagardère Services	2,815	2,829	0.5%	2.3%
Lagardère Unlimited	316	320	1.4%	-4.5%

	Net sales (in €m)		Change	
	Q3 2011	Q3 2012	Reported change 2012/2011	Like-for-like change 2012/2011
<b>LAGARDÈRE</b>	<b>1,982</b>	<b>1,963</b>	<b>-1%</b>	<b>-0.4%</b>
Lagardère Publishing	601	626	4.2%	0.1%
Lagardère Active	267	222	-17%	-11.5%
Lagardère Services	1,011	1,008	-0.3%	2.1%
Lagardère Unlimited	103	107	4.1%	-3.2%

#### **> Lagardère Publishing**

Net sales at September 30, 2012 totalled €1,531 million, -1.4% on a like-for-like basis, an improvement compared to June 30, 2012 (-2.4%). A solid performance by General Literature in the third quarter enabled to improve net sales trend, as announced for the second half of 2012.

#### **Third-quarter 2012:**

Sales increased 4.2% on a reported basis and 0.1% like-for-like. The difference is mainly due to a positive foreign exchange effect of €26 million, attributable to the US dollar and pound sterling.

Of note during the third quarter was the stellar performance by General Literature, which was driven particularly by the late-September publication of J.K. Rowling's novel *The Casual Vacancy* in English and French.

The success of EL James' novel *Fifty Shades of Grey* sales, published in France by the Group's division, is not included in the third-quarter figures: these sales will be included in the fourth quarter.

This solid performance by General Literature was somewhat mitigated by the slowdown seen in Education across all markets (France, Spain and the United Kingdom).

In France: The excellent performance posted by General Literature (+12.4%), following the success of novels by J.K. Rowling, Michael Connelly's *The Reversal* and Grégoire Delacourt's *La Liste de mes envies*, does not offset entirely the difficult trends in Education (-5.9%), with the education programme renewal effect being more limited this year.

Distribution trends were also fairly poor.

Overall activity was down (-3.8%).

In English-speaking countries: General Literature rose sharply in the United States (+7.3%) and the United Kingdom (+17%), with the publication of J.K. Rowling's novel in these two markets and a generally strong schedule of new releases in the United Kingdom.

In Spain: activity declined (-5.4%) in trade and to a lesser extent in Education on the Spanish market, partially offset by a significant rise in activity on the Mexican market.

Solid performance by Partworks (+2.6%), which are enjoying major success in Japan and the United Kingdom, should also be noted.

**E-books** continued their rise and accounted for 20% of total third-quarter Adult trade book sales in the United States and 20% in the United Kingdom, thereby representing 6.4% of total net sales in the Lagardère Publishing division. The relative decline in e-books proportion compared to first half is due to timing differences between the recognition of physical book sales and digital sales, regarding mainly J.K. Rowling's book copies.

## > **Lagardère Active**

Net sales totalled €672 million as of the end of September 2012, down 6.3% like-for-like and down 37.5% on a reported basis. The difference between reported and like-for-like sales is mainly due to a negative scope effect of €357 million, primarily associated with the sale of PMI and Radio activities in Russia.

The decline in activity over the first nine months of the year is largely due to a sharp contraction in the advertising market (with advertising revenues down 7.4% over the period), in addition to negative comparison effect for circulation (*see below*). Note, however, that the Group's division is showing greater resilience in circulation than the market as a whole, thanks to its brands' leading positions in the women's high-end segment.

### **Third-quarter 2012:**

Net sales totalled €222 million, down 11.5% on a like-for-like basis. There was a more marked downturn this quarter on advertising, down 8.6%.

Magazine Publishing: the decline in net sales (-7%) is primarily due to the drop in advertising (-8%) and circulation (-9%) revenues. This decline in circulation is partially explained by an unfavourable basis for comparison, since the third quarter of 2011 had benefited from a highly eventful season. However, the women's high-end segment (*Elle*) held up well, with, in addition, the overhaul of *Be* magazine, which was well-received by advertisers.

Radio: the worsening advertising environment in France explains the drop in sales by Radio in France (-7.3%), specifically music radio. International radio activity also declined substantially (-13.6%).

TV production: The delays in delivery schedule, that weighted on the third quarter, should be offset at year's end with deliveries scheduled for the fourth quarter, specifically the series of *Transporter, the series, Borgia* (season 2) and *Jo* (starring Jean Reno). Overall, activity was down 35%.

TV channels are still posting a positive dynamic (+3.7%).

Digital activities are down (-9.5% on a like-for-like basis) due to the adverse developments at NextIdea, which was sold off by the Group's division in September. For LeGuide.com, growth continues, with activity up +10.5% in the third quarter. LeGuide.com activities were consolidated starting July 1<sup>st</sup> and accounts for €10 million of Lagardère Active's third-quarter sales.

## > Lagardère Services

Net sales totalled €2,829 million at September 30, 2012, up 0.5% on a reported basis or 2.3% on a like-for-like basis. The difference is explained by a scope effect (-€59 million) notably due to the move to the equity method when consolidating Relay's businesses at Aéroports de Paris and, to a lesser extent, for Duty Free in Lyon. The foreign exchange effect was slightly positive (+€10m).

Over the first nine months of the year, activity benefited from the solid dynamic of Travel Retail, up 8.6% in all geographic areas. Growth was especially strong in France in Duty Free (+17.4% for Aelia) and Central Europe (+17.3% in Poland), but also in the United Kingdom (+12.5%) and in Germany (+10.7%). Asia posts strong growth figures (+33%) thanks to the extension of the network.

### **Third-quarter 2012:**

Net sales totalled €1,008 million, down 0.3% on a reported basis and up 2.1% like-for-like. Continued evolution of the division's activity mix, with Travel Retail totalling now 56% of net sales (+3 points compared to 3<sup>rd</sup> quarter 2011), versus 44% for LS distribution (Integrated retail and Press wholesale distribution).

#### LS travel retail:

Travel Retail posted 7.7% growth, driven by the good trend in airport activities, especially in France (+15.9% with modernization of points of sale in Paris and the good performances of travel retail platforms in the provinces) and Eastern Europe (+14.6% in Poland, thanks to good performances by Duty Free and development of foodservice activities). Business grew sharply in Asia (+27%), thanks to the development of new concepts in Singapore and new concessions won in Malaysia.

#### LS distribution:

Distribution was down 4.1% due to the structural decline in print products and the economic crisis in Spain.

Activity trend is slightly improving compared to the first half, thanks to a favourable comparison effect especially in the United States and Switzerland.

Hungary and Canada recorded respectively +4.2% and +3.2% growth thanks to diversification efforts.

## > Lagardère Unlimited

Net sales at September 30, 2012 totalled €320 million, up on a reported basis (+1.4%), and down on a like-for-like basis (-4.5%). This is essentially explained by the sporting events calendar: the non-occurrence of the Asian Cup in 2012 was only partially offset by the Olympic Games qualifying matches, the ACN<sup>(3)</sup> and good performances on soccer clubs in Germany.

### **Third-quarter 2012:**

Net sales stand came out to €107 million, up on a reported basis (+4.1%) and down on a like-for-like basis (-3.2%), with the difference reflecting positive scope and foreign exchange effects.

Good performance by Sportfive, with net sales up 8.4%, due to the good performance of European federations' activities (qualifying matches for the 2014 World Cup).

These positive trends were offset by a lag in sports events in Asia in the fourth quarter, as well as difficult conditions in the US, which had a negative impact on attendance and sponsorship revenues.

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<sup>(3)</sup>Africa Cup of Nations.

## II. Key events since June 30, 2012

- On October 17, 2012, Lagardère launched a **bond issue totalling €500 million** with five-year maturity (October 2017) and a 4.125% annual coupon. About €118 million of the proceeds from that issue have already been allocated to reducing the amount of the €1 billion bond maturing in October 2014. The balance is allocated to the partial repayment of amounts drawn on the syndicated bank loan.
- **Lagardère Services consolidates its position in Duty Free** with the acquisition on September 28, 2012, of the activities of AdR Retail, enabling LS travel retail to become the exclusive operator of eight duty free/duty paid shops in Rome's airports (Fiumicino and Ciampino). This acquisition, on a major tourist location, represents a significant growth potential, with notably important retail space extensions throughout the duration of the contract, including +50% in 2013. Lagardère Services became thus the N°2 in Europe on this business sector. Furthermore, Lagardère Services made an entrance in July in the core duty free market in the Pacific region with the acquisition of DFS Wellington in Australia and New-Zealand.
- **In September 2012, Lagardère Active launched an additional bid for the shares of LeGuide.com**, the leading online shopping comparator, of which it has already owned 61.4% of the capital since June 2012. Per this additional bid, the Group thus holds 96.5% of the company's capital in all, for a total amount of €74 million, net of acquired cash.
- On September 19, 2012, Lagardère Publishing agreed to an amicable settlement of the lawsuit brought by the European Commission regarding the **distribution of e-books**. As was the case in the United States a few months earlier with the US Department of Justice (DoJ), Lagardère Publishing has committed to renegotiating its agency contracts with distributors to allow them more flexibility in setting sale prices for a two-year period.

## III. Outlook

### ➤ Profitability

With the third-quarter trends and the year-end outlook, the Group maintains the target Recurring EBIT from Media activities, per the terms set out on March 8: not including the two components described below, and at constant scope (not including PMI and Radio activities in Russia) and exchange rates, 2012 Recurring EBIT from Media should be stable compared to 2011.

The two factors not included in this target, which concern Lagardère Unlimited, are as follows:

- provision for risk related to the contract with the IOC, of which €22 million was contracted in the first half;
- the potentially positive settlement of the dispute with the Board of Control for Cricket in India.

### ➤ Financial Position

The Group's financial position remains solid, with good liquidity and diversified financing sources. The bond issue launched in October 2012 has consolidated this situation, extended the average debt maturity, and further balanced out the repayment schedule.

Net debt is predicted to rise slightly at year's end versus end 2011, due to the financial investments made (acquisition of LeGuide.com for €74 million and AdR Retail for €229 million). On the other hand, working capital requirements are enjoying a favourable seasonal effect, as usual in the second half of the year, specifically for Lagardère Publishing.

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## **Investor calendar**

- **Announcement of 2012 net sales**

2012 full-year net sales will be released on February 7, 2013 at 8:00 a.m. A conference call will be held at 10:00 a.m. on the same day.

- **Announcement of 2012 full-year results**

2012 full-year results will be released on March 7, 2013 at 5:35 p.m. A presentation meeting will take place on the same day at 5:45 p.m.

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## **DEFINITION OF RECURRING MEDIA EBIT**

Recurring Media EBIT of consolidated companies is defined as the difference between result before financial charges and tax and the following items of the profit and loss 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;
  - amortization of acquisition-related intangible assets.

*Lagardère is a world-class pure-play media group (Book and e-Publishing; Press, Audiovisual, Digital and Advertising Sales Brokerage; Travel Retail and Distribution; Sport Industry and Entertainment).*

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

*Lagardère shares are listed on Euronext Paris.*

### **Important Notice:**

*Some of the statements contained in this document are not historical facts but rather are statements of future expectations and other forward-looking statements that are based on management's beliefs. These statements reflect such views and assumptions as of the date of the statements and involve known and unknown risks and uncertainties that could cause future results, performance or future events to differ materially from those expressed or implied in such statements.*

*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.*

*Lagardère SCA disclaims any intention or obligation to update or review the forward-looking statements referred to above. Consequently Lagardère SCA is not responsible for any consequences that could result from the use of any of the above statements.*

## **Press Contacts**

Thierry FUNCK-BRENTANO                      tel. +33 (1) 40 69 16 34                      [tfb@lagardere.fr](mailto:tfb@lagardere.fr)

Ramzi KHIROUN                                tel. +33 (1) 40 69 16 33                      [rk@lagardere.fr](mailto:rk@lagardere.fr)

## **Investor Relations Contact**

Anthony MELLOR                                tel. +33 (1) 40 69 18 02                      [amellor@lagardere.fr](mailto:amellor@lagardere.fr)